

Sino-Russian Customs Cooperation under the Background of the Belt and Road Initiative

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This paper first studies the basis and standards of customs cooperation between China and Russia, then proposes concrete measures for customs cooperation to promote smooth trade between the two countries. It is of great significance to link China's Belt and Road Initiative with Eurasian Economic Union and regional economic integration.

Keywords: smoothness of trade, customs cooperation, regional economic integration

1. Introduction

The Silk Road Economic Belt is an important part of the Belt and Road Initiative. The core content of the Belt and Road Initiative is "Policy Communication, Facility Connection, Smoothness of Trade, Financial Integration, and Common Aspiration of the People" (hereinafter referred to as the "Five Connections"), which promotes the orderly and free flow of economic factors, efficient allocation of resources, and deep integration of markets. The core content also includes working together to create an open, inclusive, balanced, and equal regional economic cooperation framework. Among the "Five Connections", Policy Communication is the premise. Financial integration and Facility Connection are the foundation. Smoothness of Trade is the essence, and Common Aspiration of the People is the purpose. The Belt and Road Initiative is a unilateral initiative of China, thus, its realization relies on the history of cooperation, cooperation system, and cooperation ability in both China and countries along the route. Russia is the core country of the Silk Road Economic Belt and the bilateral economic and trade cooperation between Russia and China has been continuously enhanced.¹ The Customs

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¹ Source: <https://baijiahao.baidu.com/s?id=1622267396345054765&wfr=spider&for=pc>. According to Chinese statistics, from January to November 2018, the bilateral trade volume between China and Russia reached 97.24 billion US dollars, increased by 27.8% comparing to the same period last year. The growth rate of trade between China and Russia is the highest among China's major trading partners. China continues to maintain its position as Russia's largest trading partner, and Russia is China's tenth largest trading partner.

has the functions of supervision, taxation, anti-smuggling, and statistics on import and export goods, articles and means of transport, which plays a key role in the promotion of Sino-Russian trade and the smoothness of trade. Within the framework of the institutional agreements on international customs cooperation, regional customs cooperation and bilateral cooperation, the customs of the two countries shall strengthen collaborations on trade facilitation and political stability through measures such as tariff concessions, information exchange, system docking, and law enforcement assistance which is of great significance for trade facilitation, political stability, and regional economic integration.

To achieve above purposes, we adopt normative research method, which is mainly used to define the basic conceptual terms in the text, and comparative research method, which is used to compare the relevant contents between domestic and foreign countries, and between China and Russia. Another feature of this paper is that it is a cross-disciplinary research. We integrated the knowledge from international trade, public administration, law, and other disciplines to have a better view of the Sino-Russian customs cooperation.

2. Basis of Sino-Russian Customs Cooperation

2.1. Multilateral Cooperation Platform

The World Customs Organization (WCO) is the only specialized intergovernmental international organization dedicated to customs matters worldwide. Its predecessor, the Customs Cooperation Council (CCC), is a worldwide intergovernmental coordination organization established to unify customs duties and simplify customs procedures. The predecessor of CCC is the “European Customs Union Research Group” composed of some European countries in 1947. The group held a meeting in Brussels on December 30, 1950 to formulate three conventions on tariffs (the establishment of the Customs Cooperation Council Convention, the Convention on Classification of Tariff Commodities, and the Customs Commodity Valuation Convention). CCC was established in 1952 under the first convention. The council has a headquarter of 95 existing members with China joining in 1983. In 1994, in order to highlight the world position of the World Customs Organization, and distinguish it from many other organizations abbreviated as CCC, CCC is switched to WCO. The standards and tools developed by the WCO are the main source of international customs law and customs system (He, 2007). To promote trade security and facilitation, the WCO has developed a number of international agreements and legal instruments to promote customs cooperation and secure supply chains, including Revised Kyoto Convention (hereinafter

referred to as RKC)¹ and Globally Networked Customs Framework.

Take the RKC as an example. It provides a series of standards for deposit priority and customs declaration, which establish a balance between the interests of traders and customs administration. At the same time, the convention encourages WTO members to estimate and report the release time of their average cargo in a consistent manner, and encourage members to share with the Trade Facilitation Committee with their experience in assessing average release time. The experience includes the methods used, the bottlenecks discovered, and any achievements in efficiency promotion. WCO promotes the development of international trade by formulating, supporting, and promoting international documents, coordinating and unifying the customs systems and procedures of member states, and helping the customs of each member to communicate with other international organizations.

The World Trade Organization (WTO) is one of the most important international organizations in the world, with 164 members including China (2001) and Russia (2012). The total trade of members reached 98% of the world. The Trade Facilitation Agreement (TFA), adopted by the Ninth Ministerial Conference of the WTO on December 7, 2013,² went into effect on February 22, 2017. Many of the TFA's provisions reflect the content of customs cooperation and mutual assistance of border agencies, and help to promote the development of international customs integration (Wolfgang and Kafeero, 2014). The agreement aims to make import and export among all WTO members more efficient and less costly by increasing transparency and improving customs processes. For example, Article 7 of the TFA on the release and customs clearance of goods includes content about pre-arrival business handling, electronic payment, separation of release of goods from the final determination of customs, domestic taxes, fees and expenses, risk management, follow-up inspections, establishment and publication of average release time and trade facilitation measures for the Authorized Economic Operator (AEO) and so on. On July 1, 2014, China submitted the Notice of Commitment to the WTO Trade Facilitation Preparatory Committee, clearly promising that all the provisions of the first part of the TFA are Class A clauses.³ "Single window", "Determination and publication of average release time", "Provisional import of goods and entry and exit processing" and "Customs cooperation" are category B provisions, which however will be implemented before the end of February 2020.

