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From: General Secretariat of the Council

To: Delegations

Subject: Enhancing EU-China Trade Security and Facilitation:
Strategic Framework for Customs Cooperation 2018 - 2020 between the
European Union and the Government of the People's Republic of China

Delegations will find in the Annex the above document, transmitted by the Commission services.

Enhancing EU-China Trade Security and Facilitation:

Strategic Framework for Customs Cooperation 2018 - 2020 between the European Union and the Government of the People's Republic of China

The European Union and the Government of the People's Republic of China,

Confirm the key areas of customs cooperation identified in *the EU-China 2020 Strategic Agenda for Cooperation*, adopted at the EU-China Summit in November 2013.

Note that new opportunities and challenges have arisen in the context of EU-China customs cooperation as the EU and China continue to consolidate and develop their strategic partnership to promote peace, prosperity and sustainable development.

Consider the important contribution that customs cooperation can continue to play towards the *EU-China Connectivity Platform*, which was established at the 5th meeting of the EU-China High-Level Economic and Trade Dialogue in September 2015 in order to enhance synergies between China's "Belt and Road" initiative and the European Commission's Investment Plan for Europe.

Have evaluated the implementation of *the Strategic Framework 2014-2017: Ensuring Smooth and Safe Trade between the EU and China*, signed at the 7th EU-China Joint Customs Cooperation Committee (JCCC) in May 2014, and concur that the Strategic Framework is a useful vehicle to strengthen EU-China customs cooperation.

To enrich the long-term, close and fruitful customs relationship and to enhance EU-China trade security and facilitation, have decided to develop a new Strategic Framework to guide and strengthen EU-China customs cooperation.

Wish to continue their customs cooperation on the basis of the "Strategic Framework for Customs Cooperation – Enhancing EU-China Trade Security and Facilitation" in conjunction with the 19th EU-China Summit and the 9th JCCC.

This Strategic Framework does not intend to create any rights or obligations under international law.

Signed in Brussels on 2 June 2017, in two original copies, in English and Chinese languages.

For the European Union

For the Government of the People's Republic of China

***ENHANCING EU-CHINA TRADE SECURITY AND FACILITATION
STRATEGIC FRAMEWORK FOR CUSTOMS COOPERATION 2018-2020***

The EU and China are major trading partners. As an integral part of economic and trade cooperation, EU-China customs cooperation is important in ensuring trade facilitation and the protection of citizens and the environment, whilst combating illegal trade activities.

Since 2005, when *the Agreement between the European Community and the Government of the People's Republic of China on cooperation and mutual administrative assistance in customs matters* (CCMAA) entered into force, EU and China customs have launched cooperation successfully in a number of fields. In order to increase the effectiveness and efficiency of this cooperation and to ensure overall coherence, in 2010, the Joint Customs Cooperation Committee (JCCC) adopted a *Strategic Framework for Cooperation* for the period 2010-2012. This was followed, in 2014, with a new *Strategic Framework* for the period 2014-2017.

In March 2017, the JCCC Steering Group evaluated the implementation of the Framework. It was agreed that the Framework is a useful vehicle to strengthen EU-China customs cooperation and recommended to establish a new Framework that should take into account new challenges and opportunities in order to enhance EU-China trade security and facilitation.

A. Cooperation standards

Cooperation under the CCMAA takes into account international standards and established practices (the '3M'-concept); in particular in relation to:

- mutual recognition of controls and trusted trader programmes, to reduce duplication and allow better targeting,
- mutual administrative assistance, to fight against fraud,
- mutual exchange of information, to strengthen risk-management and improve knowledge on policies and practices.

B. Cooperation objective

In enhancing cooperation under the CCMAA the foremost objective is to have effective controls so as to ensure safety and security and to fight fraud, while providing facilitation for legitimate trade. In order to achieve this objective, the following priorities are foreseen:

- 1. Enhance Supply Chain Security and Facilitation for Reliable Traders**
 - (a) Upgrade cooperation on Authorised Economic Operator (AEO) mutual recognition;
 - (b) Implement Phase 3 of the Smart and Secure Trade Lanes (SSTL) project.
- 2. Strengthen enforcement of intellectual property rights (IPR)**
- 3. Fight against fraud**
 - (a) Protect financial interests;
 - (b) Protect the environment.
- 4. Develop statistical cooperation**
- 5. Establish customs cooperation in cross-border e-commerce**
- 6. Horizontal actions**

With a view to implementing the priorities above, the following horizontal actions are foreseen:

- (a) Enhance policy exchanges;
- (b) Assess the need and potential for a review of the CCMAA;
- (c) Develop information technology (IT) cooperation;
- (d) Cooperation in the multilateral framework.

C. Implementation of the priorities: actions for 2018-2020

1. Enhance supply chain security and facilitation for reliable traders

The overall aim is to strengthen end-to-end supply chain security for trade in goods and tackle risks, including those related to terrorism, by promoting multi-layered risk management, intelligence and information exchanges. In parallel, customs procedures may be streamlined for compliant operators, so as to promote smooth and safe trade.

