

**CUSTOMS BUSINESS PARTNERSHIP: A CASE STUDY OF
CHINA CUSTOMS AND THAI CUSTOMS**

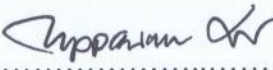
Shujie Zhang

**A Dissertation Submitted in Partial
Fulfillment of the Requirements for the Degree of
Doctor of Philosophy (Development Administration)
School of Public Administration
National Institute of Development Administration
2014**

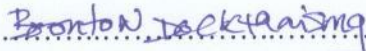
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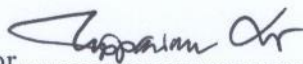
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March 2014

ABSTRACT

Title of Dissertation Customs Business Partnership: A Case Study of China
Customs and Thai Customs

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Degree Doctor of Philosophy (Development Administration)

Year 2014

This study examines the relationship, transactions, and interactions between Customs and business in regulating, controlling, and processing cross-border trade movement and safeguarding national security. More specifically, theoretical and practical dimensions on Customs-business partnership (CBP) are studied within the broader context of administrative reform and Customs modernization since the 1990s in China Customs and Thai Customs.

The research objectives of this study are: to analyze the context, initial conditions and drivers for Customs and business to build the CBP in a broad context of administrative reform and Customs modernization; to explore the key enabling factors and barriers in designing and implementing CBP; to understand the relevant outcomes of Customs-business partnership.

Literature review on inter-organizational relations (IORs), administrative reform, public-private partnerships (PPPs) and regulatory compliance management provide theoretical lens to understand and explore the CBP as an emerging phenomenon.

Methodologically, the study was designed as a two-case study with China Customs and Thai Customs are selected as the subjects. Qualitative methods like in-depth and focus group interviews, documentary study, and observations are primarily used in the data collection and analysis. For each case, interviews were conducted with the key informants both with Customs and business.

This study generates sound empirical findings and exerts theoretical and practical implications. In legal terms, the nature of the Customs-business relationship has not altered dramatically. As an emerging trend, Customs has adopted the Customs-business partnership as a possible new mode in trade regulation and enforcement. However, it is still difficult to justify a paradigm shift in the governance mode of Customs administration and enforcement. The emerging of the CBP in both Customs administrations can be attributed to broader contextual imperatives: nationwide administrative reform, potential sector and certain immediate conditions. The major factors in building the CBP are identified: leadership and political will, trust, communication, transparency, technology and risk management. Regarding outcomes of the CBP, solid evidence shows that benefits and impacts have been made, to some degree both at the organizational level for Customs and business and for society at large. For both China Customs and Thai Customs, level of institutionalization of the CBP needs to be improved, and major hindrances include power imbalance, policy fragmentation, compliance culture and other issues.

The implications for the theoretical enrichment of IORs, compliance management are discussed, and recommendations for policy and practical purposes are discussed. Finally, suggestions for future research are envisaged.

ACKNOWLEDGEMENTS

My sincere gratitude goes to GSPA and NIDA as a whole for kind acceptance and generous scholarship. All of the faculty members in this program, with their professionalism and dedication, have been my role models. My utmost gratitude would go to Associate Professor Tippawan Lorsuwannarat. It is my privilege to have had her as my advisor for this study. Without her professional guidance and moral support, I would not accomplish this “impossible mission.”

I am indebted to Mr. Paisarn, Khun Kik, and Khun Ben all the other friends in Royal Thai Customs Department for their valuable support in data collection and experience sharing. I am indebted to Madam Rashaneewan, former Director of the Customs Academy of Thai Customs, for her sister-like support and care.

I am thankful to all of the colleagues at China Customs and practitioners in the business sector that accepted my interviews and provided me with valuable information and insights in data collection. Specifically, I would like to thank Mr. ZHU Gaozhang, previous Director-General of the Department of International Cooperation (DIC), General Administration of China Customs (GACC), Mr. WANG Donghong, previous DDG for the DIC and Mr. YU Shen, Director-General of Research Center of GACC. Without their vision, I would not have been the first Chinese Customs officer to work in Bangkok and to study in NIDA. Meanwhile, I cannot express more gratitude to the leaders and colleagues at Shanghai Customs College.

Finally, my heart lingers back to my family. First I am grateful to my beloved wife, Ms. HUANG Fang, for her relentless support and encouragement. I can't forget my son, Chibin, who always pursues his study independently and successfully. Also, my painstaking work is dedicated to my father who is in heaven now and my aged mother who always expect me to live better and achieve higher.

Shujie Zhang

September 2014

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ABBREVIATIONS

Abbreviations

Equivalence

AEC	ASEAN Economic Community
AEO	Authorized Economic Operator
APEC	Asia Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
ATF	The WTO Agreement on Trade Facilitation
C21	Customs in 21 st Century
CBP	Customs-business partnership
CCBA	China Customs Broker Association
CCC	Customs Cooperation Council
CCCPC	Central Committee of Communist Party of China
CME	Categorized Management for Enterprises
CPC	Communist Party of China
CSI	Container Security Initiatives
CSR	Corporate Social Responsibility
CTAT	Customs Brokers and Transportation Association of Thailand
C-TPAT	Customs-Trade Partnership against Terrorism
DG	Director-General
EU	European Union
GACC	General Administration of China Customs
ICC	International Chamber of Commerce
INCUC	International Network of Customs University
IPR	Intellectual property rights
JICA	Japan International Cooperation Agency
MRA	Mutual Recognition Agreement

NCCET	National Center of Customs Education and Training
NIDA	National Institute of Development Administration
NPA	New Public Administration
NPM	New Public Management
PA	Public administration
PICARD	Partnership in Customs Academic Research and Development
PPP(s)	Public-private partnerships
PRC	The People's Republic of China
RKC	International Convention on the Simplification and Harmonization of Customs Procedures /the Revised Kyoto Convention
RMB	Chinese <i>yuan</i>
ROCB AP	Regional Office for Capacity Building for Asia Pacific Region
SAFE Framework of Standards of Standards	The WCO Framework of Standards to Secure and Facilitate Global Trade
SMEs	Small and medium-sized enterprises
SSTL	China-EU Smart and Secure Trade Lane Pilot Project
TEU	Twenty-foot Equivalent Unit (unit for containers)
UNECE	United Nations Economic Commission for Europe
U.S.	The United States of America
US CBP	United States Customs and Border Protection
USAID	United States Agency for International Development
WCO	World Customs Organization

CHAPTER 1

INTRODUCTION

This introductory chapter provides a brief backdrop and discussion of the major components of the study. The background on the evolving role of Customs¹ and potential paradigm shifts of Customs-business relationships is reviewed. The research problem is stated. Research questions are crafted and the objectives of the study are clarified. The study scope is defined.

1.1 Background

As one of the important government agencies, Customs is responsible for the administration of Customs laws and regulations relating to the importation, exportation or other cross-border movement of cargo, vehicles and people. In the globalization era characterized by increased international exchange and interconnectedness, Customs performance is critical in achieving a range of national development goals such as “revenue collection, trade facilitation, trade statistics, and protection of society, extending to social and national security concerns. (Gordhan 2007, WCO 2008b)”

The Customs-business relationship, primarily mandated in laws and regulations, is compulsory and rule-based. Legally, this relationship has been specified to take place between Customs as regulator and business as regulated targets. In legal terms, such a relationship should be equal and mutual in terms of each party’s rights and obligations.

¹The word “Customs” has multiple meanings. To avoid misunderstanding, usually the word “Customs” is capitalized to refer to the concerned government agency or department. In this research, “Customs,” or “Customs administration” is used interchangeably.

Traditionally this relationship is claimed to be in a command-and-control mode, under which Customs is inclined to adopt deterrence-oriented administration and suppressive enforcement strategies to ensure compliance of business and to achieve policy objectives. Such a mode is generally characterized by uneven power status, low trust, poor cooperation and undesirable compliance. Nevertheless, ever since the 1990s, within the broader context of administrative reform and Customs modernization driven by external and internal elements, the international Customs community has witnessed transformation of the traditional mode to more co-operative, collaborative and mutually-beneficial relationship arrangements. In a normative and fashionable manner, the Customs-business partnership (CBP), conceptually and practically, has been promoted and applied in the Customs domain at the international, national and local levels. It is imperative to understand and explore this emerging phenomenon in the Customs and larger regulatory field.

The conceptual development of the Customs-business partnership is mostly found in international Customs instruments. Actually, the notion of CBP is not new at all, as it has seen an evolving manifestation in the three World Customs Organization (WCO) monumental instruments: first, in the International Convention on the Simplification and Harmonization of Customs Procedures (commonly referred to as the Revised Kyoto Convention or the RKC) (WCO 1999b), which stipulates “establishing consultative mechanisms with trade community” as one of fundamental principles for modern Customs; secondly, in the Framework of Standards to Secure and Facilitate Global Trade (commonly referred to as the WCO SAFE Framework of Standards) (WCO, 2005b), which formally embraces the CBP as one of its two “supporting pillars and provides global standards for launching an Authorized Economic Operator (AEO) program”. The latest emphasis is embodied in Customs in the 21st Century, which reiterates that the CBP should be pursued as one of the ten building blocks for future Customs modernization. “Partnership” has risen to be a catch-phrase or buzz word in Customs discourse.

In recent years, translating the CBP into Customs policy and practices has concentrated on designing and implementing AEO Programs. The rationale behind AEO programs is that any private sector entity which is involved in the international supply chain can receive preferential treatments provided by Customs and obtain

tangible benefits if they could meet pre-determined compliance and security standards stipulated by Customs authorities. The notion of the AEO manifests principles of security and facilitation in the perspective of the seamless monitoring and control of the international trade supply chain (WCO, 2005b).

To further raise awareness of the CBP both in the Customs and business world, the WCO, on the International Customs Day 2010², designated “Customs and Business: improving performances through partnership” as the year theme for celebration, deliberation and implementation, which brought the CBP to its peak of visibility and awareness among the international Customs community. Various ceremonial activities were organized across the global and throughout the year. Mr. Kunio Mikuriya, Secretary General of the WCO, while conveying a critical message to member Customs administrations, stressed:

This (CBP) means that Customs cannot act alone without taking into account the interests of its partners. It must further develop consultation, promote information exchange and cooperation, and reduce the barriers to the smooth flow of trade by jointly identifying bottlenecks and offering solutions. (Mikuriya, 2010)

Though the WCO’s promotion of the CBP is somewhat symbolic and visionary, the theme actually utters the common voice of Customs administrations. Consequently, the initiative and enthusiasm of the CBP calls the attention of international academic circles regarding Customs studies. As the global platform for Customs research and academic development, the Partnership in Customs Academic Research and Development (PICARD³) Conference 2010 selected the CBP as one of

²The Customs Cooperation Council (CCC) was formally established on January 26, 1952. Later, this day was designated as the International Customs Day, celebrated by the global Customs administration. From 2007, an annual theme has been designated and celebrated.

³The Partnership in Customs Academic Research and Development Program (PICARD) was launched in 2006, aiming to enhance cooperation between Customs

the main research topics. The WCO called for global researchers to examine “the objectives and expectations of such partnerships, and ways to improve public and private sector performance through partnerships.”

1.2 Statement of the Problem

Beyond the Customs domain, the re-emerging interest in partnership-like relations is rather queer. The CBP could be observed within the long development of public-private partnerships, which have been prevalent in Western countries since the 1980s as a major theme of the New Public Management (NPM) and governance reform. Why has Customs chosen such an “old-fashion” governance tool as a new fad?

Similarly, enthusiasm to embrace the CBP does not mean there are no problems in implementing the CBP, especially AEO programs. A brief literature review shows that the CBP calls for conceptual clarification and characterization to provide guidance for policy makers. Practically, problems in implementing AEO programs include lack of a legal framework, deficiency in tangible benefits, “discrimination” against small and medium-sized enterprises (SMEs), lack of expertise in security verification, and problems with mutual recognition across countries (World Customs Organization, Asia Pacific Office for Capacity Building (ROCB), 2010). The WCO’s diagnosis under the Columbus Program⁴ also found that the business sector is generally not satisfied with the relationship with Customs and

and academic and educational institutions in the Customs area, which forms a network, the International Network of Customs Universities (INCU). Every year, a PICARD conference is organized to solicit research proposals on the prevalent Customs topics.

⁴The Columbus Program was launched by the WCO in January 2006, aiming to support Customs administrations in the developing countries to implement the SAFE Framework of Standards and other international Customs instruments. It has been referred to as “the largest capacity building activity in the history of the WCO” by the WCO.

thinks that advocating partnerships by Customs is rather a rhetorical service than a concrete action. Customs, based on the researcher's first-hand experience in dealing with different Customs administrations and business sectors in the Asia Pacific region, it is also not uncommon to find a negative attitude and complaints against each other, especially on informal occasions.

Other risks for improper CBP arrangements are compromised compliance and even serious integrity risks, since the CBP may slip into "soft" treatment, favoritism, and selective enforcement of selected traders. There is also a serious worry among scholars and practitioners whether the CBP arrangements with selected businesses would compromise the public value/principle of fairness and equity. As an administrative and enforcement agency, Customs is mandated and expected to uphold these principles while dealing with businesses. For example, Gao (2002) and Fan (2007) observes that in the 1990s, China Customs had a honeymoon period with the business community by compromising regulations and enforcement solely to "facilitate" trade. Understandably, around 1998, serious corruption cases were discovered among all levels of Customs officials in the so-called "Integrity Storm" and the image and credibility of China Customs was seriously ruined.

The CBP seems to be "politically correct" and adopted with superficial good will by Custom administrations. Leaders and policymakers of Customs may fail to go further than lip service and to recognize there is a paradigm shift in terms of the relationship and interactions between Customs and business. Such a shift carries profound implications for the overall modernization initiatives and routine operations. "Partnership" is not a stroke of intuition or a quick fix for Customs administration. Beneath the superficial enthusiasm, a fundamental transformation for Customs administration mode may loom ahead.

The business side of the Customs-business relationship also has their own pressures in building mutually beneficial relationship with Customs. In terms of compliance with Customs administration, control, business is also in the process of transformation. While examining compliance management in public, private or non-profit organizations in the context of the US, Silverman (2008), a practitioner in corporate compliance, observes that to avoid risks and reduce costs in complying with regulator and administrative requirements, large companies or multinationals have

started to establish voluntary compliance programs. He argues that it is both necessary and meaningful for an organization to establish rigorous compliance systems. Compliance with Customs laws and regulations is critical for those businesses that are involved in international trade. Implementing the AEO programs does bring benefits and incur costs, and requirements put by Customs become more and more embedded in a company's management systems. Therefore, it is pressing for businesses to contemplate how to adopt voluntary compliance programs such as the AEO and how to build a viable relationship with government agencies like Customs to seek a competitive edge.

For both Customs and business, it is both imperative and meaningful to illuminate and explore the CBP as a new phenomenon at the stage of "prescience." A chain of doubts have to be cleared up: Why do we need a CBP? What is the nature of the CBP? Are there any substantial underpinnings or it is only a quickly-come-quickly-go fad? Is the CBP an emerging genre of so-called public-private partnership (PPPs)? How has the trade community responded to CBP initiatives such as the AEO programs? There is a wide range of CBP arrangements, so is it possible to propose a model to understand it? How can CBP sublime principles be translated into manageable reform measures?

1.3 Research Objectives and Questions

1.3.1 Research Objectives

Against the foregoing statement of the problem, the study is directed towards the below objectives:

- 1) To analyze the context, initial conditions and drivers for Customs and business, in a broad context of administrative reform and Customs modernization, to form CBP;
- 2) To explore the key enabling factors and barriers in designing and implementing CBP;
- 3) To understand the relevant outcomes of Customs-business partnership.

1.3.2 Research Questions

To achieve the research objectives, the study would address research questions as below:

1) What drivers or initial conditions give rise to Customs-business partnership within the broad context of administrative reform and Customs modernization? (Q1)

2) What elements are significant in forming and implementing Customs-business partnership? Also what barriers, challenges are in place? (Q2)

3) What impacts or outcomes does Customs-business partnership has both on the performance of Customs, businesses respectively and the society at large? (Q3)

These questions are crafted to illuminate the characteristics of CBP as an unraveled phenomenon. From the perspective of interorganizational relationships (IORs), the questions are structured in a logical pattern. Q1 clarifies what CBP means and what is its nature, Q2 and probes why CBP emerges in a broad context, Q2 focus on how to form and implement CBP, and Q3 addresses what impacts or outcomes Customs-business partnership arrangement on the performance of Customs and business and on the society at large.

1.4 Significance of the Study

Customs administration is a rather action-oriented activity. Customs practitioners are thought to design policies without sound theoretical justification. With this notion in mind, this study will contribute to bridging the theoretical and practical gaps. Without the rational guidance from valid theory, all practices may lose their sensible road.

1.4.1 Significance in Theoretical Aspects

Basically, this study will clarify the theoretical and conceptual dimensions of the cooperative relationship between Customs and business. It is helpful to illuminate this emerging phenomenon.

Secondly, the study will bridge the knowledge gap in the literature regarding cross-sector collaboration, and it is expected to provide empirical testing and further modify the models in the context of Customs or other governance regulatory and/or enforcement agencies.

Thirdly, the existing literature on the concerned themes such as partnerships, PPPs, and governance is most based on the experience of developed countries. It is somewhat dubious whether the “foreign” experience and approaches are viable in developing countries with differing contexts as in China and Thailand. The researcher believes that a case study on Customs in China and Thailand will advance the understanding of the concerned theoretical domains in a comparative perspective.

Generally, this study also adds academic and empirical weight to Customs-related research. The World Customs Journal⁵⁶, the sole academic publication in the Customs studies, was launched in 2007. Having reviewed the articles and papers in the published issues, the researcher finds that the research adopting practical or operational perspectives accounted for 80% of the publications. Among these practical publications, the number of empirical studies is even smaller than the published papers and is mainly built on the researchers’ personal reflection through first-hand experience or digestion through secondary data. Specific to the theme of the CBP, the WCO’s Compendium of Authorized Economic Operator (AEO) Programs (2009b, 2011 and 2014) is the most relevant literature. However, it is just a collection and updated information on members’ experience. Furthermore, in the WCO Open Day for Trade 2011 and the PICARD Conference 2011⁷, Widdowson, in the capacity

⁶World Customs Journal (WCJ) is the official publication of International Network of Customs University (INCUI), in cooperation with the WCO, which is composed of over 60 institutions of higher education or research related to Customs. It is published two issues per annum. It can be accessed at <http://www.worldcustoms.org/>

⁷The first WCO Open Day for Trade was held from June 27-28, 2011, representatives from international business associations, academia and Customs administrations attended. The event itself was an initiative for the WCO to promote

of President of International Network of Customs University (INCU), argued that empirical study is critical for effective and better Customs decision-making (Widdowson, 2011a, 2011b). He called for “researching issues of relevance to the WCO, its members and its stakeholders and providing empirical evidence to help inform strategic decision making.”

1.4.2 Significance for Policy and Operations

Potential contributions to policy and operations could be attributed to different audiences. The primary audience is the policy makers, planners and Customs officials at the operational level both in China Customs and Thai Customs, as both of these administrations were selected for the case study. Secondly, it is also hoped that the research findings can carry generalized implications for Customs in other countries. Thirdly, policy-makers in other government regulatory and/or enforcement agencies could also absorb practical lessons in dealing with their constituents. Fourth, besides Customs-related people, leaders and compliance-involved practitioners in the business sector can also be potential readers. With this audience in consideration, the study could bring out practical contributions as discussed below.

First, it may help Customs policy-makers to better understand the relevant dimensions of the Customs-business partnership in broader Customs modernization and administrative reform. Furthermore, it may shed light on similar relationships between other government regulatory/enforcement agencies and their clients. In the policy area, clearly understanding a problem is the first step to solve it.

Second, the proposed propositions and verifications will identify the relevant dimensions of the CBP, which may serve as a reliable guide in designing and implementing partner-like relationship arrangements.

Third, the research findings may give rise to hints and implications to Customs officials and other enforcement officers that want to enhance their communication, cooperation, and collaboration with business for better compliance and facilitation.

Customs-business cooperation and partnership at the global level. For details, see http://www.wcoomd.org/event_factsheet.htm.

Fourth, regarding implications for business, potential readers of the study are not only Customs practitioners and researchers, but also business people, though the primary target is public officials. The findings are expected to provide clues for them to develop and maintain a win-win relationship with government agencies in their dealings with these agencies.

1.5 Scope of the Study

For any research project, a clearly-defined scope permits the researcher to complete the research within the available time and resources. Therefore, the scope of a study is generally contingent on the nature of the research questions, the availability of data and research timeframe, and the availability of resources (Mauch and Park, 2003).

Conceptually, for the CBP, the focus will be on the informal and formal relational arrangements between Customs and business clients during their transactions of trade processing for the purpose of compliance and facilitation. Contracting projects for infrastructure and office building, equipment procurements and other service delivery under the common sense of PPPs are not covered because sound literature has been generated for understanding this type of partnership. Currently, in the Customs community, such arrangements are mainly promoted for Trade Single Window initiatives (UNECE 2005; World Bank 2005a, 2005b).

Geographically, at the stages of document analysis and expert interviews, the experience of the wide international Customs community, especially Customs administrations in the Asia Pacific region, was drawn upon. For the case study, China Customs and Thai Customs were selected as targets. Since both administrations have adopted a three-level organization structure, the arrangements at each level will be examined, and informants will be identified at each level.

Although the main locations are the two countries above, in order to ensure that research findings carry meaningful generalizations applicable to Customs in other countries, for the interviews at the exploratory stage and the documentary review, the scope will be expanded to the Asia Pacific region and even the global Customs community, especially when the WCO documents are reviewed and quoted. The Asia

Pacific region will also be focused on while referring to the WCO tools, standards, instruments. Considering the researcher's career background, the experience of other Customs administrations in the Asia Pacific region may be referred to and compared.

As for the temporal scope, it varies for China Customs and Thai Customs. For China Customs, as a historical perspective is adopted, the past three decades will be looked at as the time span has witnessed fast and dramatic organizational growth and change of China Customs in the broader context of Chinese economic growth and social development. The focus will be from 1998, since China Customs formally launched its modernization strategy at that time. For Thai Customs, the discussion will be concentrated on the matters and activities in recent years considering the data availability.

1.6 Definitions of Technical Terms

The study mainly takes Customs organizations as research target and technical jargons are used. To provide common understanding, the key terms in Customs context are defined here for the purpose of the study. Generally, definitions based on agreed-on understanding in international Customs community, especially found in the WCO's Customs Glossary (WCO, 2008c). The terms like Customs-business partnership specially used in this study is to be clarified based on literature review in Chapter 2.

Table 1.1 Definitions of Technical Terms

Terms	Definitions	Sources
Authorized Economic Operator	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 (2005b)
Business	Entities like importing or exporting companies which have transactions with Customs related to processing cross-border movement of goods and means of transport. Third parties like Customs brokers are also treated as	Author's compilation

Table 1.1 (Continued)

Terms	Definitions	Sources
	business, since they always help businesses in dealing with Customs. Since the unit of analysis is set at organizational level, the individuals who are international passengers or only import or export goods or articles occasionally is not excluded.	
Customs	Government Service which is responsible for the administration of Customs law and the collection of duties and taxes and which also has the responsibility for the application of other laws and regulations relating to the importation, exportation, movement or storage of goods	WCO (1999b)
Customs business relationship	All the exchanges, transactions, communication between Customs and business in the processing the cross-border movement of goods and means of transport	Author's compilation
Customs-business partnership	To be defined after the basic literature review in Chapter 2	Author's compilation
Customs control	Measures applied by the Customs to ensure compliance with Customs law	WCO (1999b)
Customs laws and regulations	Statutory and regulatory provisions relating to the importation, exportation, movement or storage of goods, the administration and enforcement of which are specifically charged to the Customs, and any regulations made by the Customs under their statutory powers	WCO (1999b)

1.7 Organization of the Study

The study is organized into six chapters.

Chapter 1 elaborates the major components of the study. The background on the evolving role of Customs and the paradigm shift in the Customs-business relationship are reviewed and the research problem is stated. Research questions and

objectives are clarified. The theoretical and practical significance of the study is discussed and the study scope is defined. Technical terms are defined.

Chapter 2 reviews the relevant literature concerning the concepts, theories and approaches on partnership, collaboration, public-private partnerships, Customs-business partnerships, and themes in administrative reform. Both theoretical and practical aspects on the CBP are investigated and the literature is categorized, analyzed, and criticized. The literature gap is identified and an initial analytical framework is put forward to guide data collection.

Chapter 3 discusses the research methodology. It defines the research perspective, the research type is selected, research methods are elaborated, the unit of analysis is clarified, and the data collection procedures are specified. Basically, it is designed as a case study research, and qualitative methods are primarily used in the data collection and analysis.

Chapters 4 and 5, as the backbone of the dissertation, respectively concentrate on the two cases; namely, Thai Customs and China Customs. Guided by the analytic framework and to address the research questions, the relevant dimensions of the Customs-business partnership are explored. The research findings are presented, analyzed, and reflected on.

Chapter 6 revisits the research questions. An integrated framework for understanding the CBP is built up and elaborated. The implications for theoretical contributions are discussed. Recommendations for policy and operations are put forward. The limitations of the study and suggestions for future research are discussed.

CHAPTER 2

LITERATURE REVIEW

This chapter reviews the relevant literature regarding the concepts, theories on partnership and collaboration, inter-organizational relations, public-private partnerships and the Customs-business partnerships and themes in administrative reform. Both theoretical and practical aspects are investigated and the literature is analyzed and criticized. The literature gap for this study is thus identified. A broad outline for guiding the ensuing data collection is initially put forward.

2.1 Inter-Organizational Relationships

2.1.1 Fundamentals of “Partnership”

Before reviewing relevant theoretical thrusts, it is meaningful to trace the meaning of “partner” and “partnership” etymologically. According to the Random House Dictionary, the word of “partner” has its roots in the period of 1250 to 1300, and in Middle English, its spelling was “parçener,” derived from old French, which has an association with the idea of a “part.” “Partnership” in a commercial sense is attested from 1700 (Dictionary.reference.com., 2013) with the development of capitalist economy.

Then how is “partnership” currently defined lexically? The Merriam-Webster Online Dictionary explains partnership as “1) participation; 2) a legal relation existing between two or more persons contractually associated as joint principals in a business; 3) a relationship resembling a legal partnership and usually involving close cooperation between parties having specified and joint rights and responsibilities.” Collins Essential English Dictionary (1996) gives a broader definition: “a relationship in which two or more people, organizations, or countries work together as partners.” The Oxford Dictionary of Business defines it in a narrowly legal term as “An

association of two or more people formed for the purpose of carrying on a business,” and it further explains that that a partnership does not have a legal personality of its own and therefore partners are liable for the debts of firms.

What do these etymological and lexical explorations indicate? We could pinpoint certain common threads: 1) partnership is not a new phenomenon in human activities; 2) a partnership is about relationship and interactions between two or more independent persons or entities to pursue certain shared objectives; 3) a partnership as an organizational establishment originates in the business domain; 4) partnership, literally, is closely linked to terms such as cooperation, collaboration working-together. This decoding of “partnership” provides guidance for searching for its richer and evolving dimensions in the business world.

In the private sector or corporate world, it is not uncommon for businesses to cooperate with their stakeholders for shared objectives such as cost reduction, joint technology development, shared market and etc. Kanter (1994) argues that such arrangements range along a continuum from weak and distant to strong and close engagement. He identifies three major types: “at one extreme end is mutual service consortia, that is, similar companies in similar industries pool their resources to gain a benefit; at mid-range are joint ventures which are popular in today’s business world; and the strongest and closest collaborative are value-chain partnerships”.