¹ The Kyoto Convention is the abbreviation of the International Convention for the Simplification and Coordination of the Customs Operational System. As the name suggests, it is to promote the simplification and coordination of the customs business system. It is the only legal document in the world that comprehensively defines the customs business system and practice standards.

² "TFA" was adopted by the Ninth Ministerial Conference of the WTO on December 7, 2013 and became effective on February 22, 2017. According to Article 10, paragraph 3 of the WTO Agreement, it shall be effective upon acceptance by a two-thirds majority of the WTO members. Currently about 121 members have accepted. China accepted the agreement on September 4, 2015.

³ Class A clauses are clauses that can be implemented immediately, and category B clauses require a transition period to be implemented. China will complete the Class B clause in 2020.

The Organization for European Economic Cooperation (OECC) was established in 1948. In 1961, it was renamed the Organization for Economic Cooperation and Development (OECD). As the inter-governmental international economic organization, it is composed of 35 countries. China joined the organization in 1995. The purpose of the organization is to help the national governments of member states achieve sustainable economic growth, stable employment and financial stability, and better living standards, thus contributing to the world trade and economy development. Since the late 1980s, the OECD has committed to strengthen the exchange of tax information among all tax departments so as to help member states to determine the income and assets of their residents in tax havens.

2.2. Regional Cooperation Platforms

2.2.1. Russia-Belarus-Kazakhstan Customs Union—Eurasian Economic Community—Eurasian Economic Union Sign an Agreement on Economic and Trade Cooperation with China

According to the modern economic theory, the implementation of economic integration is usually divided into four stages of development—Free Trade Zone, Customs Union, Uniform Market, and Economic Union. The Eurasian Economic Union initiated by Russia, Belarus and Kazakhstan was officially in operation on January 1st, 2015. Kyrgyzstan and Armenia actively followed up on their participation in the organization which is dominated by Russia. The EEU has already formulated a road map in its infancy to realize its most important task—the economic integration in the CIS region. The EEU adopts a four-step strategy. The first step is to establish a customs union within the framework of the Eurasian Economic Community; the second step is to elevate the customs union to a unified economic space; the third step is to further upgrade to the Eurasian Economic Union on the basis of a unified economic space; the last step is to march from the Eurasian Economic Union to the Eurasian Union, which means the overall integration in Politics, economy and diplomacy, which is also the ultimate goal of this organization.

Eurasian Economic Community originated from the Four-nation Customs Union. Customs Union refers to boarder agreements concluded between two or more States on concessions or cancellation of tariffs between States parties within the unified territory. Common tariff rates and foreign trade policies are imposed on imports of commodities from countries or regions outside the border areas. Its contents typically include reducing and eliminating tariffs between States parties leading to the eventual elimination of the national border within the State party, free circulation of goods between States parties and uniform external tariffs, which strengthen allies' competitive power in foreign trade. In March 1996, Russia, Belarus, Kazakhstan and

Kyrgyzstan signed an agreement on the establishment of the Four-nation Customs Union, aiming to coordinate the pace of economic reform in the four countries and accelerate the process of economic integration among the four countries.

2.2.2. The Shanghai Cooperation Organization

The Shanghai cooperation organization, abbreviated as SCO, is a permanent intergovernmental international organization proclaimed by China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan in Shanghai on 15 June 2001. On 9 June 2017, India and Pakistan joined the SCO. Seven working groups have been set up under the mechanism of the SCO Economic and Trade Ministers' Conference, including Electronic Commerce, Customs Cooperation, Inspection, Quarantine and the conformity in standards, Transit Potential, and Investment Promotion. The SCO Customs working Group carries out its work in accordance with *the Implementation Plan of the Framework for multilateral Economic and Trade Cooperation among member States under the Framework of the Shanghai Cooperation Organization* and it signs and promotes *the Agreement on Customs Cooperation and Mutual Assistance between the governments of SCO member States, the Agreement on the Exchange of Information on Customs Energy Supervision in the member States of the Shanghai Cooperation Organization* and *the Protocol of SCO member States on Cooperation in Customs training and the Enhancement of the Professional skills of Customs officers*, etc, to strengthen extensive and practical cooperation in risk management, tracking down on illegal acts of smuggling in Customs, intellectual property protection and other fields. The SCO has become a model of regional cooperation and its influence is increasing.¹

2.3. Sino-Russian Political Mutual Trust and Frequent Trade Collaboration

Political mutual trust creates environment and opportunity for Economic and Trade Cooperation. The main connotation of political mutual trust is that the parties overcome the differences in ideology, political system, and social formation, understand and support each other's national self-determination on domestic issues as well as the position on international issues, and do not mistrust each other. China and Russia not only have the geographical advantages of cooperation, but also are traditional strategic partners, which provide natural advantages and good foundation for the development of cooperation. On the occasion of the Qingdao summit of the

¹ Currently, the total area of SCO member states exceeds 60% in Eurasia, accounting for nearly 50% people worldwide, and total GDP exceeds 25% globally. More and more countries follow the "SCO approach" to address problems facing their respective countries or regions. China's proposal Belt and Road Initiative is closely associated with Russia's Eurasian Economic Community and Kazakhstan's "Bright Road" policy, which accelerates Economic integration in SCO region.

