

## China

# Customs AEO Mutual Recognition Agreement between China and Switzerland

**Compiled by:**

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The AEO (Authorized Economic Operator) concept is based on the Customs-to-Business partnership introduced by the World Customs Organisation (WCO, [www.wcoomd.org](http://www.wcoomd.org)). An Authorized Economic Operator (AEO) is defined by the WCO SAFE Framework of Standards 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. AEOs include inter alia manufacturers, importers, exporters, brokers, carriers, consolidators, intermediaries, ports, airports, terminal operators, integrated operators, warehouses and distributors. AEO system is the core institution of the "Framework of Standards to Secure and Facilitate Global Trade". Every country may establish its own AEO concept according to the standards.

Federal Customs Administration of Switzerland (FCA, [www.ezv.admin.ch](http://www.ezv.admin.ch)) starts to accept the submission of AEO applications since June 2011, so far 104 Swiss companies have been certified, and over 30 applications are in the pipeline.

The General Administration of Customs of China (GACC, [www.customs.gov.cn](http://www.customs.gov.cn)) joined WCO SAFE Framework in 2005 and the first AEO-Program was developed in 2008. The current Chinese Customs AEO system is based on the two relevant regulations: "Interim Measures of the General Administration of Customs of the People's Republic of China for Enterprise Credit Management" (IMECM) and the "Criteria of Certified Enterprises of Customs Administration", effective as of 1<sup>st</sup> of December 2014.

IMECM of Chinese Customs is a mechanism to determine the status of an enterprise from four categories:

1. Advanced Certified Enterprise (ACE) (approx. 3300 Chinese enterprises)
2. General Certified Enterprise (GCE) (approx. 35000 Chinese enterprises)
3. General-credit enterprise
4. Discredited enterprise

With the introduction of new AEO classification system, China's AEO system comes into closer alignment with AEO legislations outlined in the WCO framework leading to greater mutual recognition with other countries.

In January 2017 the Chinese and Swiss Customs have reached agreement on the AEO Mutual Recognition, which comes into force on 1<sup>st</sup> of September 2017. Besides of Switzerland, China has concluded mutual AEO agreements with Singapore, the Republic of Korea, Hong Kong, the European Union, New Zealand and Taiwan.

At present only the Advanced Certified Enterprises (ACEs) are included in the "Mutual Recognition" between China and Switzerland. According to the statistic of Chinese Customs, there are about 22300 Chinese enterprises trading with Switzerland, roughly 1000 are Advanced Certified Enterprises, contributing 20% of total Sino-Swiss trade value. The Chinese customs will grant a manufacturing ACE the status as "Approved Exporter" under Sino-Swiss Free Trade Agreement.

The mutual AEO agreement will reduce technical barriers to trade and facilitate trade for the holders of AEO status. The customs authorities regard companies with AEO status as exceptionally reliable and trustworthy. AEOs enjoy special privileges in respect of security-related customs controls and benefit from simplifications with regard to customs clearance.

Facilitations accorded to AEOs by Chinese customs include:

- Priority in Inspection and Release, for example:
  - Respectively low inspection rate
  - Simplified examination of documentation
  - Priority in processing import and export clearance formalities
  - Customs clearance priority in the trade resumption from the trade disruptions
- Designated Customs Coordinator
- Exemption from Customs Duty Deposit System

Facilitations accorded to AEOs by Swiss customs include:

- Fewer physical and document-based controls than other economic operators
- The customs authorities may notify the AEO before the arrival of goods that the consignment has been selected for further physical inspection, as long as this does not adversely affect the inspection to be carried out
- Inspections of AEO consignments shall be given priority
- Inspections may be carried out in a place other than that in which the authority normally carries out its inspections

After the agreement becomes operational, both customs authorities will exchange the AEO list, the importer is required to declare the AEO code of the supplier correctly to enjoy the AEO benefits. The customs clearance time for AEOs on both sides is expected to be cut by 30% to 50%, which will reduce logistics costs and further boost bilateral trade and economic cooperation. It's recommended, that Swiss companies could consider cooperating with an Advanced Certified Enterprise (ACE) for a safe and smooth trade. The complete list of Advanced Certified Enterprises is published by Chinese Customs at the "Credit Publicity Platform of Import & Export Business" <http://credit.customs.gov.cn/>

## Sources:

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The General Administration of Customs of China (GACC) Decree No. 225 - Interim Measures of the General Administration of Customs of the People's Republic of China for Enterprise Credit Management (effective as of 1<sup>st</sup> of December 2014):

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