In a historical perspective, according to Dussauge and Garrette (1999), joint ventures and consortia have the advantage of minimizing the risk for the parent organizations but they can also provide opportunities each partner for “cost-dumping” and “benefits raiding.” Longer-term strategic alliances typically involve rather closer cooperation than this, with relationships based on trust, sharing of assets (including knowledge), and a commitment to mutual learning opportunities (Lorange and Roos, 1992).

Since the 1990s, such strategic alliances forged in business has spanned beyond national boundaries as multinational companies, the main players of globalizations (Bleeke and Ernst, 1991; Kanter, 1994). To explain such corporate development, one of the major theoretical thrusts is strategic management.

Within the literature of strategic management, Mohr and Spekman (1994) define “partnerships” as “a purposeful strategic relationship between independent

firms who share compatible goals, strive for mutual benefits and acknowledge a high level of mutual interdependence.” The strategic management literature challenges the stereotyped and naïve division between competition and collaboration and argues for the importance of partnership and collaborative efforts even among competitors, as opposed to competitive behavior.

Therefore, closely linked to the strategic management literature, “collaborative advantage” has been conceptualized and proposed by a couple of scholars in organization studies, which is in contrast to the idea of “competitive advantage” coined by Porter (2008). According to Huxham (1996), “competitive advantage” means that “synergy can be achieved by integrating the resources and expertise of one organization with that of others.” According to Huxham (1996) and Bovaird (2004), partnerships can contribute to competitive and/or collaborative advantage in different dimensions: providing economies of scale, economies of scope in the provision of certain services or activities and opportunities for mutual learning between partners. The relationship between competitive advantage and collaborative advantage is not absolutely contradictory but complimentary. Of course, it is argued that only when all participants have become expert in achieving a “collaborative advantage” with their partnership, it is likely that the partnership as a whole will be able to gain a competitive advantage against other rival partnerships (Huxham 1993, 1996; Kanter 1994; Bovaird and Tizard, 2009).

The inspiration of “collaborative advantage” has spilled beyond the business world. As Lowndes and Skelcher observe, “The idea (collaborative advantage) presents an attractive alternative to the market, quasi-market and contractual relationships that have dominated the public management reform movement internationally in the past decade.”

Through the above review on the evolution and development of “partnership” in the business world, initial conclusions can be drawn: 1) forging partnerships and alliances among private sector actors is popular; 2) companies which pursue partnership arrangements are driven by external and internal pressures or contingencies; 3) through partnerships, “collaborative advantage” can be created for partners; 4) partnerships are more voluntarily established among equal parties.

2.1.2 Inter-Organizational (IORs) Studies and Implications

To go beyond the literary understanding of “partnership” and partnership development in the business world, it is meaning to review the relevant theories which generally fall under the umbrella of IORs. IORs are defined as “the relatively enduring transactions, flows, and linkages that occur among or between an organization and one or more organizations in its environment (Oliver, 1990).” IORs between two or more organizations exist in public, private and mix sector contexts in the form of, for instance, informal exchange, alliances, joint ventures, consortia, networks as well as partnerships.

The interest and emergence of IOR study can be traced back to a major change in the theoretical models of organizations during the decade of the 1960s when the “open systems perspective” gained support and essentially challenged the “closed system models” (Cook, 1977; Provan and Milward, 1995; Scott, 2007; Ott et al., 2011). In the perspective of the open system, as summarized by Ott et al. (2011), the primary focus of research and theory building shifted from the internal characteristics of organizations to the external dynamics of organizational competition, interaction, and interdependency. It views organizations as systems of interdependent activities embedded in and dependent on wider environments.

While reviewing the literature on IORs, Galaskiewicz (1985) concludes that “the body of accumulated knowledge (on IORs) is highly fragmented.” Galaskiewicz argue than there is no one theory of IORs but different arenas of enquiry. While building a preliminary theory of interorganizational network effectiveness by empirically studying four community mental health systems, Provan and Milward (1995) also reviewed the fertilization and proliferation of IORs studies. As they observed, most of the work in IORs studies focuses on the determinants or predictors of IORs, such as Oliver’s work (1990). Such seminal interest was found in the business world, and then expanded into the non-for-profit and public sector.

2.1.3 Formation of IORs: Theoretical Models

The studies of IORs suffer from theoretical fragmentation. Under Galaskiewicz’s three-arena characterization, three theories are significant in explaining why organizations would like to pursue interactions and building IORs.

Why would different individuals and organizations like to cooperate in their transactions and interaction? Axelrod's application of game theory with the economic development partnership between a donor and a receipt can be meaningful. It is assumed that the process of a partnership can be analogized as a game. Axelrod finds that tit-for-tat reciprocity in prisoners' dilemma games, when accompanied by repeated interaction, can lead to collective action. That is to say, while the information asymmetry problem can be solved to certain degree, the participating parties tend to cooperate to bring out mutual benefits, thus creating a win-win result. Then he extracts implications for selecting partners and setting up PPPs.

Table 2.1 Game Theory: Implications for Partnerships

Area	Implications
For selecting a partner	<ol style="list-style-type: none"> 1) The more favorable the payoff structure is, the easier it will be to achieve and sustain mutual cooperation. 2) The stronger the shadow of the future, the easier it will be to achieve and sustain mutual cooperation. 3) A partner needs the organizational managerial capacity to fulfill its responsibilities. 4) The potential for follow-up projects enhances the attractiveness of a partner. 5) Selecting a partner that has a good reputation for cooperation has two benefits: rewarding past good behavior and increase chances for current success.
For setting up partnership	<ol style="list-style-type: none"> 1) Clarity of obligations 2) Promptness of feedback 3) Institutionalization of reciprocity

Source: Axelrod, 2003.

Such discussions are meaningful for understanding the relationship between the Customs and business relationship. Traditionally, the command-and-control model

between Customs and business has been characterized by low trust, adverbial reaction, information asymmetry, and the outcomes of “gaming” tend to be zero-sum gaming. However, under the mode of a partnership, misunderstanding, misinterpretation and conflict may be minimized; thus, communication, cooperation, consultation, and collaboration can be nurtured and enhanced. A new paradigm of “gaming” could lead to a win-win situation.

The second salient theory is transaction cost theory, which is one of the main thrusts of new institutionalism in economics and sociology. Its key arguments are: individuals are self-interested and opportunistic and have bounded rationality; any transaction between entities incurs cost; the contractual relationship may be unreliable; there always exists problems of information asymmetry; and concern over transaction costs may encourage parties to cooperate to minimize such costs. Applying these theoretical arguments to the CBP, it can be assumed that both Customs and business tend to reduce costs (financial or non-financial, tangible or intangible) in their interactions and dealings with each other. Informal and formal partnership arrangements may be an institutional innovation to reduce transaction costs, which could be tangible or intangible.

The third theoretical thrust is resource dependence. This falls into the sphere of organizational development by taking the perspective of meeting organizational needs or solving organizational problems through cross-boundary cooperation. The core arguments are: organizations cooperate or collaborate because they themselves lack critical competencies they cannot develop on their own because their environments are more uncertain; resources are scarce, environments are turbulent; any organization has an inherent tendency to pursue certainty.

These arguments could be particularly relevant to the Customs context. Customs to seek an external resource supply from the private sector to meet their policy objectives. On the other hand, the resources of information, power and authority held by Customs are also valuable to the business sector so that it can become involved in Customs-related law designing and implementing. It could be posited that there is a resource exchange in the interactions between Customs and business.

2.1.4 Determinants of IOR Performance

To answer “For what reasons and under what conditions do organizations establish linkages or exchanges with each other?” Oliver integrates the broad-ranging and heterogeneous literature on the determinants of IORs. Assuming that “organizations make conscious, intentional decisions to establish an IOR for explicitly formulated purposes,” Oliver proposes six critical contingencies of relationship formation as determinants of IORs: necessity, asymmetry, reciprocity, efficiency, stability, and legitimacy, which motivate organizations to establish IORs.

Among these determinants, necessity is closely linked to this study. By necessity, Oliver means “an organization often establish linkages or exchanges with other organizations in order to meet necessary legal or regulatory requirements.” This argument is especially relevant to this study. The relationship between Customs and business is primarily mandated in laws and regulations. Therefore, roughly, interorganizational relations can fall into two types: mandated or voluntary IORs. In this perspective, the Customs-business relationship is more mandated than voluntary.

With the interactions of the six contingencies, Oliver further characterizes six common types of IORs: trade association, voluntary agency federations, joint ventures, joint programs, corporate-financial interlocks and agency-sponsor linkages. However, the nature of relationship between Customs and business is somewhat different from these usual types of interorganizational relationships, because fundamentally such relationships are mandated and stipulated based on Customs-related laws and regulations. Hall et al. (1977) argue that the exchange model does not apply when interorganizational relations are mandated by law or regulatory agencies. However, later, even Hall himself acknowledges that “it is frequently difficult to separate out the exchange process from the emergence of mandates.” Therefore, there is a theoretical gap in the understanding of the cooperative transactions, flows and linkages between Customs and business in a regulatory environment.

Table 2.2 Critical Contingencies: Examples for Six Types of Relationships

Types of Relationship	Critical Contingency				
	Asymmetry	Reciprocity	Efficiency	Stability	Legitimacy
Trade associations	Lobby state regulators	Promote collective good	Obtain economic advantages	Reduce legislative uncertainty	Enhance members' image
Voluntary agency federations	Increase collective power in fund-raising	Coordinate network affiliates	Achieve economies and distribution of donations	Stabilize flow of donation to members	Increase members' community visibility
Joint ventures	Increase market power and entry barriers	Obtain synergies in technology, information sharing	Increase economies of scale	Share risks in entering new markets	Enhance profile in industry
Joint programs	Exert control over access to resources	Facilitate exchange of clients and personnel	Reduce costs of social service delivery	Share risks in mounting new programs	Demonstrate norms of cooperation
Corporate-financial interlocks	Influence sources of capital	Share knowledge and information	Reduce research costs for capital	Co-opt financial in flow of funds	Project appearance of financial viability
Agency-sponsor linkages	Augment power relative to other agencies	Facilitate information exchange	Rationalize acquisition of funding	Reduce uncertainty in flow of funds	Increase agency's acceptance and prestige

Source: Oliver, 1990.

Reviewing the previous study of IORs, we see that it is not sensible to cage the Customs-business relationship in the conceptual and practical dimensions of IORs mainly identified in the corporate or business world. As Hall et al. (1977) and Oliver (1990) argue, mandates from higher authorities may provide the impetus for IORs that otherwise might not have occurred voluntarily. The general theoretical models assume that IORs are voluntary interactions. However, the mandated vs. voluntary distinction in IORs is important because the explanations and consequences of the relationship

formation associated with each are fundamentally different. The relationship between Customs and business is more mandatory than voluntary.

With such a dilemma and doubts, the researcher thinks that better clues may be found in the literature on cooperation and the partnerships formed between the public sector and private sector (including for-profit sector and voluntary sector). It is also theoretically valid to put the CBP in the broad context of governance and administrative reform.

2.2 Public-Private Partnerships

As students in public administration, while discussing “partnership,” people implicitly think of public-private partnerships (PPPs). As Wettenhall and Thynne (2003) summarizes, PPPs is a very-fashionable concept in the discourse about public sector management, and he argues that the “term ‘partnership’ is now a dominant slogan in the rhetoric of public sector reform, arguably capturing that status from privatization which held similar dominance through the 1980s and 1990s.” Jung and Osborne (2008) lament “[p]artnership is an ill-defined and vague concept that is applied inconsistently across the literature.” Conclusively, in spite of its popularity in both pragmatic and ideological sense, there is no agreed definition or consensus on an integrative conceptual framework for PPPs (Linder, 1999; Rosenau, 1999; Osborne, 2000; Wettenhall and Thynne, 2003; Hodge and Greve, 2007; Khanom, 2009).

According to Osborne and Jung’s (2000) meta-analysis, two broad schools of thought can be identified within PPPs and the partnership literature. Hodge and Greve (2007, 2010) echoed in their international review on PPPs. The first school sees a partnership as mainly a language game, aiming to draw attention to its moral appeal of the concept. While ideas, looming in the New Public Management (NPM) paradigm in the Western countries like contracting out, market, and privatization carry negative associations and cause opposition, “Partnership” heralds inclusiveness, synergy, harmony, moral value and superiority (Hodge and Greve, 2007). Linder (1999) ironically points out that the “public-private partnership is frequently viewed as a derivative of the privatization movement, which captivated conservative leaders in western liberal regimes on both sides of the Atlantic throughout much of the

1980s.” “Partnership” is suspected to be “rhetoric” rather than “reality” (Teisman and Klijin, 2002; Wettenhall and Thynne, 2003).

The second group of scholarship perceives the partnership as a governance tool and a practical answer to increasingly interdependent and complex social systems (Lowndes and Skelcher, 1998; Peters and Pierre, 1998; Stoker, 1998; Rhodes, 1988 and 2007). Particularly, partnerships are used to solve the “wicked problem” as originally coined by Rhodes (1988). However, there is little definitional consensus under an umbrella term.

The emergence and evolution of the CBP can be found in both schools. Leaders of Customs may use the idea of the partnership as a catchphrase phrase both among internal and external stakeholders. On the other hand, principles of partnership have been actually translated into concrete policies, especially in developed countries. It is for this in-between complex status that the CBP needs to be explored and clarified.

To link the literature review in this section with the research questions, the researcher would like to explore what, why and how regarding PPPs, aiming to characterize the CBP under the literature of PPPs. It is interesting to find that in the literature on PPPs, “partnership” is usually used as a countable noun, which indicates that such partnerships generally lead to setting up discrete entities, especially in the infrastructure development arena. However, for the CBP, it would be appropriate to conceive it in an uncountable noun, because the arrangements under the CBP are more linked to relational dimensions.

2.2.1 What: Definitions and Typologies of PPPs

As discussed above, many scholars argue that the definitions of PPPs are not in agreement. McQuid observes “the term of “partnership” covers differing concepts and practices and is used to describe a wide variety of types of relationship in a myriad of circumstances and locations.” Ling (2002) claimed that the partnership literature amounts to “methodological anarchy and definitional chaos.” While defining PPPs, there is the distinction between PPPs in a narrow sense and PPPs in a broad sense (Kouwenhoven, 1993). First, let us examine several definitions in a narrow sense:

PPPs are one form of the policy of liberalism in the way public services are produced and delivered to the public (Broadbent and Laughlin, 2003).

PPPs, a joint venture in which one or more governmental units and nongovernmental entities in which one or more governmental units and nongovernmental entities blend resources and authority for a project over a sustained period of time (William, 2009).

There are also definitions in a broader sense:

... there is interaction between government and business, the focus is achieving convergent objectives is on synergy the objectives have both social and commercial characteristics, and the respective identities and responsibilities of the parties involved remain intact (Kouwenhoven, 1993).

The term “public-private partnership” ... to describe quite different sets of relationships, such as consultation by public agencies with private businesses or community groups or arrangements such as “load-shedding” of public functions to the private sector (Finney and Grossman 1999).

The partnership concept may be linked to the trend toward network forms of governance, in which public actors take their interdependencies with other actors into account and try to solve governance problems through cooperation rather than through central steering and control (Teisman and Klijin, 2002).

...working arrangements based on a mutual arrangement (over and above that implied in any contract) between a public sector organization with any organization outside of the public sector (Bovaird, 2004).

Is there shared essence in the above definitions? McQuid identifies a couple of assumptions underlying the definitions of partnerships: first, the potential for some form of synergy, that is, “the sum is greater than parts;” second, a partnership involves the development and delivery of a strategy or a set of projects or operations; third, a partnership involves cooperation and collaboration; fourth, in PPPs the public sector would not purely pursue commercial ends.


Other scholars offer insights in classifying the meaning of PPPs. Linder (1999) identifies six distinct uses in the neoconservative and neoliberal ideologies: 1) PPPs as management reform; 2) PPPs as problem conversion; 3) PPPs as moral regeneration; 4) PPPs as risk-shifting; 5) PPPs as restructuring public service; 6) PPPs as power-sharing.

Similarly, Khanom classifies the various themes on PPPs into four major groups: as a way of managing and governing organizations, as an institutional arrangement for financial relationship, as a development strategy, and also as a language game. He further summarizes that common features of different definitions of PPPs are: first, PPPs are always concerned with cooperation and collaborative activities between different organizations; second, public organizations are always involved in partnership with private organizations; third, there is commitment in a PPP, where a partnership is arranged for long-term duration; finally, PPPs result in some specific goods or services.

Chepaitis argues that three hallmark characteristics which distinguish PPPs from other inter-organizational relationships are: PPPs include public and private (including for-profit and/or non-profit organizations) partners, function as a true partnership, and pursue a public purpose.

Along with the divergent definitions of PPPs, a typology of PPPs also reveals divergent opinions. For the purpose of this research, the researcher will quote three prevalent approaches. The first approach concerns the narrow perspective of PPPs summarized by Pollit (2003a) (see Table 1). This categorization is more centered on PPPs with an economic dimension or infrastructure development. Examined closely, CBP may not fall onto any point on the spectrum in terms of involvement degree by the private sector, because the CBP, obviously, is not aimed at infrastructure development.

Table 2.3 Forms of Public-Private Partnerships (PPPs) in a Narrow Perspective

Type of Partnership (Private Partner is Responsible for ...)	Degree of Private Sector Involvement
Operations-and- maintenances	Low  High
Design-build	
Design-build-operate	
Wrap-around- addition	
Build-lease-operate	
Temporary privatization	
Lease/buy-develop-operate	
Build-transfer-operate	
Build-own-operate-transfer (BOOT)	
Build-own-operate	High

Source: Pollit, 2003a.

Second, Hodge and Greve (2007) offer another parsimonious typology by identifying two dimensions of PPPs: first, finance; that is, how are the public and private sectors engaged financially in PPPs; the second dimension is organizational: How tightly organized are public actors and private actors? Under this lens, the CBP can be thought of more between the policy community and issue networks, which are generally defined as “a configuration of individuals concerned about a particular aspect of an issue and the term policy community is used more broadly to encompass the collection of issue networks within a jurisdiction, and both describe the voluntary and fluid configuration of people with varying degrees of commitment to particular cause” (Hall, 1999).

More concretely, the CBP can fall into sub-categorization of the public-private policy partnership, as Rosenau (1995) defines it as the “[f]ormation of cooperative relationships between government, profit-making firms and non-profit organizations to fulfill a policy function.” The CBP is more aimed to enhance trade facilitation and security in the context of Customs.

Table 2.4 A Typology of PPPs Based on Financial and Organizational Relationships

Finance/Organization	Tight Organizational Relationship	Loose Organizational Relationship
	Joint-venture companies	BOT, Sale-and-lease-back
Tight financial relationship	Joint-stock companies	
	Joint development projects	
Loose financial relationship	Policy community	Issue networks

Source: Hodge and Greve, 2007.

Later, Hodge and Greve (2010) developed their typology and proposed that the partnership terrain can be thought at the broadest level, and that there are at least five families of arrangements: 1) institutional cooperation for joint production and risk sharing; 2) long-term infrastructure contracts; 3) public policy networks (in which loose stakeholder relationships are emphasized); 4) civil society and community development; and 5) Urban renewal and downtown economic development (see Figure 2.1). Similarly, in this rough classification, the CBP can be thought to be linked to public policy networks.

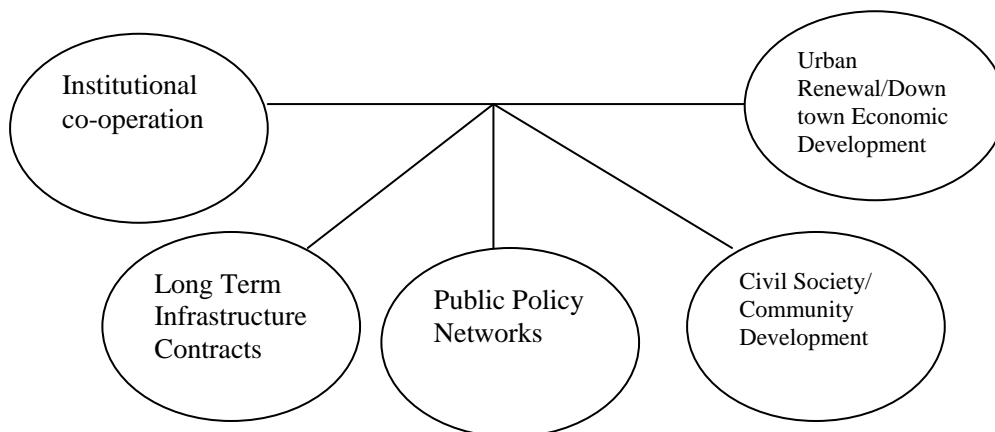


Figure 2.1 Five Families of Public-Private Partnerships as Governance Arrangements

Source: Hodge and Greve, 2010.

Lastly, Bovaird (2004) attempted to consolidate different typologies against different criteria (see Table 2.5), under which the characterization of CBP can be multi-dimensional. Certainly, it is cross-sectoral, as Customs belongs to the public sector and business falls into the private sector. The relationship could vary along continuum of degree of inter-embeddedness. To some extent, the CBP is usually initiated and dominated by Customs though Customs claims that it is “voluntary” in a normative manner. For the policy area, trade regulation, processing and control at borders are the main scope. Basically, such a relationship could be perceived as “horizontal” as it is stated that Customs and business are equal parties.

Table 2.5 Types of Partnerships: Perspective of Different Bases

Basis	Types	Implications on CBP/AEO
Sectoral	Partnerships between government with third sector organizations and civil society associations, with private business, with both business and the third sector.	Mainly with private business
Relationship	Loose network, collaborative, power-sharing and contractual	Across the continuum of collaboration
Economic	Supply-side, demand-side or mixed partnerships	Generally Customs-dominant or initiating
Policy area	Areas of policy objectives	Trade regulation, processing and control
Geographical	International, national, local	Can be at three levels, for AEO generally at national level
Scope	Vertical, horizontal and mixed partnerships	Aspire to be horizontal, but not be so in reality.

Source: Adapted from Bovaird, 2004.

It could be tentatively concluded that the CBP can fall into broad the concept of PPPs, especially fitting in the niche of public-private policy partnerships or public policy networks. However, the CBP bears little common ground with PPPs in their narrow but common conceptualization as infrastructure development.

2.2.2 Why: Motives, Purposes and Problems of PPPs

Behind any inter-organizational arrangements, there must be some explicit or implicit motives for participating parties. Based on IORs theory, the common denominator is the interdependence motive, which constitutes the basis for cooperation (Pfeffer and Salancik, 1978). This interdependence is related to the turbulence and complexity of the environment in which organizations operate. Starting on such an interdependence thesis, scholars have elaborated the motives behind PPPs.

Kouwenhoven (1993), in reviewing the European experience of PPPs since the mid-1980s, have identified two main motives for PPPs. First are financial-economic motives. These motives concern the limited financial capacity of governments for investments. Where the government faces a budget deficit, the private sector shows a financial surplus. The second motive is managerial-strategic motives, especially on the side of the government, which is connected with the reorientation within the government reform under the NPM.

William (2009), while reviewing the private partnership in public administration in the American context, argues that though the American legal and constitutional tradition draws a clear distinction between public and private institutions, the U.S. has had a “collaborative heritage” in public service ever since 1880s. For the past decades, the rationale for public-private collaboration can be summarized as five arguments: diverse private sector, “smaller government” for privatization, “business enterprise” argument, “citizen choice” argument, and the “efficient government” argument. William’s arguments somewhat reflect the tenets for New Public Management reforms.

Contemplating the emergence of PPPs in public sector reform discourse, Pollit (2003a) summarizes certain generic motives for formulating PPPs (see Table 2.6), and actually, the two motives identified by Kouwenhoven have been included. This shows that some motives are purported in the CBP; however, attracting private finance and shifting cost-risk and downsizing public sectors may not be applicable to the CBPs since Linder’s analysis is mostly based on observations on infrastructure or service-delivery PPPs arrangements. Moreover, the concerned motives demonstrate unique

implications for the CBP. For example, risk shifting should be achieved in the CBP but “risk” is not financial-related but is more connected with trade compliance and security issues.

Holzer et al. thinks that partnership can contribute to public productivity. They argues “The ability to think and act outside the rigid but familiar bureaucracies box can be essential for pooling resources and improving productivity in an increasingly resource-scarce atmosphere.” While tracing the “great five ideas in American public administration,” Holzer thinks that “cooperative partnerships” actually create opportunities to enhance public productivity.

Table 2.6 Motives for Partnership Formation

Motives	Comments	Implications for CBP
Management reform and modernization	Through working partnership with the private sector, public managers will learn how to run programs more flexibly and efficiently.	Customs takes partnership as a key principle for Customs modernization.
Attracting private finance	By partnering, public agencies will be able to tap into private finance, enabling them to pursue projects which could not be afforded from public budgets alone.	Not a major concern for the CBP since no many cost implications will be incurred in CBP collaborative arrangement, though one major incentive is to reduce cost for trade community
Public legitimacy	Participation in a partnership is seen as a good in itself—symbolic of a pooling of talents from government, the market sector and the voluntary sector in pursuit of worthy public purposes.	One of the major motives for the CBP as Customs desires to achieve higher trade compliance through cooperation with the private sector
Risk shifting	Private partners assume part of the whole of the financial risk associated with projects.	It concerns, but risk is not restricted to “cost,” but is rather more related to supply chain security concerns or commercial fraud risks.

Table 2.6 (Continued)

Motives	Comments	Implications for CBP
Downsizing the public sector	PPPs may be seen by those who favor downsizing the public sector service as a way to get tasks which were formerly performed by public sector staff handed over to the staff of commercial or voluntary organizations.	Facing dual pressures imposed by increasing workloads and decreasing resources, Customs needs to allocate resources optimally to high-risk areas in their interaction with business.
Power sharing	Partnerships may be seen as promoting more cooperative, “horizontal,” less authoritarian and hierarchical relationships.	This specially concerns Customs. It is assumed that power sharing between Customs and business can improve trade compliance.

Source: Adapted from Pollit, 2003a.

According to scholars in governance, the driving force for public governance is not the need to make public sector organizations and public services more efficient (still remain important) but rather the need to solve “wicked problems” in society which cannot be tackled by public agencies acting alone and which, therefore, seem to require public agencies to be prepared to work with a wide range of other organizations in the public, private and voluntary sectors (Peters and Pierre, 1998; Stoker, 1998).

The purposes of PPPs can be seen from the perspectives of policy and resource allocation. Bovaird (2004) identifies that PPPs can fulfill below purposes across policy process: policy design and planning, policy coordination, policy monitoring, policy evaluation and review, policy implementation and service delivery, resource mobilization and management. Under this observation, the CBP can have every bearing on these facets, but more on policy implementation and resource mobilization.

Do PPPs really achieve their intended outcomes? Answers are mixed. The recent literature has critically questioned whether PPPs are not an all-good panacea to address social problems and evidence for its ideological proclamations is not strong.

Rosenau (1999), while analyzing the public-private policy partnerships implemented in the U.S., provide a comprehensive critique on the weakness of policy PPPs:

Partnering may, at least in the short term, decrease costs, if cost and efficiency are defined narrowly and externalities are discounted. Despite this advantage, public-private policy partnerships have substantial problems. They do not exhibit superior performance in the criteria of equity, access and democracy. Rather than reduce regulation, public-private policy partners appear to increase it. Regarding accountability, public partners are the providers of last resort, although this could change if private partners gain more experience and partnering moves beyond minimalist forms to more fully developed policy partnerships.