SCO, Russian President's visit to China is of great significance to promote the building of Belt and Road and the docking cooperation of the "Eurasian Economic Union," and to further promote bilateral economic and trade cooperation, local cooperation, and people-to-people exchanges. When the heads of state of Russia, China, and Mongolia met on 9 June 2018, they also stressed the importance of deepening cooperation, and endorsed the cooperation among the three sides in the fields of transport, infrastructure, customs cooperation, and facilitating trade and personnel exchanges. In addition, the holding of the China-Russia year of Local Exchange, the fifth China-Russia Expo, and the first China International Import Expo provide policy support and opportunity to build a platform for pragmatic economic and trade cooperation between China and Russia.

Trade between China and Russia is frequent and structurally optimized, making customs cooperation and trade facilitation a necessity. China has been the largest trading partner of Russia for eight consecutive years, and Russia is the eleventh largest trading partner of China. The bilateral trade volume between China and Russia reached \$84.07 billion in 2017, increasing by 20.8% over the same period last year. The bilateral trade grew by nearly 30% in the first quarter of 2018 and is expected to reach or exceed \$100 billion for the whole year.¹

3. Standard of Collaboration between China and Russia

Taking an overview of the above-mentioned documents of international, regional and bilateral agreements, Sino-Russian customs cooperation is mainly based on international standards for trade facilitation and aims at regional economic integration. It links China's Belt and Road five-link requirements with the Russian-led Eurasian Economic Union, and carries out extensive cooperation in accordance with the agreements reached between China and Russia on customs cooperation. According to the legal functions of customs, the standards of international cooperation of customs are divided into two categories, namely tariff concessions and elimination of non-tariff barriers.

3.1. Tariff Concessions

Tariff is a circulation tax levied on proprietors of goods or articles by customs set up by a government in customs territory, in accordance with international conventions, regional cooperation agreements, and bilateral treaties of which the State is a member. Tariffs have protective functions in addition to their fiscal function. Protective tariff rates are generally high and are not intended to increase fiscal revenues, but rather to protect

¹ Source: <http://news.eastday.com/c/20180605/u1a13963356.html>, visiting on June 10th 2018.

the national economy. Therefore, tariff is the most powerful means of trade and is also the oldest and most common regulatory tool in the national foreign trade management.

Tariff concession is a measure to reduce tariffs and promote trade among countries. Tariff concessions began with the General Agreement on tariffs and Trade (GATT) signed at Geneva on 30 October 1947 and applied provisionally on 1 January 1948. GATT, the predecessor of the World Trade Organization (WTO), is a multilateral international agreement on tariff and trade rules concluded between governments. The purpose of GATT is to eliminate the differential treatment in international trade and promote the liberalization of trade through the reduction of tariffs and other trade barriers. After the Second World War, countries negotiated tariff concessions on goods on the basis of GATT. There are two bases for negotiations on tariff concession: one is the commodity basis, the other is the tariff rate basis. The commodity basis of tariff concession negotiations is the import duties of customs in each country, including the tax number of import goods, the name of the goods, and the import tax rate corresponding to the tax number. The basis of tariff rate is the starting point for tariff concessions, which lays the foundation for further negotiations. Generally the last negotiated rate is taken as a binding rate. If there is no binding rate, the negotiators work together to fix a rate. The principles of tariff concession negotiations shall follow the principles of mutual benefit, consideration of the interests of members and confidentiality, etc. The types of tariff concession negotiation include tariff concession negotiation in the round of multilateral trade negotiation, tariff concession negotiation after joining WTO, renegotiation after revising or withdrawing tariff schedule, and so on. Agreed tariff concessions apply to all States parties in the Agreement in accordance with the principle of most-favored-nation treatment. The main forms of tariff concessions are to directly reduce tariff rates on the basis of unchanged current tariff rates, not to increase or decrease tariff items, nor to narrow the gap between ordinary and preferential tariff rates, and so on. The purpose of tariff concession principle is to reduce the general level of import and export tariffs of each member, especially the high tariffs that hinder the import of goods, in order to promote the liberalization of international trade.

3.2. Reducing the Non-Tariff Barrier

Tariff is a significant method of trade protection. Meanwhile, the non-tariff measures perhaps set a barrier in the process of international trade as well. According to Article 11, Paragraph 1 of GATT: “No prohibitions or restrictions other than duties, taxes or other charges whether made effective through quotas, import or export licenses or other measures, shall be instituted or maintained by any contracting party on the importation of any product of the territory of any other contracting party or on the exportation or sale for export of any product destined for the territory of any other contracting party.” (He, 2007) The non-tariff barrier means various restrictions

on imports apart from the tariff itself. Some of the restrictions are related to the laws and regulations, like import quotas, import licenses, foreign currency controls, discriminated internal taxes, discriminated government procurement, and import deposit etc. Some are associated with skills, like arbitrary customs valuation, lack of information sharing, and the inefficiency clearance etc.