Cooperation is intended to be pursued via the following activities:

a) Upgrade cooperation on AEO mutual recognition

- deepen the implementation of the JCCC Decision of 16 May 2014 regarding the Mutual Recognition of the Classified Management of Enterprises Program in the People’s Republic of China and the Authorised Economic Operator Programme in the European Union by ensuring, through awareness-raising and other measures, that all eligible AEOs on both sides receive the benefits to which they are entitled;
- bring other governmental authorities into the ambit of AEO mutual recognition. In particular, AEOs should benefit from facilitation measures during the import and export processes granted by other governmental agencies (agricultural, health, safety authorities etc.);
- establish a monitoring mechanism for the implementation of AEO mutual recognition.

b) Pursue the implementation of Phase 3 of the Smart and Secure Trade Lanes (SSTL) pilot project

Work should focus on implementing the third phase of this project. The aim is for trade in goods covered by SSTL to represent a more significant share of the overall bilateral EU-China trade so as to have an impact on the overall EU-China supply chain security.

This should involve the following actions:

- expand the scope of SSTL to air and rail transport (including land-sea routes) in addition to maritime transport;
- work towards the implementation of automated data exchange, to ensure the stable exchange of data, and the establishment of a risk-related information exchange between the EU and China via the Customs Risk Management System (CRMS);
- incorporate advanced risk management techniques and develop common risk rules in the areas covered by SSTL, in coordination with other projects and exploiting possible synergies;
- design and promote SSTL certificates;
- encourage more EU Member State administrations to participate and bring more ports and enterprises from both sides to join in the project;
- enhance active participation and communication between customs officers from ports;
- continue to develop capacity-building activities;
- measure the practical results of SSTL, in particular any reduction in the lead time for consignments covered by the pilot and any other benefits to participating operators.

The EU and China intend to continuously take into account future developments in the World Customs Organization (WCO) SAFE Framework of Standards to Secure and Facilitate Global Trade.

2. Strengthen IPR enforcement

The overall aim is to strengthen IPR enforcement and curtail trade in IPR-infringing goods through the implementation of a new Action Plan concerning EU-China Customs Cooperation on IPR for the period 2018-2020.

The Action Plan should take into account the mid-term and final evaluation of the 2014-2017 Action Plan and should focus on the following key actions:

- exchange and analyse information on seizures with a view to detecting general trends;
- target high-risk consignments in a network of key airports, seaports and other customs control points;
- establish different levels of operational cooperation in cross-border IPR investigations;
- develop joint partnerships with the business communities in China and the EU;
- exchange knowledge and experience of each other's IPR border enforcement policies and practices.

3. Fight against fraud

The overall aim to fight against fraud in relation to EU-China trade is to protect the financial interests of China and of the EU and to protect the environment in China and the EU.

This should involve in particular the following actions:

- a) *protect financial interests*
 - exploit the potential of cooperation under the mutual administrative assistance provisions of the CCMAA fully to increase efficiency of implementation, including on the treatment of mutual administrative assistance requests, based on the agreed guidelines;

- implement the Strategic Administrative Cooperation Arrangement between the General Administration of Customs of the People’s Republic of China and the European Anti-fraud Office on Cooperation in Combatting Customs Fraud;
- enhance exchanges to promote international enforcement co-operation;
- participate in joint operational activities, including in a multilateral context;
- strengthen the cooperation in the fight against the smuggling of tobacco products, in particular through intensifying common operational activities and establishing a dialogue taking into account relevant multilateral instruments;
- share experience and best practices in regard of integrity, particularly on prevention of corruption, controlling integrity risks, and application of modern technology to combat corruption.

b) Protect the environment

Both sides intend to continue cooperation through the implementation of the five recommendations issued by the Working Group on Waste under the Strategic Framework 2014-2017:

Exchange and analysis of data on licit and illicit trade in waste:

- intensify the exchange of data and further improve the quality of data exchanged;
- carry out a recurrent data collection and analysis exercise.

Promotion of cooperation with the competent authorities and private stakeholders:

- ensure effective cooperation between customs and the other competent authorities in the daily practice;
- upgrade cooperation with private stakeholders, increase the visibility of applicable rules and clarify respective responsibilities.

Operational actions against illegal shipments:

- establish one single network of focal contact points.

The active participation of other competent authorities (e.g. in the environmental domain) besides customs has been instrumental to the progress achieved under the 2014-2017 Strategic Framework. Both sides will actively promote the participation of these authorities to continue.

4. Develop statistical cooperation

Through statistical cooperation the EU and China have been successful in reducing the incidence of discrepancies between their respective external trade statistics.

The overall aim is to continue enhancing mutual understanding on each other's external trade statistics and, where appropriate, to address remaining discrepancies.