Therefore, he urges that “public-private policy partnerships are imperfect and in need of refinement and reform.” Hall (1999), while examining the role of coordination, collaboration, and the partnerships in tourism management regarding the Australian experience, argues that the “predominance of narrow corporatist notion of collaboration and partnership in network structures may serve to undermine notions of the development of the social capital required for sustainable development.”

More recent literature discovered a “darker side” of PPPs. Selsky and Parker (2005) concluded that the evaluation of the implementation and outcomes of PPPs is generally inadequate. Agranoff demythologizes collaborative networks and identifies lessons for public managers; for example, networks have their collaborative costs. Jung and Osborne (2008) argues that “[it] is widely assumed that partnership arrangements are a panacea for addressing the complex and interdependent problems faced by public services... however, partnership’s true benefits are uncertain.” They attribute such deficiency of PPPs to three causes: first, arguments of PPPs are ideologically tainted; second, the partnership concept lacks clarity; and subsequently, assessment is problematic.

Having briefly reviewed the strengths and weaknesses of PPPs, feasible inference is that, as a new and emerging genre of PPPs, the CBP may not be immune

to the above problems. Therefore, rational considerations should be used to design and implement CBP arrangements.

2.2.3 How: Life-Cycles of PPPs

One way to conceptualize PPPs is through a project-stage approach. Different stages through which partnerships proceed will encounter different managerial challenges at each stage. While the precise number of stages and their titles vary across the literature, generally such process can be divided into five interrelated phases as contemplated by Murray and Osborne: pre-contact, formulation, implementation, and extension and termination. Each process may demand different capacities and skills. For this research, the researcher will focus on the designing and implementing stages of the CBP.

Lowndes and Skelcher (1998) conducted a longitudinal study of partnerships in Britain and constructed a life-cycle model with four broad stages: (1) pre-partnership collaboration; (2) partnership creation and consolidation; (3) partnership program delivery; and (4) partnership termination and succession. They further argue that “[e]ach of these stages tended to have causal connections with differing modes of governance and relationships between stakeholders.”

The CBP may also bear the nature of evolution. For this study, the researcher will trace the evolution of the Customs-business relationship and explore how the CBP emerges in a broader context.

2.2.4 Summary of the Literature Review on Partnerships and PPPs

The above review on partnerships and PPPs specifically indicates that PPPs themselves lack consistency and consensus regarding the concept, dimensions and implementation considerations. The literature, though extensive and fertile, is rather fragmented than integrated. Its nature both as a language game and a practical governance tool indicates that PPPs are emerging and evolving phenomena and theoretical exploration and building development should be carried on to keep abreast of the reality.

The CBP surely does not fit PPPs in the narrow sense, but it can be explored within the broader discourse of PPPs or cross-sector partnerships. The relevant

conceptual frameworks or characterizations that scholars have developed for PPPs serve as helpful starting points to explore the notion of the CBP, and relevant arguments will be applied to construct the analytic framework for the study. Nevertheless, putting the CBP under this theoretical lens, we can also see the CBP's uniqueness. The PPPs are more financially-oriented and more concern establishing infrastructure or delivering public services.

The CBP is different from PPPs in different dimensions: 1) the CBP does not obviously provides public infrastructure or tangible goods or services; 2) no separate entities are created like those initiatives for infrastructure development under PPPs; 3) the pursued objectives for the CBP are better trade compliance and facilitation; 4) the common motives for PPPs may not be adequate or valid for understanding why to form a CBP. Since Customs is a regulatory and enforcement agency, the relationship between Customs and business is primarily between the administrator/regulator and obligtees/regulatees. What partnership, cooperation or collaboration can be forged and maintained in this context? Is the CBP just lip service or a language game used by Customs to soften its undesirable image and to pursue fashion in governance reform?

In a nutshell, a theoretical exploration of the CBP is imperative and constructive; such efforts are expected to generate plausible implications for policy makers and implementers in the Customs area.

2.3 Administrative Reform

Administrative Reform: Shifting Paradigms

Nearly all of the literature on PPPs traces its origin to the broad themes of the NPM and governance reform. The starting logic is that the boundaries of the public sector, private sector, and social sector are blurring (Rhodes, 1988; Stoker, 1998; Pollit, 2004). Such a blurring of sectoral boundaries occurs when an organization in one sector adopts or captures a role or function traditionally associated with another sector, such as when governments contract out social welfare functions to nonprofits or business (Selsky and Parker, 2005).

The second element is the emerging of "wicked problems," and solving these "wicked problems" is generally beyond the traditional boundary of one organization

(Rhodes, 1988). This means that traditional sector-based solutions cannot address emerging challenges and understandably one sector must be enhanced by learning and borrowing from the expertise in other sectors. Therefore, this leads to heightened emphasis on governance through network structures as a “new process of governing; or a changed condition of ordered rule; or the new method by which society is governed” (Rhodes, 1988). Rhodes even put forward a bold argument on “governance without government,” which is sometimes coined as “the third way of governance” (Stoker, 1998). Based on Rhodes’s seminal work, the network theory in public administration has evolved.

Integrating the literature on public management and governance reforms, Osborne (2010) argues that the paradigm shift in the administrative reform area could be identified. In his characterization, there are three interlinked but distinct paradigms: public administration, new public management, and new public governance. As meta-analysis, Osborne posits that these paradigms, namely, Public Administration (PA), New Public Management (NPM), and New Governance (NG), differ from each other in their theoretical roots, the nature of the state, focus and emphasis, resource allocation mechanism, and other characteristics (see Table 2.7).

Table 2.7 Core Elements of the NPG, in Contrast to the PA and NPM

Paradigm /key elements	Theoretical roots	Nature of the state	Focus	Emphasis	Resources allocation Mechanism	Nature of the service system	Value base
PA	Public science and public policy	Unitary	The political system	Policy creation and implementation	Hierarchy	Closed	Public sector ethos
NPM	Rational/public choice theory and management studies	Regulatory	The organization	Management of organizational resources and performance	Market and classical or neo-classical contracts	Open rational	Efficacy of competition and the marketplace
NPG	Institutional and network theory		The organization in its environment	Negotiations of values, meaning and relationships	Networks and relational contracts	Open closed	Dispersed and contested

Source: Osborne, 2010.

As Osborne argues, such a paradigm-shifting framework does not indicate that the new model will substitute the old models, or that the new models are better than the old models. For a given country or a public organization, administrative measures can be undertaken in parallel under the three models. Such a conceptualization is aimed to provide a coherent framework to observe come-and-go administrative trends and patterns. For example, implementing PPPs generally belongs to ideological and practical dimensions of New Public Management. The “old” model of partnership is better seen under the model of Public Administration, and the new “partner-like relationship” bears more characteristics under emerging governance.

Another significance of Osborne’s characterization is that the concept of the organization as a system is absorbed. Though Osborne’s meta-analysis draws experience from the western developed world, it provides a viable context to investigate how public-private partnerships and cross-sector collaborations emerge and develop in the broad administrative reform of a nation. Certainly, applying this observation to the circumstance of developing countries such as China and Thailand should be prudential.

Linked to the notion of “good governance,” Bovaird and Tizard (2009) argue that partnerships must not only help to deliver the objectives of the public sector and solve the “wicked problems” with which they are faced, but their working has to be based on principles of good governance. Normatively, they propose “features” of partnerships from a governance perspective (see Table 2.8).

Table 2.8 Partnerships from a Governance Perspective

Governance Principles	Implications for Partnerships
Citizen engagement	Participation of citizens and stakeholders in decision-making.
Transparency	Open booking working in respect of all partners as a critical element of building trust.
Accountability	Partners must be prepared to account to each other for their actions and performance on all issues that arise – and must be prepared to account to other stakeholders for the overall performance of the partnership.

Table 2.8 (Continued)

Governance Principles	Implications for Partnerships
Equalities and social inclusion	Accepted as core values in the working of the partnership – partners are expected actively to seek innovative ways of improving performance against these principles.
Equity (fair procedures and due process)	Accepted as core values in the working of the partnership – partners must continuously seek innovative ways of improving performance against this principle.
Willingness and ability to collaborate	Critical success factor for all partners.
Ability to compete	Critical success factor for the partnership as a whole (incorporating both cost consciousness and customer focus)
Leadership	Necessary at all levels of the partnership as a whole, in each of its constituent organization.
Sustainability	Partners must continuously seek improved ways of increasing the sustainability of policies and activities.

Source: Bovaird and Tizard, 2009.

This broad theoretical and practical development has significant implications for understanding the CBP. First, the main principles for modern Customs that the WCO identifies in essence mirror the underpinnings of good governance such as transparency, accountability and integrity, among others, and cooperation and partnerships with outside stakeholders are critical. Second, as only one part of government, Customs' reform is generally consistent with the pace and priorities of administrative and/or governance reform in countries. Third, the modernization of Customs is a holistic process, and the effectiveness of CBP is contingent on effectiveness of other reform initiatives. This observation will be reconsidered in constructing the analytic framework of the study.

However, we must realize that the equal status and power among participants proposed by the network theory may not be applicable to the CBP, because the CBP arrangements, informal or formal, are generally initiated or “dominated” by Customs.

This raises doubts concerning whether such a networked partnership really exists or not.

While the overall public administration is experiencing a paradigm shift in governance, the administrative reform of the overall government is prevailing both in developed and developing countries. Regarding the Customs issues, it is better to jump out of the narrow sphere of Customs itself.

Moving from the narrow focus of technical matters such as commodity classification, Customs valuation and rules of origin, the WCO, from the beginning of the 21st century, has proposed a holistic approach to Customs modernization and has adopted the principle of good governance initially raised by other international institutions such as the World Bank. It has crafted thirteen principles for modern Customs, which generally follow the doctrines of good governance (see Figure 2.2).

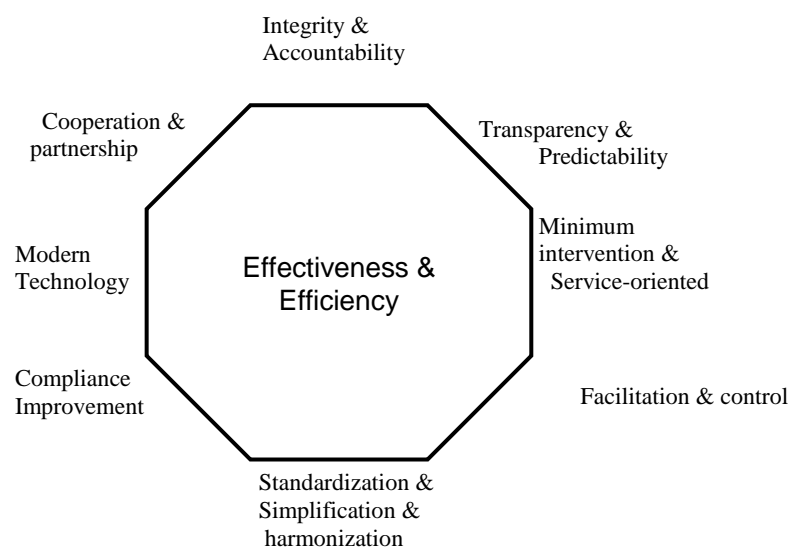


Figure 2.2 Modern Customs from a Governance Perspective

Source: Adapted from WCO, 2005a.

In a globalized world characterized by faster and expanding cross-border exchange of goods, technology, capital and information, the theoretical and practical ideas on administrative reform flow and spread globally in a dynamic manner. Taking the perspective of metaphors, scholars have categorized such a flow as “reform

diffusion,” “importing, buying or borrowing public management reforms,” “and the international trade in public management ideas” or “implanting”. Whatever it is called, several critical observations center on this phenomenon: first, historically, such exchange or traffic is certainly not new. For example, early in the nineteenth century, Japan borrowed systematically from organized practices in Europe. Second, in the process of transfer, most reformers do not invent completely new ideas. Third, such transfer is always treated in a simplistic, linear way (Pollit, 2004).

Pollit further points out that policy transfer is a complex process, commonly involving a number of stages and potential pitfalls. Much depends on the quality of analysis of the problems to be addressed; and much also depends the complexity of the technique or approach. Further, the process may turn out to be a long process of adaptation and adjustment, and the borrower may not be in the position of a freely-choosing consumer of the reform in question. The transfer may involve quite a complex set of relationships, and possibilities for misunderstandings and slippages of meaning are high as different language may well be involved. He argued that a more sophisticated approach should be taken in the following:

When a transfer of a particular management system or technique is contemplated, one needs to consider how far each of these major facts – culture, the political system, the pattern of institutions, the management strategy, the nature of the primary task – matches between the “exporting” and “importing” jurisdictions. The more mismatches, the more probable it is that the transfer will fail or produce unexpected results (Pollit, 2003b).

Therefore, Pollit stresses that the borrower/importer of public management reforms cannot be a passive consumer of doctrines and techniques from advanced countries, but is an active co-producer. The local knowledge is especially important through the whole process of reform.

2.4 Customs Compliance Management

Considering the mandatory nature of the Customs-business relationship, the researcher argues that the theoretical basis on compliance, especially concerning regulatory compliance management, is intrinsically meaningful for this study. The fundamental role of regulatory authorities is to ensure compliance with the statutory provisions for which they have administrative responsibility. In order to achieve this, such authorities must devise strategies (like risk management) to address the potential risks of non-compliance. As Oliver (1990) argues, “An organization often establish linkages or exchanges with other organizations in order to meet necessary legal or regulatory requirements” and “mandates from higher authorities may provide the impetus for IORs that otherwise might not have occurred voluntarily.” Customs concerns both administering and enforcing laws and regulations, while business complies with Customs-related laws and regulations.

In the field of regulatory compliance, Sparrow (2000) has provided insights on the key principles of a risk-based approach. The traditional assumption holds that after legislation is formulated, the regulatory and enforcement authorities would automatically and fully implement the centralized and prescriptive laws and regulations. On the contrary, regulatory agencies could take a wide range of enforcement strategies at many levels to achieve higher compliance among the regulated targets. Mechanistically sticking to the command-and-control enforcement mode will not produce the desired outcomes in a more diverse, democratic and pluralistic society.

Inspired by Sparrow’s risk management approach to regulatory compliance, Widdowson (2003) developed a model of risk-based compliance management which specifically addresses the Customs context. Widdowson conceptualizes his model in two stages. First he proposes that an “appropriate balance between facilitation and control” should be achieved through the application of the principles of risk management, which is illustrated in a facilitation/control matrix. The significance of such conceptualization is that the facilitation and control in the Customs world are not necessarily contradictory or exclusive to each other. On the contrary, both policy goals could be optimally achieved through adequate compliance management and risk management.

As for how to strike the desired balance? Widdowson's solution is effective compliance management, with which he further develops a complimentary model on "risk-based compliance management." It is assumed that, among all the businesses or traders that Customs deals with, some may be willing or unwilling not to comply with Customs laws and regulations due to internal and external drivers. The government needs to create a specialized agency to monitor cross-border movement to ensure a fair market order and environment. Therefore, the logical order of compliance and facilitation should be that compliance comes first. Without voluntary compliance of business clients, the pyramids of regulations that Customs is responsible for implementing would not generate the desired outcomes.

Widdowson's model is not only significant theoretically, but useful in Customs practices. Based on the principles laid by Widdowson, Australia Customs Service developed the Customs Compliance Continuum to guide Customs operational responses according the risk levels of business as clients (see Table 2.9).

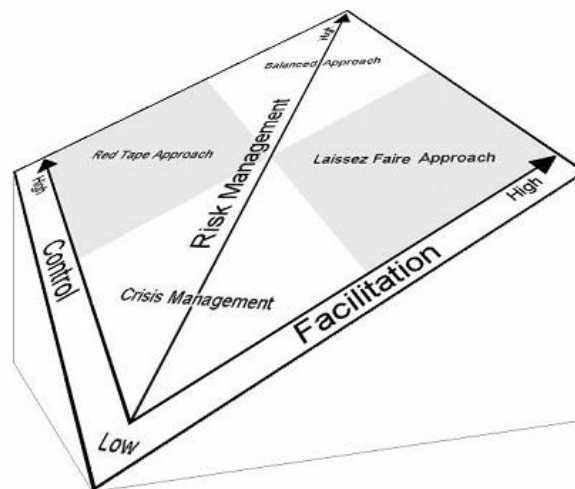


Figure 2.3 Facilitation/Control Matrix in the Customs Context

Source: Widdowson, 2003.

Though Widdowson's model does not explicitly mention partnership arrangements between Customs and business, the escalating measures applied to compliant and non-compliant traders do reflect the necessity and reality Customs needs to face every day. Widdowson's models lay a basis for further exploration in this study, since Widdowson concentrates on how to apply risk management in the

Customs context. The relational dimensions between Customs and business have not been adequately addressed and empirical study could be carried on to strengthen his research efforts.

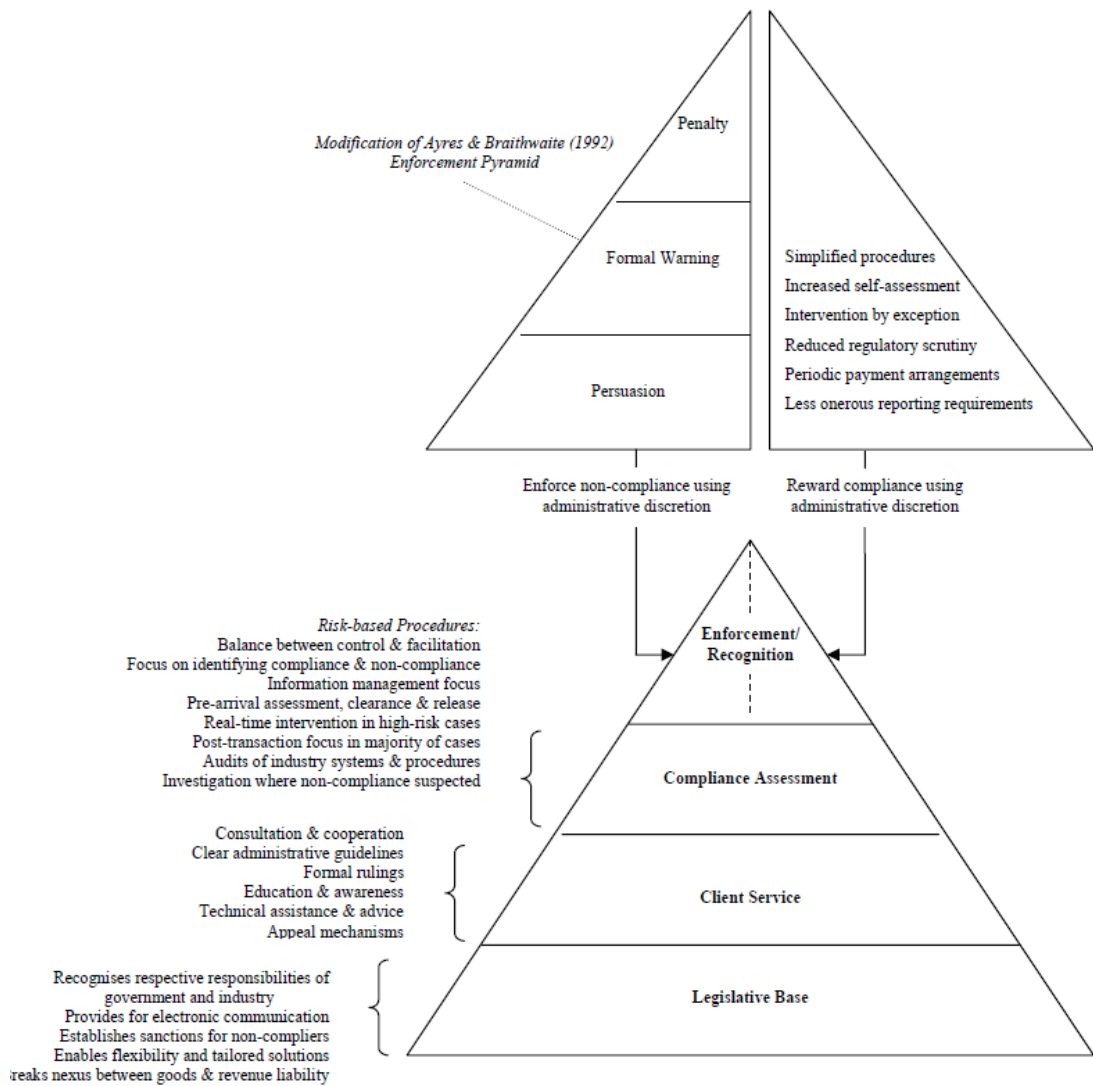


Figure 2.4 Risk-Based Compliance Management Pyramid

Source: Widdowson, 2003.

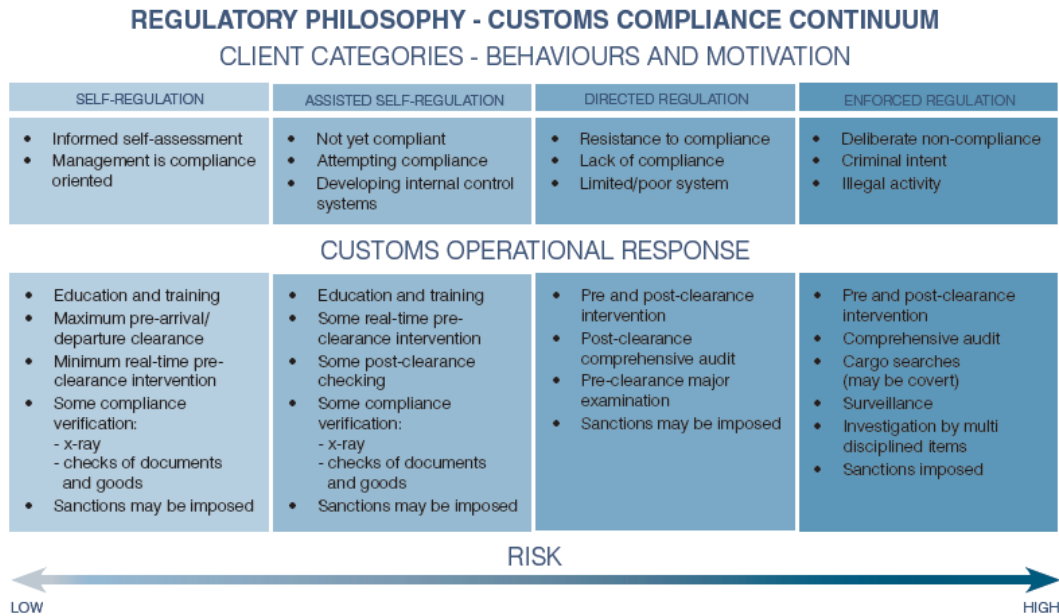


Figure 2.5 Australia Customs Service: Customs Compliance Continuum

Source: Australia Customs Service, 2008.

2.5 Customs-Business Partnership

2.5.1 Brief on Customs

2.5.1.1 Role of Customs

The study takes Customs as the target organizations for investigation and analysis. Basic knowledge on this “mysterious” government agency is helpful to set a backdrop for further discussion.

What is Customs? As defined by the World Customs Organization (WCO)⁸ Customs is “the Government Service which is responsible for the

⁸The World Customs Organization (WCO), with its official name as the Customs Cooperation Council (CCC), is the sole inter-governmental organizations competent in Customs matters. It formulates and promotes the international Customs instruments, standards and tools and serves as a platform for global Customs administrations to communicate and cooperate. Currently, it has 179 members, which in total processes 98% of the global trade volume.

administration of Customs law and the collection of duties and taxes and which also has the responsibility for the application of other laws and regulations relating to the importation, exportation, movement or storage of good” (WCO, 2006a). This broad definition depicts certain defining characteristics of Customs: 1) Customs is a government agency or department; 2) the function of Customs is mandated by national laws and regulations, and their power is conferred by law; 3) the basic functions of Customs include duty and tax collection, controlling and processing cross-border movement (import, export and transit) of goods, and people and means of transport. To put it otherwise, the primary responsibility of Customs is to regulate international trade at borders (Wulf and Sokol, 2004; Danet, 2007).

As one of the oldest fiscal regimes, Customs is said to be as old as the state itself, though their definite origin cannot be traced clearly, since levying taxes at borders was one of the major manifestations of sovereignty (Asakura, 2002)⁹. Scott (2003), while claiming that “[o]rganizations are perhaps the dominant characteristic of modern societies,” recognized tax collection as one of the ancient organizational assignments. Since their activities are concerned with cross-border movement and are conducted in a bit of a narrow temporal space, Customs is not so visible among the ordinary public and their presence is usually felt by people that travel to/from foreign countries and have to pass Customs inspection channels at international ports of entry like airports, sea and land ports, and those businesses or individuals that need to process their imports and exports according to Customs laws and regulations.

Beneath its invisible mask, Customs, as a matter of fact, plays a critical role in the economic and social development in a country. Positioned at border or inland checkpoints to monitor every movement of cargo, means of transport and passengers, Customs is responsible for implementing a range of government policies and contributes to the achievement of national development goals such as revenue collection, trade facilitation, trade statistics, and the protection of society extending to social and national security concerns (WCO, 2004, 2008b, 2009a; Wulf and Sokol, 2004; World Bank, 2007).

⁹In his book “World History of the Customs and Tariffs,” Asakura traces the earliest Customs establishment to 7000 years ago.

In the era of globalization characterized by trade and finance liberalization and economic integration, Customs, along with other border management agencies¹⁰, plays an increasingly important role in securing and facilitating cross-border movement (Wulf and Sokol, 2004; Mclinden et al., 2011). Economically, the underlying logic is that trade is an important driver of economic growth and development, as Wulf and Sokol argues that “the countries that have most successfully integrated into the world economy have also tended to record the highest growth rate.” It is in this context that “a well-functioning Customs administration that provides traders with transparent, predictable, and speedy clearance of goods” is integral for a country to become integrated into the world market.

Though national circumstances and priorities may vary, Customs functions alike to some extent across countries. Traditionally, Customs work ranges from revenue (trade-related) collection, regulating and processing trade, anti-smuggling, compiling trade statistics, which are basically treated as Customs core functions, and are more revenue-oriented. Evolutionarily or revolutionarily (Widdowson, 2007), the Customs role has been extended to more border protection-oriented functions such as fighting against drugs, protecting intellectual property rights (IPRs), suppressing environmental offences and crimes, and combating terrorism in response to evolutionary factors and revolutionary factors (Gordhan, 2007; Widdowson, 2007; WCO, 2008b, 2009a). The WCO portrays such an evolving role of Customs administrations in a global perspective.

¹⁰Generally, these agencies include immigration, quarantine, border guards, product standards, police, etc.

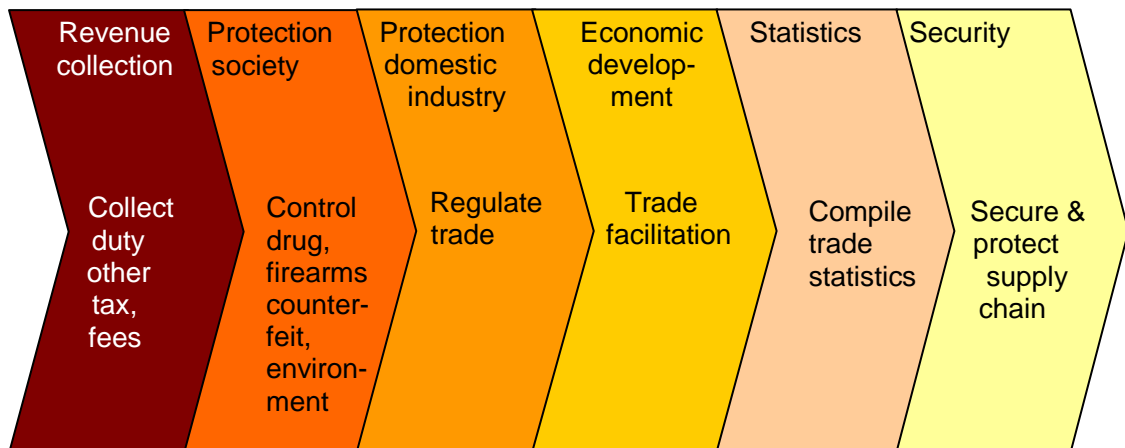


Figure 2.6 Changing Role of Customs

Source: WCO, 2009a.