Currently, international trade has stepped into the “the post-tariff era”. The inefficiency of trade has been increasingly focused by international community and there is a growing appeal for trade facilitation. The development of Chinese economy has strong dependence on foreign trade and an urgent demand for trade facilitation. Trade facilitation is to simplify and harmonize the behaviors, formalities and practices involved in the process of international trade, and to ensure that all relevant actions occur in an effective, transparent, and predictable manner. At least, it should comprise the publication and attainment of information, the procedures of release and clearance, the collaboration between border organizations and customs, the legislation, expenses and procedures related to import and export, the procedures of clearance, the free flow of entry goods under the customs supervision, the freedom of clearance, the mechanism of communication and negotiation.

With reference to measuring the trade barriers and expenses, the Enabling Trade Indicator (ETI) and the Trade Facilitation Indicator (TFI) are two relatively typical indicators. Though both are designed to measure the process of international trade, the ETI is an integrated one used to assess series of factors connect to trade within a country and the TFI is used to evaluate the economy and trade impact result from only one specific trade-facilitation measure within a country. The ETI consists of four major respects: the market access, the border administration, the transportation and traffic facilities, the trade circumstance. This indicator is originally put forward by World Economic Forum (WEF) in The Global Enabling Trade Report 2008. The ETI is published every two years and with a range from 1 to 7 points, with the facilitation correspondingly increasing along with the increasing number. The TFI was raised by OECD on the No. 118th “trade policy documents”, aiming to estimate the relationship between trade facilitation measures taken by member states of OECD and trade expenses. The TFI is published every two years with a range from 0 to 2 points, with the facilitation increasing along with the increasing number.

Table 1. The Indicator System of Trade Facilitation

First-grade indicator	Second-grade indicator	Third-grade indicator
Frame of policies and laws	Trade measures	Tariff barrier
		Providing information towards foreign customs
	Information sharing	Non-tariff barrier
		Information protecting

First-grade indicator	Second-grade indicator	Third-grade indicator
Administrative environment of customs and border	Administrative efficiency of customs	Customs procedure
		Customs service
		Efficiency of clearance
	Procedures of import and export	Information preparation of Import and export
		Internal process of import and export
		Security measures of prohibiting secret giveaway
		Measures of preserving documents of customs
	Transparency of border administration	Bribery in the course of levy
		Integrity indicator
		Bribery of import and export
The circumstance of logistic and infrastructure	The quality of transport facilities	Equality of air transportation facilities
		Equality of railway transportation facilities
		Equality of highway transportation facilities
	The quality of transport service	Equality of port infrastructure
		Ability of transshipment and connection
		Ability of loading and burdening
		Ability of logistic.
	The application of ICT	The efficiency of postal service
		The application of Internet
		The application of mobile phone
Circumstance of government and finance	The efficiency of government	The application of fixed phone
		The transparency of making policies
		The efficiency of solving conflicts of laws and regulations
	The efficiency of finance	The facilitation of financial service.
		The availability of financial service
The mechanism and framework	Easy to contact	Setting liaison offices and liaison person
		Clarifying the power in customs
The human resource management	Having the capacity to handle	The number and capacity of customs officers

Table 2. The Trade Facilitation of the Main Partner Countries of the Belt and Road Initiative from 2014 to 2016

Country	2014			2015			2016		
	TFI	Rank	Degree	TFI	Rank	Degree	TFI	Rank	Degree
China	0.72	5	MC	0.72	5	MC	0.73	5	MC
Russia	0.63	11	C	0.64	9	C	0.66	8	C
Indonesia	0.64	10	C	0.62	13	C	0.63	12	C
Saudi Arabia	0.75	3	MC	0.74	4	MC	0.71	6	MC
Turkey	0.68	7	C	0.67	7	C	0.66	7	C
Poland	0.63	12	C	0.64	11	C	0.64	10	C
Thailand	0.62	14	C	0.62	14	C	0.61	13	C
Iran	0.55	18	InC	0.57	17	InC	0.57	16	InC
Israel	0.70	6	MC	0.72	6	MC	0.77	3	MC
The Philippines	0.56	17	InC	0.54	19	InC	0.50	19	InC
Singapore	1.00	1	VC	0.99	1	VC	0.99	1	VC
Malaysia	0.85	2	VC	0.86	2	VC	0.83	2	VC
Pakistan	0.55	19	InC	0.55	18	InC	0.54	18	InC
Vietnam	0.57	16	InC	0.60	15	InC	0.58	15	InC
Greece	0.66	9	C	0.65	8	C	0.63	11	C
Czech	0.74	4	ore C	0.75	3	MC	0.74	4	MC
Romania	0.57	15	InC	0.58	16	InC	0.56	17	InC
Kazakhstan	0.62	13	C	0.64	12	C	0.65	9	C
Hungary	0.663	8	C	0.64	10	C	0.60	14	InC

Note: The Degree column indicates the degree of the trade facilitation: VC means Very Convenient; MC means More Convenient; C means Convenient; and InC means Inconvenient.

Source: Yang and Wu (2018).