This should involve, in particular, the effective implementation of the *Action Plan for Exchange of External Trade Data* between Eurostat and the Chinese customs authorities. A joint report should be prepared in order to explain the reasons for the discrepancies between European and Chinese external trade statistics in goods including, where appropriate, recommendations on how to address these discrepancies.

5. Establish customs cooperation in cross-border e-commerce

The ever-increasing volume and importance of cross-border e-commerce is at the centre of attention of the international customs community. In this context, the focus would be to:

- share in-depth knowledge and best practices. This can take the form of case studies and recommendations on customs supervision and facilitation practices;

- ensure efficient controls including on security, safety and intellectual property rights, whilst facilitating legitimate e-commerce in a manner that is non-discriminatory towards other trade modes;
- enhance risk management cooperation in cross-border e-commerce;
- cooperate in the World Trade Organization (WTO) and in the WCO E-Commerce Working Group.

6. Horizontal actions

a) *Enhance policy exchanges*

The aim is to promote an understanding of each other's customs strategies, policies, laws and regulations and customs procedures. This could be done by way of establishing a policy dialogue and exchange mechanism, and creating, as a result, an open and transparent policy environment between the EU and China.

This should involve the following actions:

- develop an EU-China customs policy dialogue in the framework of the JCCC. Specific events may be convened, where appropriate, in conjunction with JCCC meetings;
- hold exchanges and seminars on the Union Customs Code;
- arrange policy promotion events for EU and Chinese enterprises, detailing among others customs reforms, policies, laws and regulations as well as procedures, to help enterprises to better understand, comply with and benefit from the laws.

b) *Assess the need and potential for a review of the CCMAA*

The CCMAA signed in 2004 and implemented since 2005 has provided a good basis for the development of EU-China customs cooperation. It would be useful for the two sides to assess the need and potential for a review of the CCMAA in an evolving customs environment that has changed significantly over the past years, and to reflect on ways to enhance cooperation by rendering the CCMAA a better tool to achieve the objective of strengthening the effectiveness of controls coupled with facilitation for legitimate trade.

Any actual formal proposal to amend the CCMAA would depend on finalisation of the required procedures on either side.

c) *Develop information technology (IT) cooperation*

Establish an EU-China customs IT cooperation mechanism, to develop data exchanges and address technical issues emerging in the various areas of cooperation, so as to enable IT to fully support EU-China customs cooperation.

This should involve in particular the following actions:

- Work towards the development, implementation and operation of a common IT architecture to support information exchanges under the Strategic Framework;
- Provide automated data exchange support for the SSTL pilot project;
- Complete the upgrade of data exchange technologies for EU-China AEO mutual recognition, to ensure the smooth data exchange for both AEO programmes.

d) Cooperation in the multilateral Framework

Strengthen communications and coordination between the EU and China customs under the multilateral frameworks, such as the WCO and the Asia-Europe Meeting (ASEM), with a view to improve their functioning.

Maintain communication on strategic and policy matters, and actively participate in the joint operations initiated by the other side, where appropriate, so as to further enhance trust in a mutually beneficial way.

The WTO *Agreement on Trade Facilitation* (TFA) is the first multilateral agreement for trade in goods since the WTO was established. The EU and China Customs pay close attention to the implementation of the TFA and intend to keep up regular communications and share experiences and best practices on it.

e) Other developments

The EU and China may also exchange views and experiences on other supply chain security developments, including post-clearance audit and revenue security. They may also explore possibilities to exchange information related to manifest, non-intrusive imaging examination, and results of inspection through the application of Secure and Smart Locks.

D. Implementation

The **Joint Customs Cooperation Committee (JCCC)** is responsible for ensuring the overall implementation of the CCMAA. It takes the appropriate decisions to carry out the jointly agreed actions and achieve the jointly agreed objectives. One of the JCCC's tasks is to regularly review this framework and adjust it where appropriate.

Under the authority of the JCCC, the **Steering Group**, composed of senior representatives from the European Commission, interested Member States and China, sees to the regular and systematic follow-up to the JCCC conclusions and decisions. In particular, the Steering Group steers and monitors the work of the working groups and reports to the JCCC.

Expert cooperation to implement the specific objectives agreed in the framework of the JCCC is carried out in the following envisaged **working groups**: IPR, SSTL, Mutual recognition, Fight against Fraud – Financial interest, Fight against Fraud – Waste, and Statistics. Working groups may be created and abolished by the Steering Group depending on needs and available resources.

Both sides finance the expenses that they incur further to this Framework. However, other financing might be sought, where possible, from any relevant programme.

This Strategic Framework does not intend to create any rights or obligations under international law.

Both sides intend to conduct **regular and systematic consultation** in order to ensure that the objectives and priorities of EU-China customs cooperation take into account the views of the **relevant stakeholders** including importers, exporters, traders, shippers, port operators and customs brokers.

Management structure