The changing role of Customs can be conceptualized as a spectrum with revenue-orientation at one end and border protection-orientation at the other end (Zhang and Zhao, 2009). As Widdowson (2007) observes, this spectrum is gleaned from the manner in which administrative responsibilities are structured. For example, where revenue collection is the main focus, Customs generally falls into portfolio of the treasury or finance, as the case in many developing and least developed countries where Customs-collected revenue accounts for a significant proportion of the national revenue (Wulf and Sokol, 2004). Understandably, those administrations that see border protection as primary role are likely to be aligned with other agencies that have a border management focus.

Other scholars and Customs practitioners echo with this emerging pattern. Dunne (2007) finds that “the New Zealand Customs Service has experienced a changed emphasis over the last decade from one of facilitation to one of facilitation alongside security.” Buyonge (2007), while investigating the emerging issues of the Customs role in the 21st century in Africa, argues that Customs administrations in Africa, in the context of “inevitable modernization and reform, need to respond to increasing demands for revenue optimization, greater involvement in trade facilitation, and enforcement of regulatory policies and practices.”

The fact of the multiplicity and complexity of the Customs role demanded by diverse stakeholders indicates that the organizational goals of Customs administrations could be overlapping, competing and even conflicting. Customs encounters a central tension in its operations, that is, a contradiction between fast clearance and seamless control. To cope with such a dilemma, the international Customs community has identified the “gold principle” of a balance between control and facilitation, compliance and facilitation (Lane, 1998; WCO, 1999b, 2005b, 2007, 2008a, 2008b; Gao, 2002; Widdowson, 2003, 2007; Gordhan, 2007; Buyonge, 2007; Fan, 2007; Huang, 2008; Fan, 2007). This is more easily said than done. It is in this context that rethinking and readjusting the Customs-business relationship rise to surface.

2.5.1.2 The WCO and its Role

As discussed in Chapter 1, the research topic of the CBP is actually promoted by the WCO and is a phenomenon across the international Customs community. Many of the coming discussions are linked to the standards, programs and activities formulated by the WCO. In this sense, it is meaningful to have a glimpse at this international body.

The World Customs Organization (WCO), established in 1952 as the Customs Co-operation Council (CCC), is the only international organization with competence in Customs matters, whose mission is to “enhance the effectiveness and efficiency of Customs administrations.” Up to June 2014, the WCO represented 179 Customs administrations across the globe that collectively process approximately 98% of the world trade. As the global centre of Customs expertise, the WCO “rightly calls itself the voice of the international Customs community” (WCO, 2014b). As Mr. Kunio Mikuriya, Secretary General of the WCO summarizes, the role of the WCO is three-fold: international Customs standards setter, exchange and cooperation platform, Customs capacity building provider.

2.5.1.3 Contextual Change Drivers for Customs

In the perspective of organizations as open systems, an organization is inclined to adopt internally-structured adjustments in response to external environment change. The WCO, in its policy paper “Customs in 21st Century”(2008), identified the key external drivers which shape the global trade landscape and context where Customs administrations work (see Table 2.6). Gordhan (2007) has argued “The strategic drivers ... have increased and continue to increase the complexity, range and scope of the Customs’ function. In many countries Customs administrations, as the frontline trade administrators, are experiencing a sharply expanding scope and complexity of work.”

As an example, Buyonge (2007), in contemplating the future role of Customs administration in Africa, argues that there are three factors having an impact on the changing role of Customs in Africa: increasing demands for revenue, greater involvement in trade facilitation, enforcement of regulatory policies, and practices through adjustments to both national and international imperatives.

Table 2.9 External Drivers and Implications for Customs

Drivers	Implications for Customs
1) Increased and more complex international trade	8) Fundamental shift of Customs role
2) New trade and logistics models, such as just-in-time distribution	9) Expanded role of Customs at the border
3) Significantly changed structure of trade	10) Increasing workload and complex requirements, such as rules of origin
4) Increased security threats and organized crime	11) Pressure on supply chains, higher demand for fair trade practices
5) Higher expectations from both the public and private sectors	12) Vulnerable supply chain, balance between trade security and facilitation
6) Ongoing trade facilitation negotiations	13) Increased effectiveness and efficiency to meet the needs of the stakeholders
7) Growing public expectation regarding public health, environment, etc.	14) More focus on automation, risk management and intelligence to facilitate legitimate goods and to focus resources on high-risk areas

Table 2.9 (Continued)

Drivers	Implications for Customs
	15) Need to adjust their policies and method of working in advance and be prepared for the implementation of the outcomes of trade facilitation negotiation outcomes

Source: Adapted from Gordhan, 2007 and WCO, 2008b.

2.5.2 Customs-Business Relationship

2.5.2.1 Old and Contemporary Models

It is equally meaningful to clarify what “business” means in this study. “Business” (sometimes used in its plural form) refers to individuals, entities which have engaged in communication, interactions and transaction with Customs in processing cross-border movement (import, export or transit) of goods, people and means of transport. Therefore, “business” used here does not necessarily refer to entities in the private sector. In Customs documents, terms such as “traders” and “the trade community” are employed alternatively.

The Customs-business relationship emerged at the first moment when Customs was set up to control and monitor cross-border movement and when traders were required to declare and process their goods and articles with Customs authorities. Legislatively, trade or business has no free choice in such relationship, as the power of Customs is mandated by laws and regulations. In legal terms, such a relationship has been specified as that taking place between regulators and regulatees, enforcers and their subjects, which is inherent in the legacy of Customs-business interactions and transactions.

Under Weber’s characterization of bureaucracy (Weber, 1922), Customs can be seen traditionally as a typical bureaucratic organization, as manifested in its hierarchical structure, rigid rules, and layers of reporting system. Portraying Customs as bureaucracy does not necessarily convey a negative meaning. Being one branch of the central government in most countries, Customs enforces laws and regulations

throughout the Customs territories, which more or less overlap with the sovereign territories of a nation. To ensure consistent administration, regulation and enforcement, Customs generally adopts a three-layer organizational structure: central, regional, and local. Such a structure is characterized by vertical centralization and higher hierarchy, as observed by Gao (2002) and Fan (2007) in the case of China's Customs.

Traditionally, Customs is more a typical regulatory agency, more oriented to control and enforcement (Roebloom and Kravchuk, 2004). Hints et al. (2011) argue that "Customs around the world are highly regulated authorities which must fulfill their responsibilities while ensuring compliance with laws and regulations." Therefore, the relationship between Customs and business is more like a command-and-control model, popularly described as "cop-thief game," which is characterized by uneven power and status, low trust and even distrust, less cooperation and lower compliance, and high transaction costs. Such a relationship is more adversarial, antagonist, and contradictory (Roebloom and Kravchuk, 2004; Widdowson, 2003; WCO, 2005b; USAID, 2010). Consequently, in public discourse and especially in the eyes of business, the image of Customs is inevitably stereotyped as "bureaucracy," "hard", "arbitrary discretion," "corruption," and "rigidity."

However, as the unknown side of the coin, Customs across the globe has been endeavoring to transform and readjust this relationship. With external and internal pressures, Customs administrations globally have embarked on modernization initiatives since the early 1990s at varying paces and with differing priorities (Lane, 1998; Wulf and Sokol, 2004; Widdowson, 2007). The WCO has been facilitating such a historical movement among its worldwide member administrations (Widdowson, 2007; Lane, 1998; Wulf and Sokol, 2004; WCO, 2008b; Zhang, 2009). The key principles of modern Customs which the WCO advocates mirror principles of good governance, such as transparency, accountability, and intervention by exception (Widdowson, 2007; WCO, 2005a). Customs reform under the flag of the NPM and governance has been promoted by the WCO and rolled-out both in developed and developing countries.

Cooperation and partnership with stakeholders are identified as a hallmark of modern Customs. To translate lofty principles into practical actions, many

Customs administrations have readjusted their relationship with business to be more “mutually beneficial,” “customer or service-oriented,” “equal,” “interactive,” and “partnership-like.” Symbolically and practically, many WCO members have incorporated a partnership approach into their interactions with the wider business community. Informal and formal mechanisms such as appealing regimes, account (business) coordinators, service helpdesks or hotlines, open day for trade, Customs-business memoranda of understanding (MOU), private consultative committees, trader compliance programs and the like mechanisms and institutional arrangements have been widely established and applied (Wulf and Sokol, 2004; Grainger, 2011). Against a degree of formalness, Customs-business partnership arrangements can be portrayed as a spectrum—from loose cooperative mechanisms to more formal engagements such as contractual relationships (Zhang and Preece, 2011).

Either conceptually or practically, the Customs-business relationship seems to have experienced a paradigm or model shift. The relationship between Customs and business has become more pluralistic, embedded, and networked.

As Zhou (2009) and Zhang and Preece (2011) characterize it, in the context of China Customs, the Customs-business relationship, traditionally, is kind of “control and to-be-controlled.” Widdowson (2003) portrays two contrasting styles: the “gatekeeper” style and risk management style, as the gatekeeper model is more in congruence with the command-and-control mode. Doyle (2010) articulated a new strategic vision for border processing and clearance and proposed a holistic new approach known as collaborative border management.

In spite of the different terms and expressions, these scholars appear to be part of a somewhat congruent trend: the phasing-out of the “old” Customs-business relationship and beginning a new paradigm. Philosophically, such a transformation can be thought of as “prescience,” as Kuhn argues for the development of science (Chalmers, 1980). Drawing on other scholars’ propositions, the researcher attempts to contrast the two modes (see Table 2.10).

Table 2.10 Customs-Business Relationship: Old and New Modes

Paradigm/Mode	Key Features	Image of Customs
Traditional	<ul style="list-style-type: none"> - Vertical, bureaucratic - Cop and thief - Less trust, strict monitor, poor communication, lower compliance... - Conflicting, contradictory 	<ul style="list-style-type: none"> - Gatekeeper - Guard - Command - Police - Regulator
New	<ul style="list-style-type: none"> - Horizontal, democratic - Equal partners - High trust, voluntary compliance, closer Communication and cooperation... 	<ul style="list-style-type: none"> - Partner - Facilitator - Protector

Source: Researcher's Compilation Based on the Arguments by Widdowson, (2003).

2.5.2.2 Statutory and Administrative Requirements

As discussed above, Customs is an administration, regulation, and enforcement government agency. It is legally authorized to apply administrative and enforcing measures on business behavior and activities. In its narrow meaning, the fundamental relationship mode between Customs is that between regulator and regulatees, between officials and their client. The defining nature concerning how businesses transact with Customs, comply with Customs laws and regulations, and declare and process their cargo is determined by principles, procedures, practices, and conditions stipulated in formal legislative provisions (WCO, 1999b; Widdowson, 2003). However, it is necessary to differentiate statutory and administrative requirements in relation to Customs, as Widdowson (2003) argues. He contends the following:

A key element of government regulation which impacts on cross-border movement is the way in which the law is applied in an administrative context. While government agencies have a

fundamental responsibility to ensure that statutory requirements are met, the manner in which this is achieved is often quite flexible.

The legal status of Customs has not changed drastically but administrative measures are undergoing a significant change within the broader process of administrative reform. According to Widdowson, businesses are not passive regulates and their voice must be heard and their concerns must be attended to. Though the political system in one country remains relatively stable, the ways in which the government governs do change. The citizen community today is placing higher demand on the effectiveness and efficiency of government agencies.

This argument could be interpreted in the sense that the manner in which Customs implements legal provisions is open to administrative discretion, which permits Customs to maintain organizational flexibility and potential for change. It is particularly important for such flexibility and change management in a turbulent environment.

2.5.3 Practical Development of the CBP

The Customs-business partnership is not only a conceptual shift, but is also practical transformation. Its meaning and dimensions have evolved and enriched the critical documents in the WCO, the WTO and other relevant institutions.

2.5.3.1 CBP Embodied in the WCO Instruments and Tools

1) Trusted Trader in the Revised Kyoto Convention

First, let us see how the CBP was initially incorporated in the Revised Kyoto Convention (RKC). In the middle of the 1990s, the RKC was developed in the face of mounting pressures from the international trading community to minimize the level of Customs intervention in cargo movements and to maximize the level of trade facilitation, and is accredited by the WCO as “the international blueprint for modern and efficient Customs procedures in the 21st century.” The key principles for modern Customs as promoted by the WCO are:

- (1) Higher transparency and predictability
- (2) Standardized and simplified documents
- (3) Minimum requests and intervention

- (4) Separate release from clearance
- (5) Use of risk management & assessment
- (6) Simplified procedures for authorized traders
- (7) Maximum use of information technology
- (8) Cooperation with other agencies and foreign

counterparts

- (9) Partnership with the trade (WCO, 1999b, 2008b)

These principles are congruent with the objectives of the RKC, which are “not only to meet the needs of trading community to facilitate the movement of the movements of goods but also to improve the effectiveness and efficiency of compliance with Customs laws and practices.” (WCO, 2008b)

Partnership with trade is explicitly projected as a key component of modern Customs. In the Preamble, the RKC stipulates “...cooperation wherever appropriate with other national authorities and the trading communities.” General Annex, Chapter 1, Article 3 of the RKC further stipulates that “The Customs shall institute and maintain formal consultative relationships with the trade to increase co-operation and facilitate participation” These two provisions formally establish the principle of partnership for Customs to build cooperative and mutually-beneficial relationship with business.

Then, more operationally, special procedures for authorized persons under transitional standard 3.32 are stipulated, and the principle of compliance and facilitation is incorporated. However, the concept of authorized persons is rather narrowly-defined in the RKC because trade security has not yet been treated as a required condition.

2) Manifestation in the WCO Arusha Declaration

Customs, with administrative monopoly, room for discretion and lack of appropriate accountability is particularly susceptible to corruption (WCO, 2007). Ever since the 1990s, the WCO has urged the international Customs community to fight against corruption. In 1993, it launched a formal declaration on integrity, “The Arusha Declaration of the Customs Cooperation Council concerning Integrity in Customs” (usually referred to as “the WCO Arusha Declaration”). In

2003, the WCO revised the Arusha Declaration into “The Arusha Declaration of the Customs Cooperation Council concerning Good Governance and Integrity in Customs” (usually referred to as “the WCO Revised Arusha Declaration”). It is interesting to find that “good governance” has been especially inserted into the declaration title. It was the first time for the WCO to declare that business shared responsibility for a corruption-free and effective Customs. The values of the Customs-business relationship are to be “open, transparent and productive.”

3) “Customs-business partnership” in the WCO SAFE Framework of Standards¹¹

In 2005, the WCO launched another milestone instrument, “the Framework of Standards to Secure and Facilitate Global Trade (usually referred to as “the WCO SAFE Framework of Standards”), which aims to enhance security and facilitation in the international trade supply chain. The framework is based on two pillars: Customs-to-Customs cooperation and Customs-business partnership. For the pillar of the Customs-business partnership, it provides that:

Each Customs administration will establish a partnership with the private sector in order to involve it in ensuring the safety and security of the international trade supply chain. The main focus of this pillar is the creation of an international system for identifying private businesses that offer a high degree of security guarantees in respect of their role in the supply chain. These business partners should receive tangible benefits in such partnerships in the form of expedited processing and other measures.

¹¹SAFE is the acronym for “Security And Facilitation in a global Environment” coined by the WCO, which conveys the main purpose of developing this international instrument to safeguard “security” in the international trade supply chain as a global response to combat terrorism and other cross-border threats, as an aftermath of

Historically it was the first time for the WCO to put the Customs-business partnership in its instruments and to lay out specific standards. It was also the catalyst for Customs administrations to take the Customs-business partnership as a critical theme in their modernization.

Under the pillar of the Customs-business partnership, six standards are outlined to form the Customs-business partnership, to specially establish the international accredited trader regime; put otherwise, the Authorized Economic Operator (AEO) programs. The AEO Guidelines serve as a starting point for the national AEO program. The AEO is different from the “authorized traders” specified in the RKC because the AEO program attempts to strike a balance between security and facilitation. The rationale of the AEO program is to adopt an integrated international trade supply chain management for seamless security and facilitation.

Under the WCO SAFE Framework of Standards, the AEO is defined 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, 2005b). The scope of the AEO encompasses all stakeholders in the international supply chain like “manufacturers, importers, exporters, brokers, carriers, consolidators, intermediaries, ports, airports, terminal operators, integrated operators, warehouses, distributors” (WCO, 2005b) Under this definition, the scope of business entities has been expanded beyond importers and exporters, as the WCO takes a holistic approach toward the international trade supply chain. As the World Bank (2009, 2010) observes, implementing AEO programs can be seen as a paradigm shift for cross-border management.

4) Highlights in Customs in the 21st Century

In 2008, the WCO adopted a strategic policy paper, “Customs in the 21st Century: Enhancing Growth and Development through Trade Facilitation and Border Security” (referred to as “Customs in 21st Century”). It took five years, from 2003 to 2008, for the WCO and its members to research and to prepare this monumental instrument. To chart a new direction for Customs modernizations all over the world, the WCO identifies 10 key building blocks for future modern Customs (see Figure 2.6).

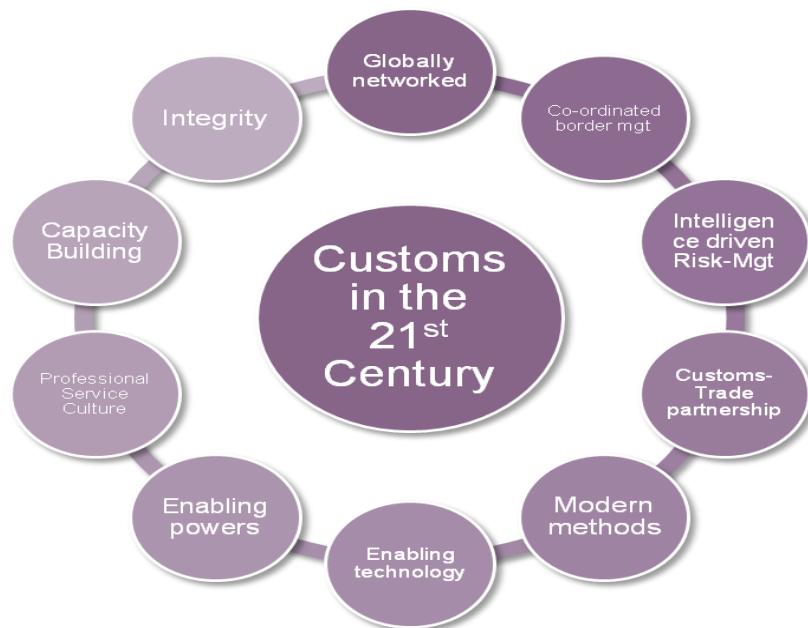


Figure 2.7 Customs in the 21st Century: Building Blocks

Source: Adapted from the WCO, 2008b.

Among those building blocks, Customs-business partnership is re-highlighted:

Customs in the 21st Century should enter into strategic pacts with trusted economic operators. Customs needs to understand the concerns of business, while business needs to know the requirements of Customs. Most importantly, there is a need to translate this relationship into a partnership that results in mutually beneficial outcomes. (WCO, 2008b)

By “strategic pacts,” the WCO utters the necessity for Customs and business to pursue broader and higher goals beyond their narrow sector domains. Of course, such pacts shall be entered with trusted economic operators that are compliant with Customs laws and rules. Mutual understanding is critical for each party. The WCO asserts that such partnerships should be beneficial for both parties.

5) Elaboration in the WCO Customs-business Partnership Guidance

In June 2013, the member administrations requested the WCO to develop a comprehensive guidance with a view to “assisting Members in the process of institutionalizing a regular partnership/engagement arrangement with business.” With such endorsement, the WCO Secretariat, supported by voluntary members, developed the WCO Customs-business Partnership Guidance. The researcher was also invited to provide scholarly comments on the draft, and the initial findings of this study have been shared with the expert panel which is charged to develop the draft guidance.

Developing the guidance was a critical initiative for the WCO to promote each building block incorporated in “Customs in 21st Century;” that is, the WCO would like to provide practical standards and tools for the member administrations to embody and implement each building block.

The guidance assumes that the efforts taken by the WCO members in developing partnership arrangements with business are at different stages: members which have not yet begun the process, members which are at initial stages, and members that already have well-developed and mature partnership arrangements. Not providing a single “one-size-fits-all” approach, the Guidance provides guiding principles on building the CBP like regular consultation, with wider stakeholder engagement, institutionalized collaborative mechanism, etc. It identifies the potential benefits for both Customs and business. Possible challenges are emphasized. Desirable factors for successful CBP arrangements are identified. The Guidance also includes a Phased Action Plan Template to help members to institutionalize the CBP in a systematic manner. Best practices in 22 Customs administrations are tabulated and attached. It is noticed that the CBP practices by Thai Customs has been introduced, in spite that only sketchy information is included.

Nevertheless, the researcher thinks that the guidance is more operation-oriented. The listing of benefits, challenges, and factors of the CBP are still generated from common sense and intuition. Further exploration of this study will generate empirical evidence.

2.5.3.2 Obligations under the World Trade Organization

In promoting and regulating international trade, the World Trade Organization (WTO) is a prominent international organization. One of the critical areas for the WTO and the WCO to work together is to enhance trade facilitation. The WTO is competent in crafting trade policies at the global level, and the WCO provides technical standards and tools respectively on Customs issues. With its dispute-settlement mechanism, the WTO's agreements are more binding on its member states than the WCO's instruments and standards. Therefore, the WTO's stress on the cooperation between border management agencies and traders deserves the attention of the international Customs community (WCO, 2013).

In December 2013, the WTO initially adopted the WTO Agreement on Trade Facilitation (ATF) in Bali, Indonesia, the milestone instrument on implementing trade facilitation globally. In the ATF, there are two articles concerning Customs-business consultation and cooperation.

1) Article 2 of the ATF

This article provides that member states shall “to the extent practicable and in a manner consistent with its domestic law and legal system, provide opportunities and an appropriate time period to traders and other interested parties to comment on the proposed introduction or amendment of laws and regulations of general application related to the movement, release and clearance of goods, including goods in transit”(WTO, 2013). Stakeholders shall also be informed in advance before such changes come into effect. It also provides for regular consultations between border agencies, traders, and other stakeholders within its territory.

2) Article 7.7 of the ATF

This article focuses on “trade facilitation measures for Authorized Operators”. It provides for a concept of “Authorized Operators” that meet specific criteria, which may include appropriate record or compliance with Customs and other related laws and regulations, a system for managing records for necessary internal control, and financial solvency and supply chain security. These “authorized operators” will be provided at least three trade facilitation measures: low documentary and data requirements as appropriate; low rate of physical inspections and examinations as appropriate; and rapid release time as appropriate.

It is found that the concept of “authorized operators” is nearly equivalent to “Authorized Economic Operators” proposed in the WCO SAFE Framework of Standards, because such provisions were actually submitted by certain Customs administrations.

2.5.3.3 Advocacy in the ICC Customs Guidelines

The International Commerce Chamber (ICC), as the global forum to promote international trade and investment, takes policy advocacy as a major part of its work, which is explicitly stressed by its incumbent Secretary General, Mr. John Danilovich (A Word from Our Secretary General, 2014). It is in this context that the ICC Commission on Customs and Trade Facilitation focuses advocacy efforts on “Customs policies and procedures as well as other measures to facilitate international trade.”(ICC, 2012)

Early in 1997, the ICC developed its first version of Customs Guidelines, a landmark document on Customs modernization, calling for fostering partnership-like relationship between Customs and the trade community. In 2012, in cooperation with WCO, the ICC revised the Guidelines, in which ICC presents a comprehensive set of practices that ICC considers should characterize all modern customs administrations. The ICC, in a voice of the international trade community, requests Customs to do the following:

Consults the trade community systematically, to obtain views on proposed new regulations and procedures, or amendments to existing requirements, and gives them timely notice of any changes; adopts a Memorandum of Understanding program, to improve and promote cooperation with the trade community in the areas of trade compliance, security, and effective interdiction of customs fraud, drug trafficking, infringements of intellectual property rights and threats to endangered species. (ICC, 2012)

Literally, ICC does not use “partnerships;” however, its elaboration provides a holistic view on enhancing consultation, cooperation between Customs and

business in the whole process of Customs policy making. Specific areas of enforcement and compliance are mentioned.

2.5.3.4 Rollout of AEO Programs

The inception of AEO programs can be traced back to the Customs-Trade Partnership Against Terrorism (C-TPAT) program launched by the U.S. Customs and Border Protection (US CBP) in 2001 as a “voluntary government-business initiative to build cooperative relationships that strengthen and improve the overall international supply chain and border security as the aftermath of 911 Attack” (US CBP, 2004). The main objective of the C-TPAT is to fight terrorism. Since then, the global rollout of AEO programs has surged. According to a survey conducted by the WCO Secretariat, up until June 2011, 15 AEO programs had been established in 41 countries and 9 countries are in the process of planning. In the Asia Pacific region, 6 AEO programs (i.e. China, Japan, Korea, Malaysia, New Zealand (Polner, 2011) have been established. In addition, many WCO Members that have established AEO programs are seeking to formalize AEO mutual recognition arrangements (MRAs) with other Customs administrations (Polner, 2011). In 2008, China launched its AEO program by upgrading its Categorized Enterprise Management program, which had been implemented since the middle 1990s (ROCB AP, 2008). In 2010, Thai Customs launched a pilot AEO program (Thai Customs, 2011a).

The CBP is not only promoted by the WCO, but also is on important agenda in regional Customs cooperation. For instance, Within the framework of Customs cooperation in Asia-Pacific Economic Cooperation (APEC) and the CBP has been listed in the APEC Customs Common Action Plan. The Customs-business partnership has been promoted as a key area for Customs cooperation programs; for each year’s activities, a Customs-business Dialogue is an imminent communication platform between Customs and the private sector. Similarly, ASEAN Customs also has promised to enhance cooperation and partnerships (ASEAN, 2008b). The Guide for Authorized Traders within ASEAN will be completed by 2015 to contribute to the establishment of the ASEAN Economic Community. ASEAN also encourages the Customs administrations of its ten members to expedite compliance of the AEO programs.

2.5.4 CBP in Academic Studies

2.5.4.1 Literature in English

The theme of the Customs-business relationship has called attention to leading scholars in the Customs area. In the English literature, two Ph.D. dissertations and one practical study have generated sound study. Widdowson (2003) released his doctoral thesis “Intervention by Exception: A Study of the Use of Risk Management by Customs Authorities in the International Trading Environment,” in which he conducted a comprehensive case study of Hong Kong Customs to investigate how risk management is applied in the context of the world Customs community. As mentioned previously, a risk-based compliance management is proposed and cooperative relationships and constructive interactions between Customs and its clients are deliberated. In 2008, Grainger finished his doctoral thesis “Trade Facilitation and Supply Chain Management: a case study at the interface between business and government” while he focuses on the relationship between border management agencies including Customs and the private sector in the context of border management reform in the E.U. and U.K. Besides these two dissertations, Mr. Lars Karlsson, previous Director of the Directorate of Capacity Building of the WCO, now President of the KGH Consulting Group based in Sweden, has written a book entitled “Stairways” to review the AEO programs practiced in Sweden’s Customs. A compliance-based enforcement strategy is proposed, as he argues that Customs authorities should treat traders with a “stairway-like” approach based on their compliance and credit level.