From May 13th to 15th, 2017, General Administration of Customs collaborated with the “Belt and Road Initiative Forum for International Cooperation” to invite 11 countries’ customs which include Russia and international organizations to join the conference held in Beijing. The conference has organized related activities like bilateral meeting between customs commissioners and has signed the bilateral cooperative documents of customs. At Parallel Theme Conference on “promoting smooth trade” in Guangzhou, the former Director of General Administration of Customs made the key speech entitled “deepening the cooperation mechanism of the great general clearance and promoting

the smooth trade of the Belt and Road Initiative”, introducing the situation about the great general cooperation with the Belt and Road Initiative partner countries and “the exchange of information, mutual recognition of supervision and mutual assistance in law enforcement”, and suggestions for further cooperation were put forward:

Deepening the mechanism of cohesion and cooperation. Intensifying the communication and cooperation on administrative rules, law-enforcement procedures, supervision measures, and reformation experiences.

Deepening the innovative supervision cooperation and exploring the way of mutual supervision recognition, expanding the cooperation of AEO mutual recognition, promoting the application of high-technology methods and equipment for achieving a precise and intelligent supervision.

Deepening the cooperation of sharing information, promoting the connection of international “single window” standard, targeting to realize the exchange of standard data and establish efficient, safe and normative data-exchange platforms for customs along the route.

Deepening the cooperation of trade security. Underpinning the cooperation of information exchange along the route. Expanding the cooperation of joint law-enforcement and anti-terrorism activities. Cracking down the illegal cross-border smuggling activities.

Deepening the cooperation of capacity construction. Keeping the customs along the route together, enhancing the sharing of experience and wisdom, and learning from each other for the joint improvement. These recommendations can become the cooperative direction between Chinese and Russian customs.

4. Concrete Measures for Customs Cooperation between China and Russia

Customs cooperation refers to the cooperation between government organizations of different countries or economies, especially customs departments, in customs affairs (Liu, 2015). Through the international cooperation of customs, we will improve information exchange and facilitation, simplify and coordinate the import and export customs clearance procedures of cooperative countries, and jointly combat smuggling and infringement of intellectual property rights, so as to realize the security and convenience of the goods supply chain and promote the standardized development of world customs. According to international conventions, regional cooperation and bilateral agreements, the customs of China and Russia mainly cooperate in the following aspects:

4.1. Tariff Concession

After reducing import tariffs on some consumer goods on December 1, 2017, the

import and export tariffs on some commodity were revised again in *Tariff Adjustment Program 2018*. China's tariff rates include most-favored-nation (MFN) tax rate, agreement rates, preferential rates and general rates. The regulations of MFN tax rate include: (1) China will implement the provisional tax rate for 948 imported commodities from January 1, 2018, of which 27 information technology products will be subject to the tax rate until June 30, 2018. (2) the second reduction in MFN tax rate for information technology products listed in the *amendment of the tariff schedule of the People's Republic of China to the WTO* shall continue from 1 January 2018 to 30 June 2018. The third tax cut will take effect on July 1, 2018. (3) as of July 1, 2018, the MFN rate of 10% will be imposed on broken rice (tax Numbers 10064010 and 10064090). Both China and Russia are members of the WTO, and China's tariff reduction gives Russia the most preferential treatment of course. In addition, in order to promote the Belt and Road Initiative and the construction of free trade zones, agreed tariff rates will be imposed on some imports from 26 countries or regions. In 2018, China will continue to implement the APEC commitment to reduce taxes on environmental products and continue to grant zero-tariff treatment to the least developed countries.

Similarly, after Russia joined the WTO in 2012, the tariff reduction became a hot topic. Russia's entry into the WTO is important for enjoying most-favored-nation treatment in which other member countries reduce tariffs, while also committing and implementing the reduction of Russia's import tariffs. After entering WTO, Russia's average tariff was gradually reduced by 9.5% in 2012, 6.9% in 2013 and 6.0% in 2015. The export customs clearance cost of Chinese enterprises was greatly reduced.

4.2. Reducing Non-Tariff Barriers and Promote Trade Facilitation

On October 1, 2017, Chinese minister of commerce Zhong Shan held talks with Nikki Shenna, the trade committee member of the Eurasian Economic Commission (EEC), in HangZhou and signed the joint statement on the substantial conclusion of negotiations on the economic cooperation agreement between China and the EEU. This is the first time that China and the Eurasian economic union have reached an important economic and trade arrangement. It is also an important outcome of the joint statement on cooperation between the construction of the Silk Road Economic Belt and the construction of the Eurasian economic union signed by President Xi Jinping and President Putin in May 2015. The content includes 10 chapters covering customs procedures and trade facilitation, intellectual property rights, departmental cooperation and government procurement, as well as topics such as e-commerce and competition. The signing of the agreement will further reduce non-tariff barriers to trade, raise the level of trade facilitation, create a favorable environment for industrial development, promote cooperation between the construction of Belt and Road and the Eurasian

economic union, and promote in-depth development of economic relations with the Eurasian economic union and member states.

4.2.1. Customs Information Exchange

The interconnection and exchange of information, especially customs clearance information, that is very important for the trade convenience and security of countries along the Belt and Road. The importing country can obtain timely import information of goods, goods and means of transport, which is conducive to risk assessment. The exporter also controls the status of enterprises through information control, which is convenient for classification and supervision, reduces the cost of trade, and establishes the good international reputation of enterprises.