Through these research pieces, the researcher took much inspiration in constructing the research proposal. However, the researcher finds that the Customs-business partnership has not been investigated as a discreet phenomenon by these two scholars. Widdowson builds his study on the theoretical thrusts of risk management, and the CBP was still at the stage of conceptual breeding. Grainger develops his research logic on studies in trade facilitation and Supply Chain Management; the rich dimensional aspects of the Customs-business partnership are not explored. Karlsson’s case study is more practice-oriented and theoretical underpinnings are not well probed. Meanwhile, these scholars take the broader context of administrative reform for granted. With this in mind, the researcher concludes that there is a clear literature gap in understanding the CBP comprehensively.

2.5.4.2 Literature in Chinese

As for the research by Chinese scholars, the researcher finds rich literature has been produced in the past 10 years. The CBP or the cooperative relationship between Customs and business has become a “hot” topic. However, most of the research is meta-analysis or relies on the researcher’s anecdotal observations. Research findings and arguments are more normative, and more prescriptive than empirical.

In the sea of rich literature, the researcher finds that the work of several scholars offer food for thoughts for this study. Gao (2002) gave a comprehensive analysis of modernization initiatives in China Customs in the 1990s and he proposed that Customs should consider fostering more friendly and cooperation interaction with traders. Chen (2005), from a legal analysis angle, points out the China Customs Law should be updated under new forces of economic globalization. He proposes that revision of Customs law should be based on the principle of “power balance,” that is, Customs should shift its ideology of “command-and-control” to greater response to the needs of business. Fan (2007) discusses the possible strategy for organizational development of China Customs, and he thinks that philosophically, Customs will not fulfill its responsibilities adequately if they cannot seek compliance from business.

Chen Suming (2009, 2013) provides the most comprehensive review of research on CBP in China context. She analyzes how the CBP evolve in the context of China Customs. She identifies possible strategies and pitfalls in establishing and enhancing the CBP. Since her work is more a literature review based on secondary information and personal reflection, she suggests that empirical researches should be carried out to study the issues of win-win outcomes, cost-benefits analysis, accountability, and other critical issues in this new area of academics.

Another empirical study conducted by Zhang Junrong (2013) also deserves the researcher’s attention. It may be the first empirical study of Chinese Customs to measure the performance of Customs-business cooperation. Since he chose the Shanghai Customs District as the setting, which the researcher will use for the case study of China’s Customs, the researcher will consider his research findings.

Generally, most of the researchers only touch on the issues, and normatively announce that partnerships should be established between Customs and

business. Empirical enquiry is still scarce. The researcher believes that such a transformation of relationships will go beyond the language of rights and obligations, as rich dimensions are to be investigated.

2.5.4.3 Literature in Thai

Due to language ability, the researcher has not much access to possible research papers on the CBP in Thai. Having consulted informants in Thai Customs, it is assumed that few empirical studies have been conducted in this area. The discussions of Thai Customs focus on practical and operational aspects.

For the above literature reviews, certain conclusions can be drawn at this point:

1) Inter-organizational relations (partnership as one form) are not new at all in human activity history. Partnerships are, in essence, the relationship between two or more parties and a partnership as an organizational model mostly originates in the business world; the literature in this regard can serve as a foundation for this study.

2) Regarding either PPPs or the CBP, their emergence and evolution just mirror the trends and patterns of administrative and governance reform. It is sensible to examine them under the paradigm shifts from Public Administration to New Public Management and to New Governance. The literature on cross-sector management and collaboration is of much relevance to this study.

3) The CBP is different from PPPs. Through the CBP, no physical public goods & services are produced, the main objective is to improve trade compliance and the supply chain management. In legal terms, relationship between Customs and business is primarily mandatory between administrators/regulators and regulates.

4) Customs administrations across the world have implemented partnerships, collaboration mechanisms, and schemes with businesses. However, the conceptual and theoretical aspects in the broader context of modernization and reform are to be clarified.

5) A theoretical exploration of the CBP is better for building cross-discipline theoretical threads, and IORs, administrative reform, and Customs compliance management are most relevant for this study.

In short, there exists a clear literature gap in conceptualizing the cross-sector partnership in the context of the interaction between regulatory government agencies and private stakeholders. The PPPs focusing on public service delivery may not be applicable to the CBP. It is theoretically significant and practically imperative for scholars to describe, explain, and explore this research domain.

2.6 Conceptualization of the Customs-Business Partnership

As the above review demonstrates, there is no comprehensive or agreed definition for the CBP. In Customs practitioners' or business advocates' discourse, the term is rendered in a normative manner rather than as a substantial meaning. The latest practical development such as the Authorized Economic Operator (AEO) is one manifestation or formal arrangement of the CBP. In the theoretical field, exploration into this phenomenon is scant.

At this stage, the researcher would like to deliberate and capture the particular dimensions of the Customs-business partnership. Then, a workable "construct" is tentatively proposed to guide data collection and analysis.

First, who are the actors in such a relationship, and at what level? There are mainly two parties: Customs administrations on the one side and business on the other side. In their interaction, Customs usually is the focal organization's dealing with a vast number of businesses. Under the concept of the AEO, the notion of a network is relevant, as all the parties (more than two parties) engaged in the international supply chain are treated as partners to secure the integrity and security of whole supply chain. As this study focuses on relational and institutional aspects, the organizational set is taken as the analysis unit.

Second, under what conditions do Customs and business interact, and transact with each other? It has been clarified that the Customs-business relationship takes place while business does Customs-related matters with the Customs administration. Customs mainly concerns administrating Customs-related laws and regulations from a legal perspective or implementing relevant policies from the perspective of public policy. For business, it is an issue of compliance. Discussion of the Customs-business partnership should take into consideration compliance management.

The third dimension is the distinction between “mandated” and “voluntary.” In legal terms, the nature of the Customs-business relationship is primarily mandated and rule-based. However, as Widdowson (2003) argues that the manners of administration and enforcement of Customs-related laws and regulations can be flexible. This creates the possibility for adopting partnership-like arrangements.

Fourth is the degree of formality. In the practical world, the arrangements in the Customs-business partnership can be thought of as a spectrum. At one end are informal dialogues and consultative activities; at the other extreme are more formal, institutionalized arrangements like the AEO program.

Next, is the Customs-business partnership a one-time fad or a historical phenomenon? Literature review on administrative reform tells that Customs adopting and advocating the concept and practices of partnership is derived much from environmental drivers and conditions. In this regard, the Customs-business partnership could be thought of as an evolving phenomenon.

With the above elaborations, a workable construct for the “Customs-business partnership” is tentatively put forward for the purpose of this study:

The Customs-business partnership is a spectrum of cooperative, consultative, collaborative relationship arrangements between Customs and businesses in administering and enforcing Customs-related laws and regulations in order to achieve mutually beneficial objectives, especially in processing legitimate trade. Normatively, such arrangements are primarily on a voluntary basis, but they are generally initiated and implemented by Customs. The concept and practice of the Customs-business partnership evolves within the broad context of Customs modernization and administrative reform.

2.7 An Initial Outline for the Study

2.7.1 Need for an Broad Outline

Considering the nature of research questions, the study will be designed as an explanatory and exploratory enquiry. It is not sensible to formulate a conceptual framework to build variables and to test the proposed hypotheses. Previous literature reviews also indicated that the Customs-business partnership is not a completely new

phenomenon. The existing theoretical investigations could provide a starting point for further exploration. Meanwhile, it is also not valid to apply ground theory as the primary research methodology since the CBP as a phenomenon is not purely untouched in theoretical enquiry.

With these considerations in mind, the researcher contends that a broad outline based on cross-disciplinary literature and multiple theoretical perspectives can be constructed to guide the data collection and analysis. The envisaged outline would draw inspirations from the literature on collaborative public management, cross-sector collaboration, IORs, and Customs compliance management which has been reviewed above. More specifically, considering the nature of the research questions the researcher mainly makes reference to the significant work by two scholars as below.

2.7.2 Two Existing Frameworks

2.7.2.1 Cross-Sector Collaboration: a Synthesized Framework

In the evolving literature in administrative reform and governance, the researcher has been inspired and illuminated considerably by literature of an emerging school of thoughts: collaborative public management and collaborative governance, and ponders that it is of much relevance to this study. In 2006, the Public Administration Review dedicated a special issue to a symposium on collaborative public management by inviting scholars and practitioners in public administration (O’Leary et. al., 2006) to deliberate on this domain. The aim was to generate a common lens or definition, benefiting from the cross-fertilization across academic fields. Blended from the work of Agranoff and McGuire (2003) and Henton et al. (2006), collaborative public management is generally defined as:

Collaborative public management is a concept that describes the process of facilitating and operating in multi-organizational arrangements to solve problems that cannot be solved or easily solved by single organizations. Collaborative means to co-labor, to cooperate to achieve common goals, working across boundaries in multi-sector relationships. Cooperation is based on the value of reciprocity. (O’Leary et al., 2006)

Bryson et al. (2006) argue, “remedying complex public problems is likely to involve cross-sector collaboration of some sort.” Based on IOR studies and cross-sector cooperation, Bryson et al. based on an extensive review of the literature on collaboration and partnerships, put forward an integrated framework on understanding cross-sector partnership and collaboration (see Figure 2.5). Regarding the framework, Bryson et al. argues that initial conditions, processes and structures, and contingencies and accountability mechanisms all have important effects on the formation, operation, and outcomes of cross-sector collaboration. According to Bryson et. al, the initial conditions that seem to contribute to the formation of collaboration include turbulence in the environment, history of sector failure, supportive politics, pre-existing formal and informal networks, and general agreement on a problem or opportunity that would be the focus of the collaboration. The crucial process components are methods of building and exercising leadership, creation of various initial agreements among collaborating partners, development of the collaboration’s legitimacy, creation and maintenance of trust, effective conflict management, and planning. Important structural components are governance arrangements, membership criteria and characteristics, and a blend of hierarchy and networks. Important contingencies include power balances and competing institutional logics.

Not only is each component significant for the functioning of cross-sector collaboration, but the interactions among clusters are of much relevance. For each factor, the salient dimensions, concepts, and previous research findings are discussed and rephrased into testable propositions.

Since the framework was formulated and proposed, not many empirical studies have been conducted to test or modify this model. Even though there are a few empirical researches, the scholars’ attention focuses on delivering tangible public services, and Bryson et al. themselves applied this framework to study traffic problems in Minnesota in 2008.

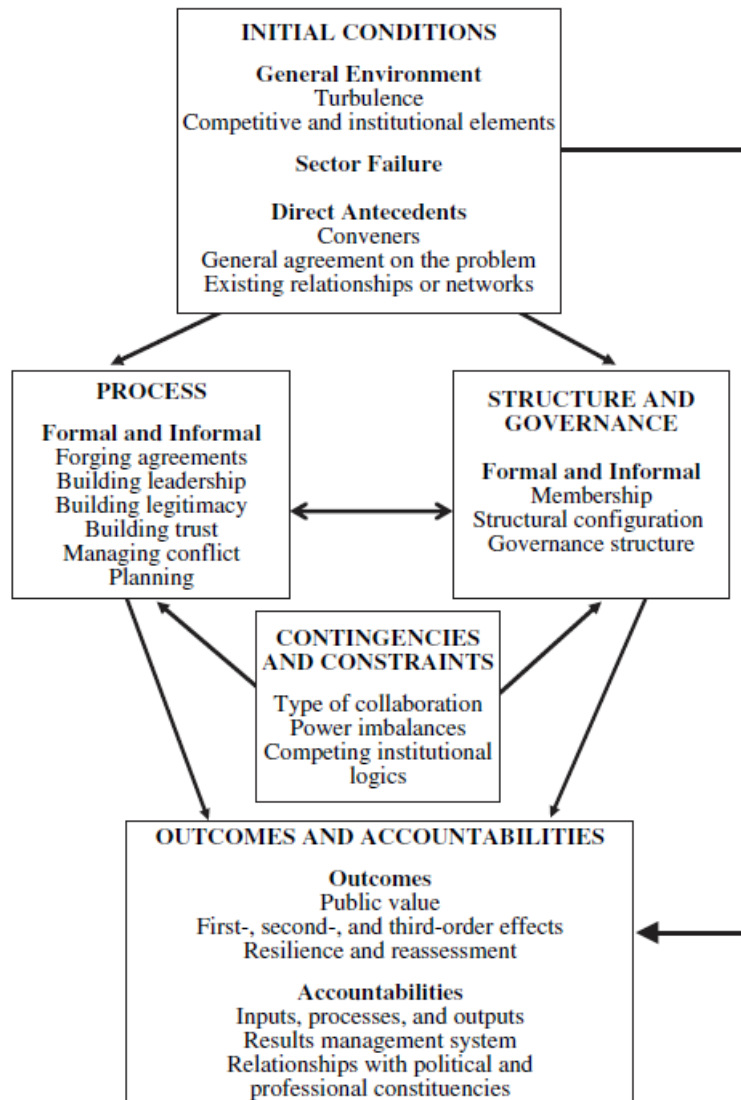


Figure 2.8 A Framework for Understanding Cross-Sector Collaborations

Source: Bryson et al., 2006.

The researcher's thinks that Bryson's work is rather illuminating for this study, because Bryson's framework is also intended to answer three major questions: Why would organizations at different sectors like to cooperate and collaborate? How do they collaborate? What are the results and outcomes for such collaboration? Such internal logic is in congruent with the research questions crafted in Chapter 1.

2.7.2.2 Social Partnerships: a Holistic Framework

The second conceptual framework is taken from Seitanidi's work on "The Politics of Partnerships: A Critical Examination of Nonprofit- Business Partnerships." Based on two in-depth case studies on social partnerships between non-profit organizations and business in the U.K., Seitanidi presents a holistic framework to understand the emerging social partnership phenomenon. Conceptually, she thinks that understanding and analysis of social partnerships could be approached according to chronological stages, and she further proposes three stages (formation, implementation, and outcomes) in order to group and present the empirical findings (see Figure 2.9).

Under each stage, she examines the concerned constructs (in the researcher's understanding, constructs refer to "factors" or "elements" generally): 1) formation, under which the organizational characteristics of the partners are examined, the historical evolution of the relationship and the motives that are associated with each partner; 2) implementation, examines the process or phases of partnership building and the dynamics between partners; 3) outcomes which concentrate on the organizational and social benefits or outcomes.

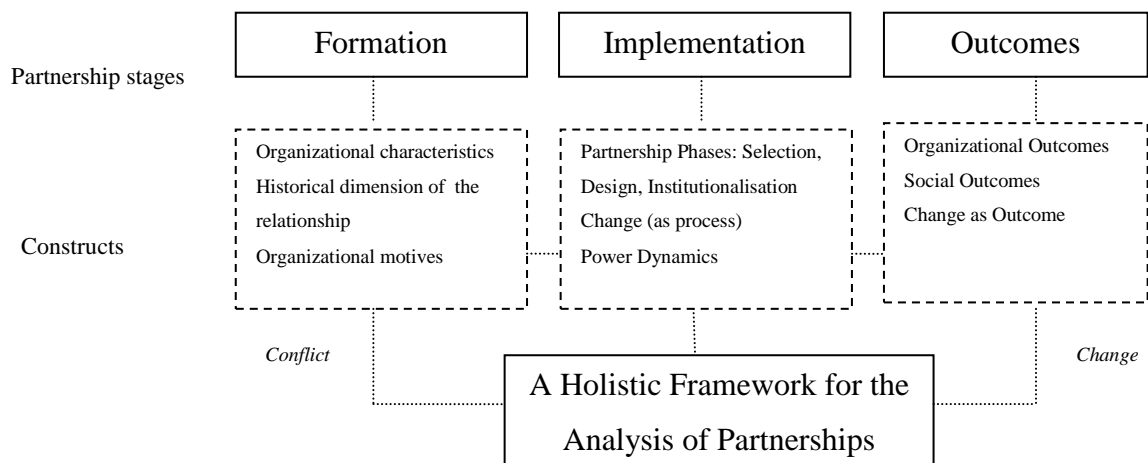


Figure 2.9 A Holistic Framework for the Analysis of Partnerships

Source: Seitanidi, 2010.

2.7.3 An Initial Outline for Understanding the CBP

Adapted from Bryson’s framework, and illuminated by Seitanidi’s work and distilled from theoretical literature review, an initial outline is constructed and proposed at this point to guide data collection, to structure the data analysis, and to present the researching findings.

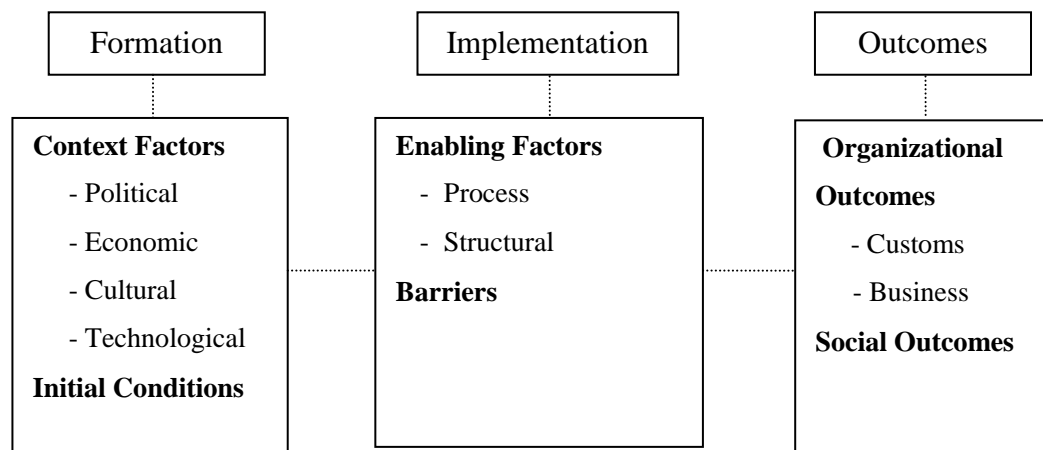


Figure 2.10 An Initial Outline for Understanding the CBP

Source: Adapted and Combined from Bryson et al. (2006), Seitanidi (2010), WCO (2008b) and the Author’s Compilation.

Under the outline, the notion of partnership stages conceptualized by Seitanidi is adopted to correspond with the research questions. The stage of “formation” mainly addresses Research Question 1. Further based on elements identified in the analytic framework by Bryson et al., the researcher will examine the environmental circumstances which give rise to the emergence of the CBP. More specifically, potentials issues under initial conditions are also searched and categorized. For the stage of “implementation”, information and data to be collected is intended to answer Research Question 2. Enabling factors (either process or structural) are to be identified and analyzed. Understanding, barriers and challenges for the CBP are also probed. The last stage concerns what outcomes the CBP arrangements have brought both at the organizational and social levels.

Since the study is qualitative and more explorative. No obvious factors have been identified, which will be based on data collection and empirical analysis. It is

posited that factors would come together as clusters. The clusters are linked together with a non-arrow line, since the interactions and linkages among these factors are more complex and are beyond the research scope of this study. The components of the outline are briefly expanded as below.

2.7.3.1 Initial Conditions

This cluster of elements is identified to answer the first research question, “What contextual drivers and initial conditions give rise to the Customs-business partnership within the broad context of administrative reform and Customs modernization”? By initial conditions, the researcher means broad contextual themes, conditions which give rise to forming the Customs-business partnership. Specifically, conditions are channeled into three categories: themes of general environment where the CBP is initiated, sector failure as a pre-condition for partnership, and the potential effect of policy transfer.

2.7.3.2 Enabling factors and barriers

The exploration in this part of the present study attempts to answer the second research question: “What factors or elements are significant in forming and implementing the Customs-business partnership? Also what barriers and challenges exist?” This is the core of the study.

Different scholars may stress different aspects of partnership building. Bryson identifies six components: forging initial agreements, building leadership, building legitimacy, building trust, managing conflict, and planning. Considering the specific setting of Customs, the researcher will make modifications based on other scholars’ propositions.

Cross-sector collaborations and partnerships are desirable but are hardly easy (Kanter, 1994; Selsky and Parker, 2005; Bryson et al., 2006; Seitanidi, 2010). In Bryson’s framework, he argues three major factors which have influence on the factors of process and structure and the overall sustainability of partnership arrangement. These factors include: type of collaboration, power imbalance among participating members and competing institution logics within the collaboration. For this study, the researcher initially wants to explore one major aspect: power imbalance.

2.7.3.3 Outcomes

The elements included in this cluster address the third research question “What impacts or outcomes does the Customs-business partnership have on the performance of Customs and, business and the society at large?” It was assumed that the CBP not only has impacts on the participating organizations but also produces outcomes to meet social objectives. The researcher will check as to whether the CBP arrangements have achieved their intended purposes or not. Meanwhile, unintended outcomes are also uncovered if there are any.

1) Organizational Outcomes

Since the CBP is projected to create win-win outcomes for both participating sides, either Customs or business. It was assumed that benefits could incur for each party, though the dimensions of benefits and impacts could vary.

2) Social Outcomes

Bryson argues that creating and sustaining cross-sector collaboration ought to be the production of “public value,” which cannot be created by single sectors alone. Public value in cross-sector collaboration is more likely created by making use of each sector’s characteristic strengths while finding ways to minimize, overcome or compensate for each sector’s characteristic weakness. Regarding the CBP, the expected outcomes cover: better compliance, improved trade facilitation and security, and ultimately economic development and social protection.

This broad outline is tentatively put forward. Meanwhile, as an unexplored phenomenon, the relationship and interactions between and among these factors are not linear but complex. However, considering the research objectives and the limits of the research time, such internal linkages will not be explored or discussed in detail.

2.8 Chapter Summary

The CBP is not a brand-new phenomenon. Literature in different theoretical streams or perspectives provides illuminations and starting points for this empirical study. A gradual strategy is applied to go through literature review. First, partnership as a common phenomenon in social life and evolution as new organizational

arrangements in business world. Second, literature on PPPs provides sound insights into the CBP as the topic, however, the researcher finds that the CBP is not a traditional genre of PPPs but a possible paradigm shift in Customs administration and enforcement. Literature on administrative and governance reform provides a broad backdrop for this study.

The CBP has witnessed practical development at national, regional and global spheres in the course of Customs modernization since the 1990s. Theoretically, the scholarly work on regulatory compliance management, cross-sector collaboration social partner shops provides more specific lenses for this study. However, systematic and comprehensive enquiry into the CBP as an emerging and critical phenomenon in Customs governance has rarely been done. Empirical enquiry is still scarce. It is significant to provide the policy makers and operational officers in Customs with rigorous research findings and logic guidance for better outcomes for Customs and business at each side, and for the public interest at large.

Finally, a broad definition for “CBP” is tentative put forward and a broad outline for understanding the CBP is proposed to guide data collection. The outline composed of the stages of formation, implementation and outcomes of the CBP. Factors and dimensions under each stage are to be explored for each case in Chapter 4 and Chapter 5.

CHAPTER 3

RESEARCH METHODOLOGY

The chapter discusses the research design and methods. The study is mainly designed as a case study, and qualitative methods are primarily used in the data collection and analysis. The main methods of data collection are interviews, document study and observations. The unit of analysis is specified. Limitations and delimitations in methodology are clarified.

3.1 Introduction

3.1.1 Research Type

Considering the research objectives and the nature of the research questions of this study, the study is basically explorative with descriptive and explanatory elements. However, it is not purely explorative, since existing literature establishes the basis and a starting point for this study.

Regarding the “quantitative” and “qualitative” demarcation in research methodology, the study is qualitative since no variables are measured and no hypotheses are proposed or tested. The specific data collection methods such as document collection, interview, and observation are mainly used for case study. Understandably, the case study in a methodological sense is not equivalent to qualitative research. For the case study, both quantitative and qualitative data can be collect from multiple information sources.

3.1.2 Case Study Method

The study was designed as a two-case study. Case study is usually used to probe into a contemporary phenomenon where the phenomenon is in its real-life context, and relationships among a set of elements are investigated and multiple

evidences are employed (Yin, 2009). The CBP as the researched topic generally meet these parameters: first, the CBP is surely an emerging and developing phenomenon in the context of both China Customs and Thai Customs; second, to answer the research questions, factors and elements are to be identified and respective linkages and logics are to be discovered for the formation, implementation and outcomes of the CBP; third, data from multiple sources like different stakeholders involved in the policy process of the CBP is to be collected.

Furthermore, the case study method is also appropriate for addressing the research questions of this study. According to Yin (2009) and Luton (2010), two types of questions are more suited for case study: how and why questions. With these arguments in mind, the researcher contends that the research questions generally fall into these two categories, as Research Question 1 are more concerned with “why”, and Research Questions 2 and 3 are more or less related to “how” questions.

Why are two cases used? Generally, a single case study has the defect of less representativeness of the findings, especially when applied in differing contexts. Since Customs administrations in the international Customs community have peculiar priorities and circumstances, it is meaningful to explore the topic in different context so that common themes can be identified and comparative variations can be deliberated.

Why China Customs and Thai Customs are chosen as the target cases? This are based on two main justifications. The first consideration is related to the significance of the practical development of the CBP in these two Customs administrations. As the above literature review in Chapter shows, both administrations have embraced the concept of the CBP in their modernization initiatives and institutionalized certain CBP arrangements. The second consideration is for data availability. For case study, access to the research sites is critical. The researcher’s work provides convenience in this regard. Since the researcher is one of civil servants of China Customs and faculty members of Shanghai Customs College, the sole Customs academy which is affiliated to General Administration of China Customs (GACC), collecting data in China Customs would be accessible. For Thai Customs, the researcher also maintains close communication with different units in Thai Customs since ROCB AP where the researcher had worked from 2007 to 2012 is

supported by Thai Customs and its office is located in the headquarters of Thai Customs. However, due to language proficiency and cultural understanding, the researcher has expected that data collection in Thai Customs could be weaker than that in China Customs. Nevertheless, it would be better than only one case on China Customs is selected for this study, and meanwhile appropriate measures are to be taken to delimit the possible weakness.

3.2 Data Collection

In case study, a combination of methods are proposed and applied, which are required by the golden rule of “triangulation” in qualitative research where multiple data sources and methods are necessary for rigorous research (Patton, 2002 quoted in Yin, 2009). The data collection methods and procedures are discussed as below:

3.2.1 Interviews

Basically semi-structured interviews were conducted with both Customs and business informants were conducted. To guide informants to structure their feedback, a list of questions (separately for Customs and business, see Appendix B and C) is prepared and provided to the informant in advance. Questions incorporate the major elements and factors included in the analytic framework. Generally open questions are posed to the informants aiming to elicit more information. The semi-structured approach is meaning in capturing the spontaneous information popping up in the process of the interviews. Considering the respondents’ different background and concerns, the questions for Customs and business individuals were adjusted and fine-tuned respectively.

To make sure the phrasing of questions is comprehensive and meaningful among the target informants, before the actual data collection was conducted, the researcher spread the lists of questions (English version) to his colleagues with ROCB AP for comments and suggestions. Consequently, necessary modifications were made on the questions based on peers’ comments since his colleagues are Customs practitioners from Japan, Korea, Hongkong and Thailand.

Two types of interviews were conducted. First were the interviews with individual informants. If the informants were treated as “experts” in the relevant fields, the interviews were more in-depth and ran longer than ordinary interviews. Second, focus groups were also arranged to verify the findings of the individual interviews. For Thai Customs, two focus group interviews were conducted respectively for Customs officers and members of freight forwarders. In China Customs, one focus group was conducted among director-level Customs officials who are involved in risk management and auditing matters. Averagely an in-depth interview ran around one hour.

The first-hand data collection was conducted in two phases for the two Customs administrations, which were prolonged because two countries were involved and logistical issues were bit complex. First, in the first half of 2012, interviews and field visits to the headquarters of Thai Customs and La Chambang Customs House were finished for the case of Thai Customs. Since the development of the CBP in Thai Customs emerged in the past two years, revisits to several key informants were made in July 2014 to obtain updated information. Second, mainly in the second half of 2013, interviews and field visits were completed for data collecting in China Customs.

3.2.2 Document Study

To treat document study as a qualitative method may not be proper because the data contained in documents can be either qualitative or quantitative. Nevertheless, the method is significant for this study, because the initiation and development of the CBP can be traced and analyzed in the official and unofficial documents produced by both Customs administrations. In this regard, the major types of documents were collected for each case: Customs laws and regulations, Customs strategic plans, annual reports, concerned announcements, minutes of meetings, key speeches by Customs or business leaders, administrative documents such as proposals, progress reports, and other internal records; correspondence between Customs and business, etc.; news clippings and other articles published by mass media and Customs internal media. The secondary information collected and consolidated through document study has been corroborated with primary information.

3.2.3 Observations

Observation is integral in cases study because a case study takes place in a natural setting and relevant behavior or environmental conditions are available for observation. Normatively, observations fall into two categories: first is direct observation, in which the researcher is merely a “passive” observer and is not involved in the events being studied; in contrast, in participant-observation, the researcher may assume certain roles in the case study situation and can actually participate in the events being studied. Since the researcher does not work in person as a Customs officer either in China Customs¹² and Thai Customs, direct observations were primarily applied for this study.

Observations were conducted at varying occasions. First, during the interviews, the non-verbal signals or body language of the informants were observed to verify what verbal messages may be missed or distorted. Such information was recorded in the interview transcripts during or immediately after an interview. Second, the researcher visited the selected Customs houses and observed the physical dimensions of Customs workplace and the personal interactions between Customs officers and business persons. The information and interpretations were used to triangulate the data collected from other sources.

3.3 Setting and Sampling

3.3.1 Locating the Sites

As the basic profiles of China Customs and Thai Customs demonstrate, two Customs administrations take a three-level structure. In the perspective of organizational studies, both are “large-scale or complicated organizations” (Gulick, 1937). Due to the available time and resources, it was infeasible and unnecessary for the researcher to approach all Customs branches, offices, and checkpoints. Thus, the

¹²Though Shanghai Customs College (SCC) where the researcher is currently working is part of China Customs, faculty members in SCC mainly concentrate on education, training and researcher matters and are not responsible for Customs administration and enforcement.

researcher had to make a choice on which Customs districts/regions and Customs houses were to be selected for data collection.

For China Customs, the selection criteria are contingent on three conditions: 1) Customs districts/houses should be closely involved with the CBP arrangements. Under the GACC, it is well agreed that Shanghai Customs District and Pudong Customs House have long establishments in this respect.; 2) At the level of Customs districts, they should reflect the patterns of economic development level, trade volume. Definitely, Shanghai is the centers of economy, trade, finance and logistics in China, and Shanghai Customs District is handling the biggest workload and amount of cargo all across China.; 3) Accessibility to these sites and possible support from the leaders were necessary. Since the researcher works in Shanghai and has intimate working relationships with Shanghai Customs District, access is not a problem. In this regard, potential informants at each level of China Customs are located (see Table 3.1).

Table 3.1 Locating Sites: China Customs as the Case

Level of structure	Department/ Customs houses	Considerations
Head -quarters	GACC Leadership: - Certain members of Leading Board - Retired leaders if possible Department: - Department of Policy and Legal Affairs - Department of Audit-Based Control and Risk Management - China Customs Brokers Association (CCBA)	- Leaders set the direction for Customs policy and development. - The two departments were selected because they are more involved the CBP policy making. - Customs Brokers Association of China was selected because they serve as a communication bridge between Customs brokers and Customs.
Customs District	Shanghai Customs District Divisions: - Division of Legal Affairs - Division of Customs Audit	- Shanghai Customs is No. 1 in terms of trade volume and revenue collected among all the 42 Customs districts.

Table 3.1 (Continued)

Level of structure	Department/ Customs houses	Considerations
	- Division of Supervision of Enterprises Customs houses: - Pudong Customs House	Also it is a typical Customs on the east coast, where the economy is the most developed in China. - The selected divisions are directly responsible or involved in enterprise management and implementation of the CBP programs. - Strong support from leaders with Pudong Customs House

For Thai Customs, similar criteria were applied. The researcher consulted a leader in Thai Customs to gain insiders' views. In 2009, Thai Customs started to group all the 46 Customs Houses into four Regional Customs Bureaus. Unlike the Customs districts in China's Customs, these Regional Bureaus mainly serve a coordinating and monitoring role and not much substantial work is involved on the CBP. Therefore, the data collection was conducted mainly at two levels; namely, at the headquarters and at the La Chambang Customs House (see Table 3.2). It was worthy to mention that strong support from Mr. Paisal Chuenjit, then Director La Chambang Customs House, was a major consideration for the researcher's decision. His personal accompanying me to visit the selected companies were both helpful and necessary.

Table 3.2 Locating Sites: Thai Customs as the Case

Level of structure		Bureaus/Customs houses	Considerations
Head -quarters	Royal Thai Customs	Leadership: - DDG in charge of Customs processing and PCA Bureaus: - Customs Standard Procedures & Valuation Bureau - Planning & International Affairs Bureau - Post Clearance Audit Bureau - Other key persons involved in the CBP matters	- Leaders set the direction for Customs policy and development. - These bureaus were selected because they are responsible for policy making and control of the Customs-business relationship. - The directors at the mentioned bureaus were approached.
Customs Region	Regional Customs Bureau 3	Checkpoints - La Chambang Customs House	- Biggest Customs House in terms of trade volume and cargo value in Thailand - Strong support from leaders with Pudong Customs House

Source: Adapted from Thai Customs, 2012.

3.3.2 Sampling for Interviews

3.3.2.1 Sampling among Customs Informants

For the key informants in the China Customs and Thai Customs, purposeful and snowball sampling was applied. Key informants at the headquarters, Customs districts/regions, and Customs were approached at each level. Managers at divisions or sections who are directly or closely involved in the policy and implementation of the CBP are the main potential informants. For China Customs and Thai Customs respectively, around 10 Customs officials were approached for interviews.

3.3.2.2 Sampling among the Business Informants

For business, snowball sampling was used. To gain a more balanced opinion, the organizational characteristics which have influence on their relationships and interactions with business were taken into consideration. These characteristics include the size (big or small), ownership (domestic or foreign), AEO status and industry (importers, exporters, Customs brokers, freight forwarders and the like). Generally, for the selected companies, two categories of informants were approached. First, the researcher would identify the leader who always interacts with Customs on policy or strategic matters. Second, the representative who regularly deals with Customs at the operational level like trade compliance manager or Customs broker, and it is assumed that this kind of informants can generate uncovered “know-how” or tacit information regarding Customs-business interactions.

3.4 Unit of Analysis

The general unit of analysis was primarily at the organizational level, that is, Customs and business. Since interviews were conducted with individuals, the initial data provided from the individual informants were collapsed and combined to obtain the whole picture of their organization. To certain extent, analysis was also done at the level of the organization set. For example, regarding discussions on the social outcomes of the CBP, the CBP arrangements have been treated as a whole to probe how such arrangements contribute to achieve wider public purposes beyond benefits for each side of sector or organization.

3.5 Data Analysis

Data analysis has been conducted at two stages. During the data collection, the initial data analysis was to read and jot down thoughts and ideas on the documents, the interview transcripts, and observation notes at early stages of data collection and dissertation drafting. The researcher has kept himself immersed in the collected data throughout the whole process from data collection to preparing the draft dissertation. Then, moving from the raw materials to the in-depth analysis, the researcher resorted

to typological analysis, categorization, and comparison analysis which are common to case study. Patterns have been identified to expand and enrich the analytic outline.

The principle of triangulation was upheld in order to rely on the data from various sources to check for accuracy and to crystallize the situation. A combination of theoretical perspectives was incorporated to interpret the same data.

3.6 Protocol and Ethical Issues

The qualitative methodology requires the researcher to enter the research field and therefore ethical principles should be observed sensibly. Rapport with the targeted organizations and informants is paramount. For this purpose, before the interviews, the researcher would explain the significance of the study to the concerned senior officials with China Customs and Thai Customs, common language in Customs were used. Since both administrations are in their due course in implementing the CBP arrangements, the officials considerably support and permit the researcher to access to the sites. Meanwhile, the individual informants were contacted in advance and briefed of the purpose and the significance of study. After interviews, transcripts were sent back to them for checking and necessary modifying. The research findings are to be shared with the concerned informants upon request.

Ethical issues were strictly respected. The principle of informed consent was followed, especially for those informants that agreed to be self-identified. Given that the negative aspects of the Customs-business relationship like integrity issues in Customs were somewhat sensitive, the interviewees were sometimes a bit reluctant to utter their genuine feedback. In this situation, the researcher attempted to create a more trustworthy and comfortable environment in an effort to overcome psychological barriers. For instance, finding a quiet and secluded venue was found to be helpful.

3.7 Limitations and Delimitations

For this study, the obvious limitation is the research method itself. As Yin suggested, there are traditional prejudices against the case study method. The

prevalent complaints are that case studies: 1) are lack of research rigor; 2) provide little basis for scientific generalization; 3) take too long time. To delimit these potential constraints, the researcher has: 1) familiarized himself with the case study method and built up the needed skills by consulting experts in this area; 2) adopted systematic and rigorous procedures in data collecting; 3) clearly defined the scope of the study and made adjustments in a timely manner. Anyway, the findings could be subject to other interpretations due to the interpreter's experiences, knowledge, and theoretical disposition.

Another constraint is inadequate access to the Thai Customs. Thai language was actually a barrier for the researcher. Considering that not every informant can understand or use English proficiently, the researcher sought assistance from a qualified English-Thai translator who helped to translate the collected documents into the Thai language. Then the researcher has passed the translations to Customs officials who are proficient in English to check the accuracy. If there was any doubt, consultation was conducted with the concerned Customs officials who were in charge of the concern matters. For the interviews with the Thai informants, Miss Kik Matchima, the researcher's Thai colleague with the ROCB AP kindly accompanied me for the whole period of interviews. Her accompanying not only helped to solve the language problem but to gain access to and consent from the informants. The researcher also verified certain data as she has agreed to provide "inside knowledge" like the difference between attitudes towards business by "old generation" and "new generation" of Thai Customs officers.

3.8 Chapter Summary

This chapter discusses on the research design and methods to determine protocols for data collection and analysis. Primarily this study is thought to be explorative with descriptive and explanatory elements to understand the CBP as an emerging and real-life phenomenon in its context. A case study with China Customs and Thai Customs as two cases is designed to answer "why" and "how" research questions identified in Chapter 1. These cases are selected based on justifications of

significance of the CBP implementation in each case and special requirements on access to research sites for case study.

Data collection ran rather long since two countries and many stakeholders are involved. Document study was first applied to collect and analyze the relevant official and unofficial documents both from Customs and business sides to gain an initial picture of the CBP in each selected Customs administration. To collect the first-hand information and data, interviews including individual interviews and focus groups, observations were primarily used for each case. Purposeful and snowball sampling was rendered to access to the informants both in Customs and business. The primary unit of analysis is at the organizational level, and information collected from individual informants was collapsed to represent the organization. Robust protocols and ethic considerations have been respected in data collection. Triangulation was applied in analyzing data. Limitations on the research method itself and defects in access to Thai Customs are sorted out and countermeasures have been taken.

CHAPTER 4

CUSTOMS-BUSINESS PARTNERSHIP IN CHINA CUSTOMS

This chapter and the next chapter present the empirical findings for each selected case. This chapter focuses on exploring the customs-business partnership in the context of China Customs. A brief background of China Customs is provided and the evolution of the customs-business relationship is subsequently reviewed. The contextual drivers and conditions giving rise to the CBP are identified and contemplated. The factors in implementing the customs-business partnership (CBP) are identified and grouped. The barriers and challenges in building the CBP are probed. Finally, the outcomes of the CBP are reviewed.

4.1 Brief Background of China Customs

Before investigating the CBP in China Customs, it is helpful to provide a brief background on China Customs, which will also provide a basis for further discussion.

4.1.1 Basic Profile of China Customs¹³

4.1.1.1 Legal Mandates

China Customs holds its full name as the Customs of the People's Republic of China. As the central government agency that "supervises and manages all arrivals to and departures from the Customs territory of China" (China Customs,

¹³This basic information about China Customs is mainly adapted from China Customs Today 2011 (China Customs, 2011), an official public relations brochure published by China Customs annually.

2012)¹⁴, China Customs is charged with four legal mandates. As stipulated in Article 2 of Chapter 1 of the Customs Law of the People's Republic of China (hereafter referred to as "China Customs Law")¹⁵:

It (China Customs) shall, in accordance with this law and other related laws and administrative regulations, (a) exercise control over means of transport, goods, travelers' luggage, postal items and other articles entering and leaving Customs territory; (b) collect Customs duties and other taxes and fees; (c) prevent smuggling and commercial fraud; and (d) compile Customs statistics and handle other Customs operations" (China Customs, 2000).

This provision carries implications for this study: the power and authority of customs is conferred by law; processing and control of international trade is at the core of these four mandates; the temporal space for customs operations concentrates on cross-border movements. According to Sparrow (2000) and Widdowson (2003), China Customs can be seen as a typical regulatory and government enforcement agency.

4.1.1.2 Organizational Structure

China Customs is built on a three-level hierarchy. The General Administration of China Customs (GACC) serves as the headquarters of China Customs, which is responsible for customs strategy, policy, and overall monitoring of customs operations throughout China. The GACC itself is composed of 19

¹⁴Hong Kong, Macau, and Taiwan are in the territories of China; however, they respectively enjoy customs territory respectively, based on the political arrangement in the policy of "One China and Two Systems."

¹⁵Adopted at the 19th Session of the Standing Committee of the Sixth National People's Congress on January 22, 1987, and amended according to "Decision on the Revision of the Customs Law of the People's Republic of China" adopted at the 16th Session of the Standing Committee of the Ninth National People's Congress on July 8, 2000.

departments, 1 stationed office, 6 directly-affiliated institutions, 4 associations, and 3 overseas offices (see Appendix E). Among those departments, the Department of Audit-based Control and Risk Management is mainly responsible for enterprise management, risk management, and customs auditing, which are closely linked to the policy making on the CBP. It should also be noted that the Customs Brokers Association of China (CCBA), as a trade association, is an autonomous entity but is affiliated with the GACC.

As an independent government agency, China Customs directly reports to the State Council, which is the highest executive organ of state power in China. In this sense, China Customs is one of the few customs administrations in the world which holds ministerial-level status in the government organizational structure. According to Polner's (2012) research, "it was found that approximately 50% of 177 WCO Members are within the Ministries of Finance (MOF) in the form of an Administration, (General) Directorate or Department. Approximately 25% are independent Customs administrations which do not form part of any Ministry"(see Figure 4.1).

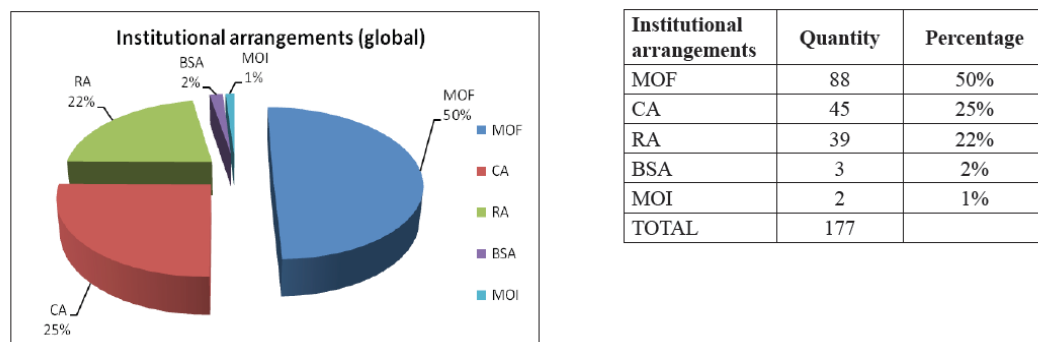


Figure 4.1 Institutional Arrangements of the WCO Member Administrations

Source: Polner, 2012.

Notes: Ministry of Finance (MOF); Customs Administration (CA); Revenue Authorities (RA); Border Security Agency (BSA); Ministry of Interior

Therefore, unlike the customs in many other countries, the top leader of China Customs, who is appointed by the Premier, is “Minister” rather than “Director-General.” This higher political status provides China Customs with better leverage to set reform agendas and to mobilize resources (Gao, 2002; Lou, 2012).

Under the GACC, there are 42 Customs Districts, which serve as a bridge between the GACC and customs houses, and are mainly responsible for the overall management, coordination, and monitoring of customs operations within their jurisdictions (see Appendix D). Shanghai Customs District is one of the major districts located at the developed east coast area in China. At the operational level are 612 customs houses/offices, which are supported by over 4000 customs checkpoints, and these customs houses and checkpoints actually deal with customs matters and the main interfaces with business clients. According to the statistics by the end of 2012, China Customs was staffed with over 56000 customs officers and over 18000 customs police officers (China Customs, 2012). In terms of geographical distribution and staff numbers, China Customs may be one of the few largest customs administrations in the world¹⁶, which gives rise to surmounting challenges and complexities in its operations.

With the surging international trade and a fast-growing economy in China, China Customs has been shouldering a heavy workload. The annual statistics on the major customs operations tells the story (see Table 4.1).

Table 4.1 Statistics of the Operations Output in China Customs (2011)

Operations	Statistics
Entries and exits of passengers	431,111,000
Arriving and departing airplanes	486,244
Arriving and departing vessels	509,533
Arriving and departing vehicles	23,623,000

¹⁶There are no concrete statistics for comparison across customs administrations. It was learned that the customs in India and Russia are among the largest administrations in terms of staff numbers.

Table 4.1 (Continued)

Operations	Statistics
Weight of imports and exports (tons)	3,317,080,000
Value of imports and exports	3,642.06 billion (USD)
Entries and exits of containers (TEU)	87,660,000
Inward and outward postal items	166,197,000
Inward and outward express consignment items	131,110,000
Declarations for imports and exports	50,030,000
Dilacerations subject to customs inspection	2, 656, 000
Cases of smuggling	12,192 (case)
Value of goods involved in smuggling cases	23.3 billion (RMB)
Net customs revenue	1.61421 trillion (RMB)

Source: China Customs, 2012.

4.1.1.3 Mission and Values of China Customs

China Customs attaches much importance to strategic management, encompassing the formulation of vision, mission, goals and strategies. Regarding its mission, China Customs prefers to use the term “fundamental principles,” which can be treated as a clue to observe how China Customs connects its performance with national development goals and agendas (Yu, 2011). The current “fundamental principles,” adopted in 2002, are “exercising law-based administration, safeguarding national gateway, supporting economic prosperity and promoting social development” (China Customs, 2012). The “fundamental principles” are not static but dynamic and subject to regular adjustment and evolution (Yu, 2011) (see Table 4.3). Its evolution reflects how China Customs has identified and adjusted its priorities in response to environmental contingencies (Zhang and Zhao, 2009; Yu, 2011).

Table 4.2 Evolution of “Fundamental Principles” in China Customs

Timeline	Fundamental principles
1949-1978	– Safeguarding national economic and political interests
1979-1985	– Exercising law-based customs control and duty collection – Facilitating legitimate inward and outward entries – Suppressing smuggling – Safeguarding and supporting the “Four Modernizations ¹⁷ ”
1986-1998	– Promoting economic development
1999-2000	– Exercising law-based administration – Safeguarding national gateway
2002 up to now	– Exercising law-based administration – Safeguarding national gateway – Supporting economic prosperity – Promoting social development

Source: Adapted from Yu, 2011.

Linked to the latest “fundamental principles,” the Leading Board of GACC further promotes the overall requirements for customs “safeguarding national gateway, providing quality service, preventing potential risks and building reliable team” (China Customs, 2012), and in China Customs this requirement is usually called Sihao (four good strategies), which is promoted by the current leaders in China Customs. It is routine in the Chinese political arena for new leaders in government agencies to create a fresh slogan. If the “fundamental principles” are more for the purpose of public relations and outward communication, Sihao focuses on how customs manages its business and develop its workforce. Relevant to the research topic, it is noted that “providing quality service” is prioritized in customs work.

¹⁷The “Four Modernizations” was the national goal for economic and social development set by China government for the period of 1978 to 2000. Specifically, it means modernization of “agriculture, industry, science & technology and national defense.” Quantitatively, the GDP would be quadrupled as the major target.

In the corporate dimension, China Customs upholds its core values as “patriotism, morality, integrity, innovation and dedication,” and these abstract constructs are more linked to the behaviors of individual officers. “Integrity” and “dedication” are more linked to better services offered by customs as a whole. Observations are to be presented regarding how customs officers translate these abstract principles into their daily behavior in their interactions with business counterparts.

As for human resource management and development, China Customs sets three-prong criteria: politically reliable, professionally competent and fully reliable. China Customs is not a purely technical bureaucracy but exists in a political environment. Since Chinese politics is characterized by single-party rule, civil servants in China do not take a “neutral” stance in political matters. On the contrary, civil servants are required to follow the doctrines, ideology and guidelines put forward by Chinese Communist Party (CPC) because the majority of civil servants hold CPC membership. Therefore, being “politically reliable” means customs as a whole and individual customs officers should adhere to the CPC’s doctrines and directions. This observation is salient for the coming discussion.

4.2 Evolution of Customs-Business Relationship

4.2.1 Customs-Business Relationship in Legal Terms

In legal terms, the relationship between customs and businesses which have dealings and interactions with customs is primarily mandated in customs-related laws and regulations. The legal rights and obligations of business are set in laws and regulations. According to Oliver’s (1999) characterization, this relationship is mandatory incurred from necessity rather than voluntary. In principle, the relationship is that between administrator and administratees, or regulator and regulatees. In theory, rights and obligations either to customs or to business shall be equal and reciprocal. However, as observed by Chen (2005) and Fan (2011), the provisions and articles in China Customs Law mainly set obligations for business, which is the common practice in the legislation of administrative laws and regulations.

A critical feature for the customs-business relationship is that customs exercises monopoly power over business. Article 1 of the China Customs Law stipulates that “[t]his Law is formulated for the purpose of safeguarding state sovereignty and national interests, strengthening Customs supervision and control, promoting exchanges with foreign countries in economic affairs, trade, science and technology, and culture and ensuring socialist modernization” Customs is a symbol of the state in processing and controlling international trade, and business has no alternative choice in their dealings with customs. As confessed by business informants, inherently, the image of customs in the peoples’ eyes is “authorative, solemn and distant, though it is claimed to be part of “the People’s Government.”

This image can be observed in the daily artifacts of China Customs. First, customs uniforms, originally derived from military uniforms, have undertaken several rounds of style change. However, the customs uniform cap has kept its traditional prototype in the military legacy, with a round and projected cap ring. In China, people call such caps “Dayanmao,” it is nearly an equivalent term to refer to officers that work in the police, customs, and other regulatory and enforcement government agencies. The term has a mixed meaning, meaning that these agencies hold strong power over people and convey a negative conception of officers, who are arbitrary and cold to the public.

Another manifestation is the office buildings of customs. In China, customs buildings are generally located in the downtown area and demonstrate a “majestic, powerful” atmosphere with its stony materials, decorative stairs and aggressive stone lion sculpture. Culturally, such a design is intended to create a sense of authority and majesty among the public, as an informant with the Shanghai Customs District stated:

When it was decided to construct a new office building in early 1990s, leaders with GACC and Shanghai Customs District had discussed with Shanghai Municipal Government, a piece of land at best location in Pudong New Area (actually, the building is neighboring Oriental TV Tower, a landmark of Shanghai) would be granted and the building height should be the tallest in that region. (Anonymous)

Though the customs-business relationship is primarily mandated and the customs image is rather cold and distant, the relationship has undergone a conceptual and practical transformation. The idea of partnership has entered customs discourse gradually.

4.2.2 Evolution of the Customs-Business Relationship

Historically, the customs-business relationship in China has witnessed a transformation from the late 1970s when China launched the reform and opening-up policy. Two scholars, Chen (2013) and Yu (2011), who are also experienced practitioners in China Customs, have conducted comprehensive reviews and deliberations on this evolution. Gao's (2002) research supports their arguments.

4.2.2.1 Legacy of Customs from 1949 to 1978

While discussing the economic and social development in China, people take 1978 as a demarcation line, because that year Deng Xiaoping took power and replaced Mao Zedong as the icon of the second generation leadership of China, and China formally decided to transform itself from a centrally-planned economy to a market economy. The economic growth and development mode has undertaken a profound model shift since then.

From 1949 to 1978, which is generally referred to as "first 30 years" in the history of the People's Republic of China (PRC), the CPC adopted Marxist doctrines and ideology, and followed the Soviet Union's model of a centrally-planned economy, in which all of the economic activities are controlled by the state. During this period, the economic development in China was frustrated and destroyed by a series of political movements. In 1978, the amount of GDP was only 364.5 billion RMB and was ranked 10th in the world ranking and was one of the least developed countries in terms of income. Comparatively, in 2013, China's GDP soared to 56884.5 billion RMB, which was over 150 times that of 1978, and was ranked Number 2 in the world¹⁸.

¹⁸These statistics were compiled and analyzed by the National Bureau of Statistics of the People's Republic of China, retrieved on May 6, 2014 at http://www.stats.gov.cn/zjtj/ztfx/jnggkf30n/200810/t20081027_65687.html

Regarding the policy of foreign trade, it was also a Soviet-style regime, under which only 12 state-owned enterprises were authorized to engage in imports and exports. Due to the impacts of the Cold War and sanctions by western countries, trade partners were mainly socialist countries. International trade was not treated as an important strategy of economy development and trade volume was very small. Customs itself was under the portfolio of the Ministry of Foreign Trade. A customs informant questioned: “How could a brother (Customs) monitor other brothers (state-owned foreign trade companies under Ministry of Foreign Trade)?” There were no formal tariff systems, no adequate legal customs systems, no systematic procedures in line with international customs standards and best practices (China Customs, 2001). Therefore, customs focused on controlling limited goods and a small number of passengers, as recalled by Mr. Wen Xuan, a previous senior customs official that had worked in Wenzhou Customs House since the early 1970s:

My Customs work started in 1970. Then it was simple. Our office was in the post office. The main task was to open every post parcel from foreign countries or Hong Kong and Macau to check whether there were items which break the regulations on politics-sensitive issues. The results were most disappointing. Not much “enemy items”. It was very funny and ridiculous, right? However, strict control as gatekeeper was rather dogged in the mind of Customs leaders and officers.

Regarding the legacy, Lou (2012), in reviewing how China Customs was reformed from a political perspective, argues that “[e]ven though China Customs have been undergone fundamental change in many dimensions in the past three decades, legacy in the ‘first thirty years’ is still embodied in organizational and individual behavior, especially in terms of customs-business relationship, it seems Customs think it holds privilege and power over business.” Now, let us examine how the customs-business relationship changed in the second 30 years (1978-2008 and beyond).

4.2.2.2 Business as “Administratees”

From the late 1970s to 1980s, the customs-business relationship can be characterized as “business as administratees” (Sun, 2008; Yu, 2011; Chen, 2013). During this period, the broad operational environment in which China Customs operated was as follows: international trade was still controlled and operated by state-owned enterprises; these enterprises did not have incentives to commit fraud or smuggling; the tensions between increasing workloads and limited administrative resources in China Customs were not as serious as today. To ensure compliance with customs-related laws and regulations, customs focused on “cargo” rather than the companies that owned the goods, and strict control was still a priority (China Customs, 2000; Gao, 2002).