In response to the need for trade information exchange between customs administrations, the global customs community has developed a number of exchange mechanisms, including intelligence and individual trade information exchange, to facilitate trade. WCO also provides legal instruments and frameworks to support the exchange of information between customs administrations. WCO council in 1977 adopted the *International Convention on Mutual Administrative Assistance for the Prevention, study and Repression of Customs Offences, the Nairobi Convention*, in order to achieve multilateral cooperation, including the exchange of executive information, and mutual administrative assistance during the investigation. In order to improve Customs cooperation procedures, WCO revised a *Model Bilateral Agreement on Mutual Administrative Assistance in Customs Matters* in 2004. Based on this Model, many Customs administrations have concluded Mutual Assistance agreements and have voluntarily or as required exchanged implementation information and intelligence. Chapter 3 of the model is “information”, and articles 4 and 7 respectively provide “information on tariff collection” and “information related to violation of customs law”(He, 2015). It can be seen that the shared content includes customs clearance business operation process, laws, regulations and regulations, tariff price, anti-smuggling intelligence, AEO, and other statistical data. WCO is working on standardizing information exchange in the form of data modules to ensure information sharing.

To facilitate the exchange of Enforcement information, WCO has developed the Customs Enforcement Network (CEN) platform, which covers databases and communications tools. WCO encourages the exchange of information on drug, tobacco, counterfeit goods, and the smuggling of rare plants and animals through the CEN database and the coordinated implementation of actions and projects through CEN (Han and McGauran, 2014). According to the *Suggestions and Guide to Create a Single Window* (hereinafter referred to as “the number 33 proposal”, published by trade facilitation and electronic business center (UN/CEFACT) in 2005), the connotation of

the single window is a measure where all parties involved in trade should submit all standard data and documents that meet import, export and transit related regulations in a single registration point. For example, Hangzhou customs is the first comprehensive test area for cross-border e-commerce in China. It takes the lead in realizing real-time exchange of customs status data and corporate integrity data through “single window” platform. Cross-border enterprises only need to log in the “single window” and submit standard documents and information without multiple declaration. They can complete customs registration, commodity declaration and other procedures with one key, and check the follow-up treatment of taxation and release. It is more convenient for various departments of customs, foreign exchange administration, state taxation, industry and commerce, logistics and finance to realize data exchange and information sharing through “single window”.¹

The TFA sets requirements for WTO members to share information to ensure effective customs management while respecting the confidentiality of information exchanged. Paragraph 4 stipulates that a member of the requesting party shall make a written request to a member of the requested party in a mutually agreed WTO working language or other language in paper or electronic form, and that the member of the requesting party shall strictly keep confidential all information or documents provided by the member of the requested party. Information or document is only provided to the customs handling the matter in question and such information or document is only used for the purposes specified in the request, unless otherwise agreed in writing by the requested member; No information or documents shall be disclosed without the express written permission of the members of the requested party.

The OECD has been working to strengthen the exchange of tax information between tax authorities to help member states determine the income and assets of their residents in tax havens. WCO has adopted various methods and means to deal with the exchange of customs information between member states. Customs authorities want to strengthen the exchange of customs information, focusing on tracking the transactions and payment processes of exporters and other competitive importers (Han and McGauran, 2014). There are three types of tax information exchange: request, automatic, and spontaneous. Request-type information exchange refers to the tax information transmitted according to the specific requirements of the country of residence. Automatic exchange of information allows tax authorities in the country of origin to send all relevant tax information to the country of residence that agrees to exchange information on a regular basis. Spontaneous information exchange refers to the voluntary sending of information from the tax authorities of one country to the tax authorities of another country, which may be needed in the auditing process and is

¹ Trade information exchange between customs administrations is indicated in Article 12 Customs Cooperation of the WTO's Trade Facilitation Agreement.

believed to be useful to the tax authorities of that country (Keen and Ligthart, 2006). In comparison, request-type information exchange is activated passively, which is difficult for tax authorities to use without sufficient evidence of tax evasion. Moreover, information sharing with another country is not necessarily in the best interest of the country. As a result, the European Union and the US have opted for automatic exchange of tax information.

4.2.2. Mutual Recognition of Customs Supervision—Authorized Economic Operator (AEO) System

Mutual recognition of customs supervision refers to the mutual recognition of each other's supervision results by the respective customs, that is, the supervision results of the customs of the export place are recognized by the customs of the import place so as to reduce duplication of supervision and inspection and reduce the administrative costs of the customs and the clearance costs of enterprises. The results of mutual recognition supervision need to meet three conditions: mutual recognition countries have consistent risk management standards, share intelligence and risk information, and institutionalize mutual customs data providing. The authorized economic operator certification system initiated by the European union and WCO is determined by the Framework of Global Trade Security and Facilitation Standards (hereinafter referred to as the Framework) adopted by the 105th/106th annual meeting of the WCO Council held in June 2005. It is defined as the party that participates in the international circulation of goods in any way and is recognized by the customs authorities as meeting the world customs organization or the corresponding supply chain safety standards, including manufacturers, importers, exporters, customs brokers, carriers, tally people, middlemen, port and airport, cargo terminal operators, comprehensive operators, storage operators and distributors. In 2006, WCO further approved and passed the AEO Implementation Guide, refining and perfecting a set of standards about AEO qualifications, security measures, assessment and certification, mutual recognition and so on in order to promote the implementation in synchronization with the Framework.¹ AEO certification is the highest credit management level in the classified management of customs enterprises in countries in the world and the enterprises enjoy the highest convenience and preferential measures. Its mutual recognition procedure is: Firstly, the customs of various countries (or regions) will certify the local enterprise, and