Thus, as observed by Sun (2008), the customs-business relationship was more “customs-centered” and “control-oriented,” which were inherently embedded in China’s long tradition of being “Officialdom-centered.” Businesses were not treated as equal stakeholders; customs control was conducted in a narrow customs workplace; strict control and rigid enforcement were applied and implemented; innovative working methods like the application of information and communication technology (ICT) and risk management had not been applied. Mr. Shao Xiaoping, Director of Pudong Customs House, Shanghai Customs District, recalls:

Though our country adopted the reform and opening-up Policy, the international trade volume was still small. Customs work methods were still inherited from old fashions or routines. Though state-owned trade companies were assumed not to do illegal things, Customs still behaved like a boss.

4.2.2.3 Business as “Clients”

This period covered the whole of the 1990s. Customs gradually treated business as “clients.” As discussed previously, China Customs’ “fundamental principles” were “promoting economic development” in this period.

The fundamental context for such a transition was that the Chinese Communist Party (CPC) as the ruling party, was formally committed to establishing a

“market economy with Chinese socialist characteristics.” In 1994, the “Decision of the Central Committee of Chinese Communist Party (CCCCP) on Some Major Issues Concerning Comprehensively Deepening the Reform” was launched (China.org.cn, 2014). It was in this milestone document that businesses as the main players in the market economy were formally recognized. Government agencies were required to transform their functions, provide better public service and enabling conditions for commerce promotion and economic development.

The second imperative for customs to adopt such a new management model can be attributed to learning from “best practices” from foreign customs administrations (Yu, 2011; Lou, 2012; Chen, 2013). As characterized by scholars and practitioners both in China Customs and in the international customs community, the 1990s saw a “booming era” for customs modernization. Moving from a “closed-door” position to opening up to the outer world, China Customs enhanced its frequency, scope and depth in exchanges and cooperation with foreign customs administrations. Such “eye-opening” activities helped China Customs learn ideas and practices for its own modernization drive. In this regard, “customer-orientation” in customs work was introduced and applied, which had been widely applied in the customs in western countries such as Australia and the UK where the New Public Management (NPM) were widely implemented.

Furthermore, the demand from local governments was also a major force. The reform and restructuring of fiscal policy in 1993 fundamentally changed the relationship between the central government and local government. According to the policy, a kind of “fiscal federalism” was adopted and the central government and local government shared major tax revenue based on a new allocation arrangement. Local governments had strong incentives to lure investment in order to boost the local economy. Therefore, local government explicitly and implicitly hoped that customs could provide more facilities for trade processing.

Within this mode, customs treated business as its customers or clients. Customs realized that goods in their own right would not commit fraud or smuggling. It is the persons (natural and legal) that own or hold the goods that would commit illegal behaviors. It was definitely a fundamental shift of the image of business held

by customs. Therefore, customs shifted its administration and control over business. Based on the analysis of the nature of business operations and compliance history, customs made a decision on the level of risk and allocated resources and applied an appropriate level of control. The rationale of a new mode of customs control was that customs could achieve efficiency and effectiveness in enforcement through encouraging voluntary compliance.

4.2.2.4 Business as “Partners”

From the beginning of the 21st Century, the discourse on business as a partner has been well taken by China Customs. This shift was both driven by domestic pressures and international imperatives. China participated in economic globalization since it acceded to the WTO in 2001, and international trade has grown exponentially. China Customs, driven by surging workload and limited resources, needed to strike a balance between “seamless control” and “fast clearance.” Considering the critical role which international trade plays in boosting economic growth, policy makers in China Customs realized that customs and business were not necessarily “enemies” to each other. Internationally, the 911 terrorist attack in the US dramatically brought the customs-business partnership into the limelight. The C-TPAT program initiated by the US CBP in 2002 was a ground-breaking initiative, though it was originally proposed as a policy to fight against terrorism. It opened a window for customs to rethink the relationship between customs and business.

Informally, the concept of a partnership with business entered public discussion and policymaking in China Customs at the end of the 1990s (especially from 1998 to 2000), when China Customs was engaged in amending China Customs Law. As Gong (2000), Gao (2002), and Yu (2011) argue, the principle of balance of rights and obligations for business was advocated and pursued. The amending process was in tune with the amending process of the WCO Revised Kyoto Convention. As an obligatory requirement, China Customs was obligated to translate the principles and provisions in the WCO Revised Kyoto Convention into its customs law. The rationale of customs-business cooperation and consultation was absorbed.

In a formal sense, China Customs adopted the principle of the customs-business partnership in 2005, when the WCO launched the SAFE Framework of

Standards and China Customs and sent a letter of intent to the WCO regarding its commitment to implementing the framework.

4.2.3 The CBP Arrangements

Guided by the broad definition of the CBP given in Chapter 2, this section summarizes and presents a spectrum of activities and arrangements under the CBP umbrella initiated and implemented by China Customs in recent years. This fact-finding, based on document study and observations, provides background information for further investigation of the conditions, factors, barriers, and relevant outcomes of the CBP.

4.2.3.1 Communication Channels

1) Information-Disseminating Facilities

Through renovating and updating customs office facilities, China Customs wants to create a more business-friendly environment. Though the ICT technology has been widely applied in customs operations and interfaces with business, the face-to-face contact is still common for business to visit customs offices for trade processing, especially submitting customs declarations and supporting documents, and assisting with customs' physical inspections. To soften its bureaucratic and rigid image, China Customs has been attempting to create a more friendly and service-oriented atmosphere. In this respect, customs borrows much experience from the private service sector.

Taking the Pudong Customs House as an example, in the Shanghai Customs District, the major innovations are: all the service counters are arranged in the same service hall where business representatives save much time not running in a maze with different offices on different floors; as in banks, all the service counters are openly-designed with clear signs; both physical and electronic bulletins are equipped, on which the latest notices, guidelines for specific procedures, and reminders are posted and updated; an electronic queuing system is equipped to ensure office order; the customs service charter, encompassing specific operations with timeline commitments, hotlines for enquiry, and whistle-blowers, is publicized. More interesting, as with hotel services, a customs officer at or above the deputy director level serves as the Officer on Duty in the hall. If a business representative is not sure

which counter should be approached, he could seek help from the officer. This was described by an interviewee with Jude Garment Co. Ltd., who has dealt with the customs brokerage business for over ten years:

Superficially, customs has changed much in providing quality and friendly service. At least, when you step into Customs service hall, you won't feel like a yamen (a negative term embedded in Chinese tradition meaning a corrupt, cold and red-tapped bureaucratic government agency) where access is difficult, face is ice-cold and words are harsh. However, privilege in officers' inner hearts sometimes could also be printed on their face.”

2) Customs Websites

Under the e-government initiative of China since the 1990s, China Customs has used the ICT for two main purposes. One is the Customs Trade Processing System, which will be discussed later, and the other purpose is to set up official websites as information portals and public relations platforms. More accurately, the website is “a network of websites,” as the GACC's website serves as a portal through which public and business can navigate and access websites for 42 Customs Districts and their subordinate customs houses or offices (it is not compulsory for customs houses to set up official websites).

The information provided by customs websites follows the rules of government information disclosure. As observed by the researcher, the websites are designed and configured in a more business-friendly manner. For example, at the GACC's website (<http://www.Customs.gov.cn>), a virtual service hall for China Customs, a virtual customs clearance hall for passenger control for the Beijing International Airport, and one-stop platform for intellectual property protection are provided for business and the public.

3) Public Hearings and Briefings

In recently years, China Customs also has attempted to engage business stakeholders in the process of policy making. According to “Rules on Legislation of China Customs,” in the process of the drafting of any regulation or

administrative measure, China Customs shall invite business representatives to provide comments. If necessary, hearings should be held. A grace period for advanced publication (generally 30 days before a regulation enters into force) shall be provided. For example, the China Central Government decided to establish the China Pilot Free Zone (Shanghai) by July 2013. As an innovative leap forward in trade and finance control, customs needed to change a wide range of current practices. Ms Shu Qinfang, Team Leader of the Customs Task Force for the China Pilot Free Zone (Shanghai) stated the following:

Since the initiative (Pilot Free Zone) is brand-new, Customs doesn't have old wisdom and current recipe for answers. Also, any policy change would have significant on the operations of business. Our team takes an open-door attitude in preparing all the rules. Over 100 consultation sessions with company representatives were held. We visited over 20 institutions including Shanghai Customs Brokerage Association and typical companies. Over 120 suggestions have been solicited, further analyzed, and absorbed in final drafting.

At the GACC's website, a special column is devoted to "Policy Briefing." Before, all of the major newly-adopted customs regulations or rules and explanatory policy briefs were posted there. The background for formulating or amending rules, the purpose of the document, and the key provisions and implications for stakeholders were explained and highlighted. For example, the GACC posted a policy brief in 2008 and 2010 on the "Rule on Categorized Management for Enterprises by Customs."

4) Training for Business

To help business understand customs policies and build technical capacity in the private sector, China Customs also has conducted outreach training activities for business at the levels of the customs district and customs house. Under the GACC, the National Center of Customs Education and Training (NCCET) is in charge of strategic policy in this respect, and training categories and the general curriculum are specified. Customs districts plan and implement training projects for

business. Such training activities fall into two categories: training for new policies which are more structured than policy briefings; and training on customs techniques such as customs classification, valuation and rules of origin, and other new topics such as the post-clearance audit.

In terms of financial support, there are two channels: primarily, customs organizes training free of charge on the customs premises; also customs, in cooperation with trade associations like the Customs Brokerage Associations, organize training activities and charge for businesses. As observed, it is interesting that even though the training is not free of charge, a company is willing to send a representative to attend. In some instances, the hidden agenda is that the company would like to build good *guanxi* (a typical term in a deep-rooted Chinese tradition, meaning “favorable connections”) with customs.

4.2.3.2 Consultation Mechanisms

1) Customs Open Day

For business informants, Customs Open Day is rather gesturing than substantial. It was originally launched by the Shanghai Customs District and then was disseminated to all the other customs districts; usually a specific day is designated for each month (for example, the afternoon of the second Tuesday in the Shanghai Customs District). Sometimes, it is called “Customs Director-General Reception Day,” indicating commitment from the customs side, as the Director-General is the top official in a Customs District and is assumed to make final decisions.

In reality, in the Shanghai Customs District, customs decides the theme and invites relevant business representatives to attend. For example, if companies in the garment industry lodge complaints on valuation matters for a period, on the customs side, a Deputy Director-General, Director for the Division of Customs Valuation or relevant specialists are invited to attend. Issues, concerns, and problems of mutual concern are discussed. However, decisions are not necessarily made during meetings if specific technical or legal issues are involved and if follow-up communication and consultation can be made.

2) Client Coordinator Program

The Client Coordinator Program can be traced back to the previous pilot, the Key Client Program, which was initiated by the Shenzhen Customs

District in 2003 and subsequently adopted by Qingdao, Dalian Customs District, later. In 2013, China Customs decided to roll out the program in all customs districts and changed the name to the “Client Coordinator Program,” while the wording of “key client” was not used so as not to create the image that small and medium enterprises (SMEs) were excluded (actually, big companies can still enjoy this privileged treatment).

Under this program, customs screens and selects those companies whose trade volume and revenue contribution are among the top in that specific Customs District. For each selected company, customs designates an experienced officer to serve as the coordinator of customs matters. Whenever the company has issues with which to approach customs, it needs not go to different customs offices or counters and the coordinator, as the contact point can help and facilitate the process. The company can thus receive “professional and tailor-made” services.

As observed by Zhou Zhiwu¹⁹ (2004) and Fan and Yang (2012), this program actually drew inspiration from the 20/80 management principle. In the customs context, the principle of 20/80 distribution is equally obvious as in the business world. Usually, around 20% of companies contribute an 80% trade volume and revenue collection in a Customs District. For the purposes of optimal allocation of administrative resources and reducing pressures on physical inspection, customs has adopted this managerial measure. However, this may cause the problem of potential discriminations against SMEs or concerns over compromising the public value of equity.

4.2.3.3 MOU between Customs and Business

In promoting the CBP, the WCO recommends member administrations to sign a Memorandum of Understanding (MOU) with business (WCO, 2003). China Customs has adopted this practice since the beginning of the new century after China Customs Law entered into force (Fan, 2011).

¹⁹Mr. Zhou Zhiwu was Director-General of the Shenzhen Customs District. The Key Client Program was launched with his enthusiasm and support. This could be evidence of why political will is important in building partnerships with business.

In China, MOUs between customs and business generally fall into two categories. First are MOUs intended for overall and strategic cooperation between customs and selected companies with a good compliance record. In the MOUs, the overarching goals for customs-business cooperation are clarified. Obligations for business and facilitative treatments provided by customs are provided. Contact points for each party are designated. In this connection, the arrangement of MOUs are cross-linked to Client Coordinator Program. Another category is MOUs for specific purposes such as customs integrity, IPR protection, and anti-smuggling. For example, for customs integrity, customs clearly understands that any corruption must involve two sides, that is, customs officers and the business that pays a bribe. In such MOUs, the two parties will specify what must not be done in the code of conduct and other ethical issues.

4.2.3.4 Compliance and AEO Programs

If CBP arrangements are treated as a continuum across a degree of formalness and institutionalization, the above arrangements are more at the end of informal arrangements. Here, the researcher examined more formal CBP arrangements in China Customs; that is, the Categorized Management of Enterprises Program (CMEP)²⁰. The following discussions on the CBP drivers, factors, challenges and outcomes in the context of China Customs is more linked to this program

Categorized Management of Enterprise Program (CMEP)

The evolution of the Categorized Management of Enterprise Program (CMEP) can be divided into three phases:

1) Reliable Enterprise Program

This was in the 1980s when China Customs conceived the notion of providing differentiated treatments for different enterprises based on their level of compliance and integrity. In 1986, China Customs adopted the Rule of

²⁰“Categorized Management of Enterprises” is a quite tricky translation. Actually, China Customs does not provide an official translation. Sometimes, it is translated as “Classified Management of Enterprises.” The World Bank (2009) translates it as “Customs Company Classification Program” which is also difficult for comprehension. Also, “enterprises” just refer to companies.

Management of Reliable Enterprises of China Customs. As an integral part of the customs-business partnership, China Customs established its featured “Categorized Management for Enterprises (CME)” in the late 1980s when China Customs began to apply the principles of risk management. To incorporate the principle of “compliance and facilitation” in customs operations, China Customs expanded the scope and streamlined the validation processes and the “four-category enterprise management regime” has been established since 1999.

2) Initial Version of CME

This period extends from 1998 until 2008. The milestone document is the Rule on Categorized Management of Enterprises by China Customs (hereafter referred to as the “CME Rule”), which was adopted by China Customs in 1998 and was built on the Reliable Enterprise Program.

Ever since 2004, the Red and Black List Initiative has been used to enhance the effectiveness of the program. As mentioned above, the CME Rule was revised and entered into force on April 1, 2008. Under the new rule, the Red and Black List Initiative has been merged into the enhanced “Categorized Management for Enterprises (CME).” The concept and principles of “authorized traders” in the WCO RKC were absorbed. However, the notion of partnership may have been embodied in actual practices but has not yet been explicitly mentioned in customs legal customs documents.

3) Incorporating the CBP into the CMEP

In 2008, three years after China Customs committed itself to implementing the WCO SAFE Framework of Standards, China Customs revised the CME Rule and accepted the principles and standards embodied in the WCO SAFE Framework of Standards. On April 1, 2008, this program entered into force. This program covers both imports and exports. The goal is for Chinese Customs to classify importing and exporting companies and customs brokerage agencies on the basis of their security compliance and historical record with customs. Four classes of enterprises have been recategorized into five classes with Class AA is the newly added category. Class AA and A companies are granted customs privileges, such as limited inspection risks, reduced physical inspections, and prompt customs release.

In 2010, China Customs revised the CME rule once again. The major revision concerned the eligibility of businesses. Significant requirements on trade volume were removed in response to comments by SMEs.

The validation under the CME is both voluntary and compulsory. All of the procedures should be open and fair. For categories AA and A, the candidate shall apply to the customs voluntarily, while for categories C and B, customs will directly validate and authorize. All of the concerned enterprises have the right to appeal for review in terms of classification.

China Customs is the authority that validates and authorizes the CME regime. The Department of PCA under the GACC oversees and monitors the CME program nationwide. The competent customs district region is responsible for validating and authorizing the enterprises within their jurisdiction. To demonstrate political will, committees on the CME have been set up in some customs regions, comprising the DG in charge and the directors in the relevant departments.

4.2.3.5 The AEO Program in China Customs

As discussed above, China Customs does not have a separate AEO program but incorporates it into the CME program. As stipulated in the CME Rule, enterprises under Class AA are treated as AEO companies by China Customs. Additional requirements for these companies are security requirements in line with the standards in the WCO SAFE Framework of Standards.

One major distinct feature regarding AEO companies that is different from other Class AA companies is that they can receive benefits under mutual recognition agreements (MRAs) signed between China Customs and customs administrations in other countries and regions. In this respect, three major projects are significant:

1) The China-EU Smart and Secure Trade Lane Pilot Project

During the second session of the Joint EU-China Customs Cooperation Committee (JCCC) meeting on 19 September 2006, the EU and China reached an agreement to initiate this pilot project. The initial motivation and longer-term goal were that both sides (EU and China) would give mutual recognition of each other's security standards and AEOs, and collaborate to improve information exchanges and risk assessment by applying the latest technologies with the purpose of ensuring smooth and prompt customs clearance.

It is hoped that the Smart and Secure Trade Lane Pilot Project (SSTL) will permit tests of the “end-to-end supply chain” from the point in time when a container is loaded through its entire journey up to its final destination.

Under the overall framework of mutual administrative assistance between China and the EU, in September 2006, China Customs and the EU signed the Joint Statement on Strengthening Cooperation on Supply Chain Security between the General Administration of Customs of the People’s Republic of China and the Customs Authorities of the European Commission at the second meeting of the China-EU Joint Customs Cooperation Committee. Right after that, a joint understanding of launching the Pilot Project on Smart and Secure Trade Lanes was signed by China Customs, HM Revenue & Customs of the U.K., and the Dutch Customs. With the concerted efforts of all the participating parties, implementation of the pilot project has been launched formally since November 2007.

The data exchange under the framework of the China-EU Pilot Project on Smart and Secure Trade Lanes, which was launched at the end of 2007, marks the opening of a new chapter in the mutual cooperation on such frontier areas as trade security and facilitation. At present, the pilot project is under implementation at the ports of Shenzhen (China), Rotterdam (the Netherlands), and Felixstowe (the United Kingdom). The pilot project marks the concrete cooperation in implementing the framework: first, through data exchange, the customs administration of the importing country can get the needed cargo information in advance; second, through electronic seals and smart container technologies, it can also obtain more cargo flow information in advance, including information carried by the container itself and information transmitted through networks; third, through data comparison and matching, two parallel lines of information flow are built up to guarantee the security and facilitation of cargo.

The cooperation between China and EU customs in data exchange, joint risk rules setting, mutual recognition of AEO, mutual recognition of customs control results, and the application of e-seals and smart container technologies is a full embodiment of the two pillars and the four core elements of the framework. The businesses which have been invited to be involved in the pilot have received substantial benefits, such as fewer inspections, a safer supply chain, higher

commercial reputation. etc. The SSTL definitely has set best practice standards for AEO implementation bilaterally, regionally, and even globally.

2) MRAs and Bilateral Cooperation

Conducting MRAs with the AEO programs with the customs administrations in foreign countries and regions is a key strategy for enhancing the CME in China Customs. Up to now, China Customs has signed and implemented MRAs with Singapore, Korea, and Hongkong. Negotiations on MRAs with the EU, the US, Chinese Taipei, Japan, and Kazakhstan are in progress. Initial contact with a wide range of foreign customs administrations such as India and Sweden is ongoing. Table 4.3 provides detailed information.

Table 4.3 AEO MRAs by China Customs (up to December 2013)

Stage	Customs Administrations	Remarks
Conclusion of MRAs	Singapore	Concluded in June 2012
	Korea	Concluded in June 2013
	Hong Kong	Concluded in October 2013
In negotiation	EU, US, Chinese Taipei, Japan / and Kazakhstan	
Initial contact	Argentina, Brazil, India, Israel, / Malaysia, Mexico, Switzerland, New Zealand, Norway, and South Africa	

Source: Shao, 2013.

4.3 Drivers for the Implementation of the CBP

Following the summary of the major CBP arrangements and practices in China Customs, this section investigates the conditions which have led China Customs to adopt and implement these CBP arrangements.

4.3.1 Contextual Factors

4.3.1.1 Reform of Socialist Administrative System with Chinese Characteristics

Since 1949 when the People's Republic of China (PRC) was founded, the Chinese political regime has been characterized by one-party rule. The CPC has been the ruling party for more than six decades. The principles and strategies in administrative reform follow the CPC's ideological principles and policy guidelines. Relevant to this study, the researcher mainly reviews the major themes in recent years when China has been committed to establishing a socialist administrative system with Chinese characteristics.

In March 2006, the Chinese government drew up the 11th Five-Year Strategic Program for National Economic and Social Development. The program states that during the 11th five-year development period (2006-2010)²¹, the country would give priority to governmental reform, including enhancing administrative reform, transforming government functions, and retreating from the domains where markets can function well and civil society can play a role. The government would shift its primary functions from economic management at the micro level to macro-regulation, social management, and public services.

In February 2008, the "Decision on Further Reforming the Government Administration System" was adopted by the State Council, which is the master policy plan to implement administrative reform at the historical stage until 2020. In the decision, the overall goal of administrative reform was to establish a "service-oriented, responsible, rule-of-law and clean" government. The principles for administration and governance are "rational, open, transparent, responsive and efficient." In line with Hu Jintao's, then President of China, ideological slogan and governance "Harmonious

²¹As a legacy under the influence of the centrally-planned economy of the Soviet Union, China started its first five-year development plan in 1953. As China transformed into a market economy in the late 1970s, this regular planning system has been maintained. However, from 2006, the "plan" was replaced by a "strategic program" to avoid ideological connotations.

Society,” it stressed that “people are the heart of public administration and service” and “transformation of governmental roles should be accelerated.”

In November 2012, the CPC 18th Congress was held and in the keynote report delivered by Mr. Hu Jintao, then Secretary General of the Central Committee of CPC, a specific section was devoted to political reform in the coming five years. Regarding administrative reform, it repeats that China would continue to establish a service-oriented government. As observed by Wang (2008), Wu and Zhang (2010), and Yu (2014), the key principles and strategies of Chinese administrative reform in recent years can be identified according to three major transitions:

1) Transition from a Control-Oriented Government to a Service-Oriented Government

The service-oriented government is a new concept against the disadvantages of the control-oriented government, which centers on the government itself and its functionaries. A control-oriented government is an absolute ruler in economic and social activities. On the one hand, the government (the administrative branch) enacts administrative rules and regulations and policies. On the other hand, it exercises direct administrative intervention in enterprises’ activities in the access to the market, operation and management, investing, financing, and pricing by those rules, regulations, and policies. Under this provision, the state’s absolute power to control economic and social resource is apt to create absolute dependence of the public on the government, setting obstacles for fostering the ability of self-governance for citizens and the society.

Different from a control-oriented government, a service-oriented government centers on the needs of citizens. It treats citizens as owners of the state and the legitimate source of public power. It must act in response to the people’s will, and base its administration and provision of public services on the approval of the people. Public policies should be supervised and examined by organs of public opinions. “Citizens-centered” signifies the citizens’ dominating role in the process of public policy. The people are the beneficiaries in decision-making for public services, and their level of satisfaction is the ultimate standard to measure the government’s performance. The construction of a service-oriented government entails openness of government affairs (close to meaning of “transparency), improvement in

government news release systems, improvement in the transparency of government affairs, expansion of channels for public participation, and improvement of the systems of publishing, polls, consultation, and public hearings for decision-making. Citizens are encouraged to take part in the administrative process by uttering their opinions and voices through various channels.

2) Transition from a Totalitarian Government to a Limited Government

Under the market economy, the market should play a fundamental role in resource allocation, while the government should focus on correcting or remedying market failures and society's failures. It should shoulder the responsibilities for economic and social regulation, market supervision, social management, and public services. At present, there is still a gap between the functions of the Chinese government and the demands of the market economy system. The government still intervenes through the "visible hand" of the private domains where it cannot achieve efficiency or effectiveness. Counterfeit and shoddy products in urban and rural trade markets, accidents, environmental pollution, and administrative inactions covered by mass media indicate that improvements are needed in governmental functions and the capacity of public administration.

Some governmental departments are keen on stubbornly maintaining their regulating and controlling roles because they can seek interests in them. The transition from a totalitarian government to a limited government is a process to restrict administrative power and to "cut its own arms," so resistance inevitably occurs. And this is why the Chinese Central Government is highly resolved to accelerate the reform of the administrative system, focusing on the transformation of government functions.

3) Transition from "rule of man" to "rule of law"

A government of the rule of law is an important factor to guarantee the modern market economy system and democratic politics, and is also a major issue for those countries in the transitional stage to achieve a market system and democratic politics. Since the 1990s, with the establishment of the market economy, China has charged its way to build a government of the rule of law. Nevertheless, the traditional ideology of official-centeredness still lingers and the phenomenon of the

rule of man still exists to some extent: a minority of government functionary considers himself or herself other than a citizen and as a master of the society. They take power as their own property and use it to seek interests for special groups or stratum. They acknowledge the government as the sole subject to carry out the job of management, denying NPO/NGOs' participation in social management. They make decisions according to their likes and dislikes and their relationships with others, paying no attention to citizen's needs or sufferings. They are used to black case work and exercising their power rather than openness and transparency. They stress administrative discretion, and are unwilling to strictly abide by necessary processes and rules.

A government of the rule of law aims at safeguarding citizens' rights and freedoms instead of the overriding privileges of the few elites who possess power. All government behaviors should abide the law. Under this type of government, the enactments and amendments of the law should be examined and approved by the legislative organs elected by the people. The judicial organs exercise judicial power independently and are not subjected to any interference by any organization or individual. The construction of a government of the rule of law is a process of shifting the leading role from administrative power to the law, and restricting administrative power and exercising it in accordance with the law. As a consequence, it is necessary for China to gradually strengthen its administrative accountability system, and improve the governments' ability to perform its duties and build up public trust.

4) Latest Development: Modernization of State Governance

Linked to the global discourse on "governance" and "good governance," the CPC incorporated this exogenous concept in the "Decision of the Central Committee of Communist Party of China (CCCPC) on Major Issues Concerning Comprehensively Deepening the Reform" adopted at the Third Plenary Session of the 18th CPC Central Committee in November 2013. As explained by Mr. Xi Jinping (2013), President of the PRC and Secretary General of the CCCPC, this strategic policy document is "the blueprint and roadmap for the overall reform in China for next 5 to 10 years." Even the public expects the new round of reform to be

profound and comprehensive like past rounds of reform under the leadership of Deng Xiaoping 30 years ago.

According to the document, the overall goal of deepening reform in China up to 2020 is to improve and develop socialism with Chinese characteristics, and to achieve modernization of the national governance system and its capacity. According to Yu (2014), a key policy advocate and scholar who was pioneer in introducing “governance” to the Chinese academic community, the CPC absorbed “governance” as a guidance principle is a remarkable signal for the government moves from “state control” to “state governance,” and from a “powerful government” to “more governance,” which is in line with the global trends and development in governance discourse. Embracing “governance” by the state leadership and incorporating it as the CPC doctrines provides an important backdrop for China Customs to initiate the “the modernization of customs governance” (China Customs, 2014). It is also in this context that China Customs treats the CBP not only as a policy tool but as a profound transformation of administration and enforcement strategies.