¹ WCO and other countries in the world generally think that enterprises that have obtained the qualification of AEO have certificates of compliance with customs regulations, a trade record management system that meets the requirements, good financial solvency, good ability of negotiation, cooperation and exchange, and education training and awareness systems. They can realize the access and confidentiality of information exchange, safety of goods and means of transportation, and safety of goods and personnel, and have a complete crisis management and disaster prevention system, and a complete measurement, analysis and improvement system.

the enterprise must obtain AEO qualification; Secondly, international cooperation is carried out, that is, the mutual consultation and mutual recognition between the customs of one country and the customs of another country on AEO and its related policies; Thirdly, mutual signing of AEO mutual recognition agreement; Finally, the mutual recognition arrangement is implemented, that is, the customs of the contracting countries implement convenient customs clearance treatment for imported goods (the export of the opposite AEO enterprises to their own countries or regions), subject to the issuance of public notices. The 21st Century Customs document issued in 2008 as the blueprint for WCO's global strategy development points out that: Customs in the 21st century should establish strategic partnership with trustworthy operators.¹ DEEN, the newly elected president of the WCO Council, and MIKURIYA, the secretary general, are both actively promoting the implementation of the framework and the AEO certification and compliance facilitation system and are working hard to promote mutual recognition of law enforcement among countries. The three core elements of AEO system are standard, convenience and mutual recognition. The purpose of AEO implementation is to strengthen the cooperation between customs offices of various countries and implement mutual certification of AEO qualifications, thus forming an international chain of customs clearance facilitation. On December 1, 2014, the Chinese customs officially implemented the enterprise credit management system, grading the enterprise customs credit and authenticating the credit enterprise, implementing differentiated management, and let the AEO certification enterprises enjoy convenient customs clearance treatment.

4.2.3. Connection between China's the Belt and Road Initiative and Eurasian Economic Union

The five "Eurasian Economic Union" countries are all important partners in the construction of the Belt and Road Initiative. In May 2015, China and Russia signed the joint declaration on the Cooperation between the Silk Road Economic Belt Construction and the Eurasian Economic Union Construction, announcing the economic and trade cooperation talks between China and the Eurasian Economic Union, clearly establishing trade facilitation mechanisms in areas where conditions are mature, formulating common measures in areas of common interests, and coordinating

¹ In June 2008, the World Customs Organization formally adopted *21st Century Customs- Promoting Growth and Development through Trade Facilitation and Border Security* (hereinafter referred to as *21st Century Customs*) which aims to develop a new strategic direction for customs. It collects, processes and processes all kinds of data and intelligence through the establishment of a global customs cooperation network that strengthens cooperation between customs offices. At the same time, it builds a close relationship between the customs and the business community and coordinates cooperation between customs offices and other border management departments to create a safe and convenient international trade environment.

and compatible with relevant customary regulations, standards and economic and trade policies. On May 17, 2018, FU Ziyang, China's commercial international trade negotiator and deputy minister, signed an economic and trade cooperation agreement with Sergei Sarkis, chairman of the Eurasian Economic Committee of the Eurasian Economic Union, and representatives of member States of the Eurasian Economic Union in Astana, the capital of Kazakhstan. The scope of the agreement covers 13 chapters, including customs cooperation, trade facilitation, intellectual property rights, departmental cooperation and government procurement as well as new topics such as e-commerce and competition. The two sides agreed to simplify customs clearance procedures and reduce the cost of goods trade by strengthening cooperation, information exchange and experience exchange. The agreement is expected to take effect in early 2019. This agreement is the first important institutional arrangement between China and the Eurasian Economic Union in terms of economy and trade. The economic and trade cooperation between China and the member countries of the union has entered the stage of system leading driven by the project, which is of positive significance in promoting the docking cooperation between the construction of the Belt and Road Initiative and the construction of EAEU.

Eurasian Economic Community originated from the customs union of four countries. Apart from meeting the minimum requirements of WTO on customs union, the customs union should also follow the international standards to innovate the border management model (risk management, simplification of coordination procedures, relatively consistent legal system, mutual recognition, elimination of duplication, etc.). Customs clearance of customs union member states is based on the Customs Code of the Customs Union (hereinafter referred to as CUCC), which came into effect on July 1, 2010. Members have gradually implemented WCO's legal documents, including the *International Convention on the Simplification and Harmonization of Customs Procedures* and the *Framework of Standards for Global Trade Security and Facilitation*. The customs union's import and export clearance procedures reflect Russia's domestic procedures, as most Russian legal provisions conform to the revised Kyoto Convention. The import and export counterpart should focus on the following aspects (Krotov, 2011):

(a) National Residency Principle. Article 368 of CUSS stipulates that the declaration must be submitted to the national customs office where the customs applicant resides or registers. Therefore, Russian legal entities and private business owners must submit their declarations to the customs authorities of the Russian Federation.

(b) Simplify customs declaration procedures and promote trade circulation. Foreign goods imported into any member state of the alliance in accordance with the relevant customs procedures and allowed to circulate freely as goods can circulate freely throughout the alliance. Imported goods must be taxed if tax rate adopted by member States is lower than that of ordinary duties; Import declaration forms and other

documents must be submitted before the end of the temporary storage period. This provision gives the declarant sufficient time to go through the customs formalities in a timely manner, and the time for the goods to be released is also reduced to one working day. Since July 2012, all road transport operators in the alliance shall submit in advance through electronic declarations as required, and the regulations will gradually be extended to other modes of transport. Remote release of goods is realized.

(c) Personnel that carry out customs activities. CUCC has expanded the registration list of personnel carrying out customs activities, currently including customs representatives, owners of temporary storage warehouses, owners of customs warehouses, customs consignors, owners of duty-free shops, and has introduced an authorized operator, namely the AEO system. In 2012, more than 120 AEO applications were submitted to the federal customs service in Russia. In Kazakhstan, a partner country, two regions launched pilot projects on electronic customs export declaration; Republic of Belarus's newly revised customs regulations have also greatly simplified the customs clearance process (Wolfgang, Brovka and Belozero, 2013).

(d) Set up one-stop checkpoints. One-stop inspection enables immigration, customs and other border management departments to be more closely linked, such as customs officials from two border countries handling import and export affairs in adjacent offices or rooms. Of course, when setting up one-stop border checkpoints, there should be corresponding legal frameworks. The two sides reach agreements on one-stop management plans, procedures and documents with the information and communication technology conditions and infrastructure as well as corresponding human resources and supervision mechanisms (Kieck and Maur, 2010).

4.2.4. Mutual Assistance in Law Enforcement

Mutual assistance in law enforcement refers to the two countries (regions) customs, according to international conventions, regional cooperation agreements, and bilateral treaties, assisting each other's administrative law enforcement according to their application or their functions and powers. Mutual assistance in law enforcement is an important part of mutual assistance and cooperation agreements signed between customs offices of various countries. The assistance includes: (1) Information exchange, including intelligence clues such as suspected smuggling, drug trafficking and money laundering as well as data exchange for law enforcement purposes, such as X-ray scanning of images. (2) Document verification, including the authenticity of the declaration form, the authenticity of the declaration price, the certificate of origin and other accompanying declaration documents. (3) Case investigation, including special surveillance, participation in administrative procedures in the other party's territory, assistance in investigations, etc. (4) Joint law enforcement. Actively participation in and cooperate with the security when carrying out joint law enforcement for specific

periods, specific commodities, specific transportation routes, and specific cases. (5) Jointly study common problems in law enforcement, such as carrying out regular joint risk analysis and prediction, carrying out joint customs protection of intellectual property and joint training, etc. Implementing mutual assistance in law enforcement includes the following aspects:

Launch joint customs administration. From the experience of some Central Asian countries, the joint customs administration will begin first, and then the overall coordination management including all agencies will be carried out. Regarding joint customs administration, some countries have developed standardized operating procedures between border customs. The declaration form is filled in the country of entry and the information provided is shared with the country of exit. This is the precondition for further action. Customs inspection is only carried out in the country of entry unless the customs of the country of exit requires some information.

Prepare a memorandum of understanding (hereinafter ‘MOU’) for joint border management. International agreements provide the basis for simplification, standardization and harmonization of customs clearance procedures for joint border management. In this regard, we can make use of the support provided by international organizations such as WCO in capacity-building (Jain, 2012). In order to achieve efficient joint management, each border channel needs to extensively push forward the implementation of these memorandums. The governments of Thailand and Laos both joined CBTA in 1999, and then signed MOU in July 2005. The main contents include the supervision mode of implementing single window inspection¹ and one-stop inspection at the ports of Mukdahan in Thailand and Savannakhet in Lao People’s Democratic Republic.

Launch joint border management in the interior area. In order to relieve the pressure on the border passage, joint border management measures should be initiated in the interior area. The inspection of exported goods, as well as the packing and sealing of containers, can be carried out jointly by customs and other border management agencies in inland container warehouses. Many countries in Central Asian Regional Economic Cooperation (CAREC) have already launched regional dialogues on joint customs control, and many countries now have functional joint control. At present, Kazakhstan has carried out joint border supervision with the Russian Federation, China and Kyrgyzstan, including promoting the use of unified cargo manifests.² The

¹ Single window inspection, i.e. joint offices of customs, border inspection, inspection and quarantine and other border agencies, which simultaneously implement inspection procedures for transit vehicles and goods to enhance the efficiency of customs clearance; One - stop inspection, that is, the neighboring countries send customs officers to carry out cross-border law enforcement and carry out joint inspection to reduce the number of inspections in the transit links of goods and save the time of release.

² Adoption of a unified cargo manifest coupled with simplified procedures has reduced customs clearance time by 35 per cent. *CAREC Transport and Trade Facilitation Progress and Work Plan 2010-2011*, p. 4, para. 25.

application of AEO facilitation measures should be encouraged in the border crossing. Mutual recognition of AEO between countries can greatly reduce the delay of goods at the border (Jain, 2012).

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