As part of the Chinese Central Government, China Customs needs to follow the directions, policies, and strategies of the CPC and the State Council. Within this context, the next section examines how China Customs has embodied its national policy and requirements in its modernization initiatives.

4.3.1.2 China Customs Modernization Initiative²²

1) Fundamental Challenge: Fast Clearance and Seamless Control

As reviewed above, since the adoption of the national policy of reform and the opening up in 1978, China has witnessed a dramatic surge in international trade. China’s accession to the WTO in 2001 provided strong momentum for China to harness the dividend of economic globalization. Foreign trade has grown to be one the three major driving forces (including investment and

²²This information on China customs’ modernization initiatives is mainly based on the researcher’s work, entitled “The Implication of Customs Modernization on Export Competitiveness in China” (Zhang and Zhao, 2009).

consumption) of China's fast economic growth under which the average rate of GDP growth was 9.9% from 1978 to 2012.

Under this background, China Customs has encountered a heavy workload. From 1978 to 2012, the total trade volume increased 102 times, and total goods (in weight) increased 39 times, but the number of customs staff only increased around 2.75 times (see Table 4.4). Beyond these numbers, trade facilitation and efficient customs clearance are becoming the common expectations, both by the government and the private sector.

Table 4.4 Challenges for China Customs: Key Numbers (from 1978 to 2012)

Item	Amount in 1978	Amount in 2102	Increase (times)	Unit
Trade volume	355	38667.6	102	100 million USD
Total goods	0.8389	33.17	39	100 million tons
Customs staff	2	5.5	2.75	1,0000

Source: Gu, 2013.

The circumstances in which China Customs has operated since the beginning of twenty-first century in particular have been characterized by opportunities, challenges, and problems. The Chinese Central Government has high expectations of customs performance, especially with regard to revenue collection and trade facilitation. However, more complex trade rules and control requirements make customs operations more challenging. The risk of smuggling and rampant commercial fraud has never been underestimated. The expectations, both from the public and private sectors, for fast, transparent, and consistent processing have never been so high. It has become increasingly difficult to handle the growing trade volume with limited resources. Facing higher requirements, more difficulties and harder tasks, China Customs has characterized this fundamental challenge in its operational environment in two conceptions: first “conflict between surging workload and limited resources;” second, “fast clearance and seamless control” (Gao, 2002; Yu, 2012; Gu,

2013). This consensus is shared among leaders and officers in China Customs. Then, how can the resources be optimized and the bottlenecks eliminated? The traditional philosophy of transaction-based Customs control and the “cat and mouse” interactions between customs and business has been drastically challenged.

2) From 1998 to 2010: Two-Step Customs Modernization

The China Customs drive for modernization formally began in 1994, only after one year when the Central Chinese Government announced the establishment of a regime of a market economy. In 1998, the General Administration of China Customs formally decided to establish and foster a modern customs regime and formulated a two-step strategy. By 2003, the goals of the first-step development strategy, which focused on the reform of the customs clearance system, had been substantially achieved (China Customs, 2004). The modern customs regime was initially established in terms of well-coordinated functions. The transaction-based trade processing has been shifted to a “client-based” model in customs control and operations guided by customs risk management. A customs-business partnership was built into this initiative through innovating the philosophy, procedures and measures in customs administration.

In 2004, within the overall framework of the 11th Five-Year Plan for National Economic and Social Development of China, China Customs adjusted and fine-tuned its strategic policies and launched the Second-step Development Strategy for the Establishment of the Modern Customs Regime (2004-2010) (China Customs, 2004). The target of the plan for this phase was to enhance the modern customs regime to ensure that it: 1) supported the national agenda to establish a well-off society; 2) complied with the requirements of the socialist market economy; 3) was aligned with the international standards and practices in the customs area; and 4) struck a balance between effective control and efficient control. China Customs has aimed to carry out the reforms in a comprehensive and coordinated manner. The core element of the second-step reforms was to establish a risk management mechanism. The core elements and main initiatives of both steps are presented in Table 4.5.

Table 4.5 Modernizing China Customs: Two-Step Strategy

Phase	Core Element	Main initiatives	Target
Phase One (1998-2003)	Customs clearance system reform	<ul style="list-style-type: none"> • Modern customs legislation • Modern customs compliance management, computerization, and application of information and communications technology • Modern customs processing • Enhanced logistics control and supervision • Post clearance audit (PCA) • Enhanced internal administration • Public relations 	Functions well in in “limbs:” Discharges functions effectively and efficiently.
Phase Two (2004 to 2010)	Establish and enhance a risk management system	<ul style="list-style-type: none"> • Comprehensive revenue collection regime • Efficient anti-smuggling enforcement • Modern customs control • Updated management of customs bonded areas • Smarter customs statistics • New model of PCA • Management of entry ports 	Smart in “mind:”: Risk management is implemented at all levels, modern technology plays a more important role.

Source: China Customs, 1998a, 2004.

3) From 2010: Integrated Customs Control and Deepening Reform

Building on the Modern Customs Regime Initiative, from 2010, China Customs launched a new customs modernization initiative under the theme of Integrated Customs Control, under which the organizational restructuring for optimal resource allocation and consistent enforcement has been pushed forward. From 2013, following the CPC's reform directions and strategies, China Customs shifted its priority in strategic management to preparing for a master plan on overall reform in customs, which is scheduled to be finished by the end of 2014. One key principle embodied in the plan is to promote customs-business partnerships. According to Mr. Chen, Xudong (2014), Head of the GACC task force for drafting the master plan, "rich dimensions are injected into Customs-business partnership arrangements; a key strategy is to upgrade the CME program into more comprehensive business credit management in cooperation with all the relevant government agencies."

To summarize this section, it was found that customs reform and modernization are closely linked to the broader political transformation and administrative reform in China. The significant transformation in China's government poses imperatives for China Customs to reconsider and readjust its relationship with business. In its modernization efforts, China Customs has gradually absorbed the principle of the CBP and started to implement a range of CBP arrangements and activities.

4.3.2 Sector Failures

According to Bryson et al., there are complex and unraveled situations in which one sector, either public or private, cannot solve effectively by its own capacity; that is, "social failure," as it is called. Under this lens, sector failure can be identified in the customs context.

The first imperative is trade facilitation. For the fundamental conflict encountered by China Customs, trade facilitation is at one end of the tension. Trade facilitation is definitely a complex issue involving many parties and stakeholders. Even though customs can play a certain role, customs itself cannot cope with paramount challenges, especially when administrative resources are shrinking compared to an increasing workload.

The second issue concerns supply chain security. It has been observed that critical events could also play a major role in the adjustment of Customs function. As observed by scholars, the function of customs in United States had been drastically adjusted due to the aftermath effects of the 911 terrorist attacks. Though the agenda of supply chain security initially raised by the US CBP, it was quickly picked up by the WCO to formulate and to adopt the SAFE Framework of Standards. In this connection, fighting against terrorism, crimes to the international trade supply chain caught the attention of the international customs community. China Customs, with numerous check points along the borders, also faces serious and potential threats in combating terrorism. However, as the WCO (2005b) argues, “Customs doesn’t own the supply chain, and they must seek cooperation from private stakeholders along the chain.”

Internally, a key thrust that pressured China Customs to carefully reconsider its relationship with business was the Integrity Storm, which took place mainly from 1998 to 2003. Under this program, national leaders were outraged by serious smuggling nationwide in China. From the beginning of the 1990s, the scope and severity of smuggling were becoming more and more rampant and serious. From 1998, a nationwide crackdown on smuggling was launched. China Customs was both the leading agency to coordinate the anti-smuggling drive and also the main agency under investigation for corruption. Serious corruption cases were appealed, investigated, and prosecuted among senior customs officers. Four director-general customs officials were sentenced to death. Over 300 customs officials were put into prison (Feng, 2014). China Customs suffered unprecedented setbacks in its public image and reputation.

As the aftermath, top leaders and officers at the grassroots level in China Customs were obliged to seriously reflect on the root causes for customs corruption and the appropriate approach towards a relationship with business. The clear lesson is that if customs failed to fulfill its responsibilities and could not enforce the laws and regulations in a fair, just way, facilitation with business could turn into serious defects and failure of regulations and enforcement. Cooperation with business meant not losing control over illegal behaviors and conduct. A permanent dilemma confronted by the customs administration, that is, a balance between facilitation and control, was experienced by China Customs.

4.3.3 Policy Transfer

As traced in the literature review, formally the concept of the CBP was initiated by the US CBP and then was incorporated in the WCO SAFE Framework of Standards. As for China Customs, evidence of policy transfer in adopting the CBP is obvious.

4.3.3.1 Obligations under the WTO

As discussed previously, China's accession to the WTO in 2001 not only created surmounting trade but also fundamentally influenced the functions of government at different levels in China. Since China Customs is the main government agency for implementing China's commitments under the WTO, it had to update and amend customs-related laws and regulations accordingly.

4.3.3.2 Impacts of the WCO

Regarding the topic of the CBP, the impact from the WCO has been profound. Customs may be one of the most "international" government agencies, since its main procedures and techniques are stipulated in the international standards and tools. China became a member of the WCO in 1984 and has gradually adopted the major international customs standards and tools set by the WCO.

The most direct influence of the WCO can be attributed to the diagnostic mission to China Customs under the Columbus Program²³. Under this mission, a panel of two experts was dispatched by the WCO for a two-week visit to China Customs in 2007. Against the WCO Customs Capacity Building Diagnostic Framework (WCO, 2005a), a comprehensive diagnosis was conducted on strategic management, resource allocation, legislation, procedures, technology, external communication, and governance to find the gap between the current situation and the requirements under the WCO SAFE Framework of Standards (China Customs, 2007).

²³The Columbus Program: the WCO launched this program in 2006 to help members implement the WCO SAFE Framework of Standards and other standards tools. Under this program, member administrations could request technical assistance from the WCO, and basic capacity building was divided into three phases: diagnostic mission and preparing strategic plans and implementations of recommendations. It was claimed by the WCO as "the biggest capacity building activity" in WCO history.

Regarding the customs-business relationship, the diagnostic report commented as follows: “Generally all economic operators reported excellent communication and cooperation with Customs although no formal structure currently exists to support this dialogue.”

The regional bodies of the WCO also played a considerable role in promoting CBP standards and practices. The ROCB AP’s mission was to disseminate knowledge among member administrations. Implementation of the WCO SAFE Framework of Standards has been high on the agenda. The ROCB AP organizes workshops, seminars, and expert missions under which the AEO is one of the main themes. It collects best practices and develops compendiums. In 2008, the ROCB AP developed a best practice compendium on the AEO, the first report in the international customs community.

4.3.3.3 Bilateral Experience Sharing

Fertilization of the CBP can be attributed to borrowing ideas from customs administrations in US, Australia, the Netherlands, etc. As argued by Yu (2011), nearly each innovative policy or initiative by China Customs has drawn on experience from other countries’ experience in the past three decades. Among all of the bilateral customs cooperation arrangements, the Netherlands customs has had the most influence on the course of China Customs modernization. Based on the MOU between the two sides, the Netherlands customs has provided technical assistance to China Customs since 1992. Basically, every year the Netherlands offers two workshops to senior officials from China Customs (generally above the director level). In these workshops, the best practices of Netherlands customs are introduced and people are trained in them. Over a twenty-year bilateral experience of sharing has had a profound impact on China Customs. According to Gao (2002), Yu (2011), and Chen (2013), the notion of “client-orientation” and the practice of risk management has definitely provided a prototype for China Customs.

As discussed above, in implementing the CME and AEO programs, learning and sharing have taken place between China and its trade partners. Especially, according to Shao Weijian, who is personally involved in international cooperation in the AEO MRAs, much inspiration has been gained from the practices in the US, the EU, and Korea.

4.4 Factors in Implementing the Customs-Business Partnership

Having reviewed the conditions on why customs and business seek to establish a partnership arrangement, the researcher will investigate and discuss what factors are important in such a partnership.

4.4.1 Process Factors

4.4.1.1 Political will and Leadership

It is critical for both parties to demonstrate genuine interest in such an arrangement.

1) Political will in Customs

Leadership can be found at various levels in China. Mr. YU Guangzhou, incumbent Minister of China Customs, as a leader of demonstrates firm and sustainable commitment. With his background with the Ministry of Commerce, he promotes business-enabling policies and facilitation measures. In the aftermath of the financial crisis in 2008, while exports suffered from potential recession, it was he that led China Customs to provide facilitation incentives to business. In 2011, China Customs, in cooperation with the WCO, hosted the Global Forum of Customs and Business, in which China Customs advocated and pushed forward the participants to realize the necessity for customs to enhance cooperation and partnership with business.

In each year's keynote report at the China Customs Director-General Conference²⁴ since 2000, establishing service-oriented customs and fostering cooperation with the trade community are always included as the major strategies for reform measures.

²⁴The China Customs Director-General Conference is held annually, usually at the end of the Chinese lunar year. This is the most important conference for China Customs. The keynote report, generally delivered by the Minister of China Customs, actually charts new directions and strategies for the next year.

In the Shanghai Customs District, leadership can be identified at all levels. They are quite open-minded. Structurally, there is also a clear link regarding incentives, as confessed by Mr. Shao Xiaoping:

We customs people should know that our economy is supported by business players. Customs and economy are not naturally enemies. The majority of companies want to comply with laws and regulations. In Pudong Customs House, we have instilled the spirit of public service in the mind of all the officers.

2) Leadership in Business

Leadership in business can be identified at top and operational levels. In China, every businessperson knows he or she needs to respond to the initiative of customs, and especially intrinsically they do not want to be a “good” corporate citizen.

We can't say Customs is our boss. But we will definitely be influenced by Customs work, if we don't maintain with good relationship with Customs. Customs knows how to make us comfortable and uncomfortable (Li Yongsheng, 2014).

4.4.1.2 Trust

Mutual trust between customs and business has witnessed significant improvement. However, it is not as ideal as expected by both parties. Building trust between regulatory and enforcement government agencies like customs and their regulatees is not easy. Traditionally, under the command-and-control mode of customs administration and enforcement, businesses are assumed to be maximizers of self-interest. It is assumed that if there are loopholes in the law, business has the tendency to evade legal obligations. These rudimental assumptions certainly influence the trust level between the two sides, as stated by Mr. He Bin, who had been a customs officer in 1980s and currently serves as CEO of a big customs brokerage agency in Shanghai:

Since I have worked both in Customs and business, I can see change over the attitude of Customs towards business. In early 1990s when private companies were allowed to do imports and exports, control was not strict and rules had leeway for business to take advantage. Therefore, commercial fraud and smuggling was somewhat rampant. Hence, Customs saw business with much suspicion.

China Customs has challenged its own assumptions on business. In the revision of China Customs Law, the principle of balance of business rights and obligations has been pursued. Also, after the above-mentioned Integrity Storm, opportunities for rent-seeking in customs operations were minimized—business could not make “easy” money through malpractices or “under-table” maneuvers.

What makes customs trust business? Interviews with customs informants revealed three factors. First of all, trust is built onto the past compliance record. Under the game theory, if the interactions between customs and business are not one-time transactions, both parties are inclined to understand the needs and expectations of each other and would like to seek win-win ends. In this sense, in setting criteria for categorizing enterprises under the CMEP, the compliance record is claimed to a necessary criterion to apply for the CMEP. Understandably, the newly-established companies are usually ranked “high risk” in customs risk management. The second element is the existence of adequate internal control mechanisms in business. Customs thinks that if it has established sound internal systems and mechanisms, such as comprehensive rules and dedicated office and professional managers to comply with trade laws and regulations, it can place more trust in its future interactions. The third factor concerns the size of the business, which is somewhat disputable both in business and in customs. Under the Client Coordinator Program and the early development of the CMEP, customs grants privileges only to big companies for which a minimum trade volume is set. The underlying logic is that if a company is big, it has more adequate internal control mechanisms. However, empirically, this assumption is not supported by evidence in smuggling cases.

What factors then are important for business to trust customs? Sorting through the utterances of business informants, the researcher found certain common

themes. First was fair and just enforcement; customs must treat businesses of differing ownership, size, and different industries in a fair manner. The core values of public administration such as fairness, justice, and equity are very relevant to customs work, as Li Yongsheng pointed out:

In my eyes, partnership of customs should not be just beautiful slogans, ornamental gestures or sweet smile. We are really concerned whether Customs could treat all the business fairly or not. If we know a company like us could seek unjustified exemption or privileges from Customs, especially with under-table plots, surely we are not happy and we won't be good boy in the future.

This observation is illuminating for this study, since there may be a misconception about the CBP (Yu, 2011; Fan, 2011). Yu (2011) and Fan (2011) point out that when customs talks about "partnership," it slips into building a "good" relationship with selected business counterparts, but fair and just enforcement by customs for the overall public interest could be compromised. The second factor is more common sense; that is, customs needs to genuinely demonstrate good will toward business. This requires congruence of customs principles, strategies, operations, and actions. The third element is the consistency and predictability of customs actions. Consistency here refers to its temporal and geographical meaning. There are still obvious problems in this respect (Chen, Xudong, 2014). Additionally, Zhang Tao, with an express delivery company complained as follows:

Our company is really annoyed by inconsistency of Customs operations at different cities and across different time. For example, if we declare a consignment in Shanghai, we are told to submit this or that certificate. However if it is at Guangzhou, no such certificate is required by local Customs. Why? Shanghai Customs and Guangzhou Customs are not "One China Customs"?

Predictability is also critical for trust-building. Here predictability means that both customs and business can anticipate what reaction the other party will have under certain conditions. From 2011, China Customs initiated a pilot measure of advanced ruling in commodity classification. Under this measure, an importer can apply to customs for a ruling on the HS code for his or her to-be-imported goods before the goods are actually imported. This will provide certainty for the business and avoid possible disputes between customs and business where many disputes arise.

4.4.1.3 Communication

In terms of the role of communication in the CBP, the focus is on the media, contents, and levels for this study. Regarding the communication media between customs and business, significant achievements have been observed both by informants and business. The above discussion on the regular communication and consultation mechanisms regarding the CBP is a manifestations, as Mr. Wen Xuan observes:

Thanks to the nature of my work (supervision and monitor integrity and performance in Customs Districts), I have been to over 30 Customs Districts. In my personal judgment, Customs maintains open and effective communication with business in the context of service-oriented environment.

The contents of communication are also important. There are two aspects of communication, about which business have mixed feelings. The first aspect is communication and consultation over policy issues, especially at the stage of policy preparation. Though customs has set up consultation meetings, hearings and briefings, business informants still think that their participation is limited and their opinions have not been adequate addressed. The second aspect of communication is more about operational matters. Basically, business also complains about the lack of consistency and patience on the part of different customs officers.

Communication takes place at two levels, the organizational and the individual. For the individual level, business informants think that there are problems

of favoritism and “manipulated discretion.” Favoritism means that a customs officer will treat a business representative (mainly customs brokers) differently if he or she is familiar with the representative, as Li Yongsheng stated:

In the Customs Service Hall, it is not uncommon to see that Customs brokers force their smile to a Customs officer and courteously calls the officer as Laoshi (teacher, which convey respect for knowledgeable persons in China). However, the officer just keeps cold face and sometimes throws back the submitted documents. Why? You (officer) just chatted intimately with another broker just because you know each other!

If “favoritism” is a matter of attitude, manipulated discretion is more frustrating for business. “Manipulated discretion” means that customs officers intentionally carry out the operations based on their own decision even though no rules or disciplines are breached. Li Yongsheng provided an example:

For exporting garments to the US Christmas season market time is money. The Customs officer who is in charge of documentation checking may need to check over 500 declarations a day. In this way, if I know him, he can place my documents on the top. If no, he just put at the bottom, completion of checking could be postponed tomorrow.

It can be observed that the disparity between rhetoric and reality still exists in terms of service-oriented customs. For a specific company, the interactions at the individual level do have an influence on its perception of customs.

4.4.1.4 Incentives

1) Incentives for Business

With the basic assumption that the private sector primarily seeks profit and economic gains, China Customs recognizes that there should be tangible and intangible benefits for business to participate in the CBP programs

promoted by China Customs (Yu, 2011; Chen, 2013). Since the CBP arrangements are primarily initiated by China Customs, the incentives mainly refer to how customs designs and provides incentives. This section reviews what major incentives China Customs provides under the CME program.

In customs compliance and credit management, the basic rationale behind the CME is “compliance and facilitation,” Under this principle, differentiated treatments are applied to the enterprises under different categories on a spectrum in terms of facilitation and control. A catalogue of facilitative and punitive measures has been established and published as an integral part of the rule.

Generally, enterprises under Class B meet the minimum compliance requirements and are subject to normal customs operations and administration. Enterprises under Class AA and A receive preferential treatments (see Table 4.6). For Class C and Class D, stricter and tighter control measures and procedures are imposed. That is to say, incentives under the CME are both positive and negative for different enterprises.

Table 4.6 Major Facilities Applicable to Enterprises under Class AA and A

Class of Enterprises	Facilities
Class AA	<ul style="list-style-type: none"> - All the measures that are applied to enterprises under Class A and: - Release under security before formalities on customs classification, valuation, payment of duties and other necessary customs procedures - Lower rate of physical inspections - For processing-trade companies, requirement on deposit is suspended; - Designation a customs officer as client coordinator for a specific company
Class A	<ul style="list-style-type: none"> - Prior selection as pilot for customs fast clearance - Upon request, physical inspection at the company’s premises or other designated venue - Priority in customs declarations, inspection and release

Table 4.6 (Continued)

Class of Enterprises	Facilities
	<ul style="list-style-type: none"> - Priority in reservation of customs service during weekends and holidays; - Priority in Customs classification and laboratory checking - For processing-trade companies, deposits can be stored in “nominal account²⁵”; - For processing-trade companies, on-field verifications are basically not conducted; - For processing-trade companies, priority in registration, change of processing-trade operations; - Release under security subject to certain conditions

Source: China Customs, 2011.

Table 4.7 Major Measures Applicable to Enterprises under Class C and D

Class of Enterprises	Measures
Class C	<ul style="list-style-type: none"> - Intensive verification on the customs value, HS code, origin, duty rate and exchange rate of the imports and exports - Intensive physical inspection of the cargo - For a processing-trade company, actual deposit in a bank account is required. - For processing-trade company, on-site verifications are conducted;
Class D	<ul style="list-style-type: none"> - All the measures applied to enterprises under Class C and: - Physical inspection for each Customs declaration - No further registration of process-trade is warranted. - For the registered cargo under processing-trade regime, intensify regular verification including on-site inspections.

Source: China Customs, 2011.

²⁵Under the arrangement of “nominal account,” companies are not required to actually deposit fund as security to Customs but just use its credit as security. Significant cost burden can be reduced.

2) Incentives for Customs Officers

The incentive mechanism among customs officers is not balanced and is not adequately addressed. For an individual company, customs operations, in nature, are technical and detail-focused. Leadership in customs generally promotes CBP at a policy level. However, business needs to have routine contact with specific officers, whose attitude and capacity are more meaningful for business.

However, human resource management (HRM) policies are thought not to be in alignment with this requirement. In 2008, the China central government selected a few government agencies for the initiative of “sunny salary” in a broader context of building a “harmonious society” to promote equity and to gain political support from the people at the grass roots level, since ordinary people complained that civil servants enjoyed more privileges and extra benefits. China Customs was chosen as one of the pilots. The total income for many customs officers may be reduced by 30%, and this is a big challenge and also runs counter to the WCO’s principle on the decent living for the customs staff, which is embodied the Arusha Declaration on Customs Integrity and Good governance. According to the Arusha Declaration, “customs officers should be provided with a decent life..”

Professionalism and morale have been discouraged and compromised. Several customs officers in the Shanghai Customs District, who preferred to be anonymous, told the researcher the following:

Today, prices of everything especially real estate are soaring up. Our incomes haven’t caught up with the speed of inflation but been cut off for a large portion. We know we should treat business better. Our welfare also needs to be cared.

4.4.1.5 Transparency

From the perspective of the policy process, without transparency, the implementation is always thought of as “black box,” which causes embezzlement and failure of duties. Information asymmetry as a result of the black box provides much

room where public officials can seek “rent” for their personal interests by compromising public interests and wasting public resources.

Customs is always notoriously vulnerable to corruption. As the WCO (2007) has stated, the reasons can be: first, customs procedures are complex, and are not easy for general public to master; second, the customs officers have considerable discretion in administration and enforcement.

Back to the openness for government information, China Customs is one of leading agencies at the central-governmental level. Earlier in the 1990s, China Customs embarked on its modernization drive by following two-step strategies. To prepare for accession to the WTO, in 2000 the GACC adopted the Guiding Advice on Implementation of Openness for Customs and the initiative was first piloted in the Shanghai Customs Region and Huangpu Customs Region and then rolled out to all of the customs districts. Customs efforts were then acclaimed by the media and the public as “sunshine on a national gateway.” In 2005, China Customs adopted TProvisional Measures of the Customs of the People’s Republic of China on Openness for Customs Matters (hereafter referred to as the Provisional Measures) in order to further enhance Customs information disclosure in a wider scope and in a more consistent manner.

To implement the regulation nationwide, China Customs, in September 2007, promulgated the Measures of the Customs of the People’s Republic of China on Openness for Customs Matters (hereafter referred to as “the Measures”), which followed all of the major provisions of the regulations and converted them into a customs context. During the grace period prior to 1 May 2008, comprehensive awareness promotion, infrastructure improvement, and capacity building were carried out. Each customs region formulated a detailed action plan, a consolidated information index, and drafted information disclosure guidelines.

Regarding the level of transparency of customs, generally, both customs and business have convergent opinions, that customs has made significant progress and this is very helpful for business to understand the substantial and procedural requirements of customs. Consequently, they can expect “certainty and predictability in dealings with customs” (WCO, 2003). This definitely helps business regarding informed compliance.

However, as an agency with a long tradition of bureaucratic practices, China Customs has much room for improvement regarding transparency. As stated by business informants, their imperative concerns are: first, due to the nature of customs as an enforcement agency, China Customs holds information on certain operations as an “enforcement secret,” which is useful to combat illegal behaviors and conducts. However, business thinks that customs decides the scope of “enforcement secret” in a somewhat arbitrary manner. Second, regarding problems with customs’ laws and regulations themselves, not all laws and regulations are updated regularly.

4.4.1.6 Technology

Technology, based on the WCO’s provisions in the Revised Kyoto Convention, initially mainly refers to information and communication technology (ICT) for this study. The development and flourishing of e-commerce are another imperative. E-commerce across borders is surging, and customs needs to cope with the new challenges.

To build a “smart” customs, China Customs has established “e-Customs,” comprising three Es: 1) China E-port as, which acts as a China Single-Window System; 2) E-processing, named through the H2010 Customs Clearance System; and 3) e-GACC, named the HB2004 Customs Internal Administration System. The electronic processing greatly reduces the time, cost, and complexities of international trade. China Customs is among the leading administrations which have introduced modern customs technologies, such non-intrusive inspection equipment, GPS, and smart customs seals. All of these technologies help to effectively control logistics and facilitate legitimate cargo.

Such technology applications could help customs in several aspects. First of all, it helps to standardize and streamline customs procedures. Discretionary power by individual customs officers is minimized and recorded. Second, it helps to reduce the face-to-face interactions between customs officers and businesspersons. Opportunities for favoritism and corruption are reduced. Third, clearance efficiency has been increased significantly.

Linked to the CBP, the ICT facilities and platform do facilitate the information flow between customs and business. In terms of cost concern, it is bit mixed for business, basically, because at the beginning, business needs to invest

considerably, but in the long run it will pay off, as stated by Dong Yufan, a senior manager in express delivery giant in China:

Speed is priority for express delivery. Any undue disruption will reduce our efficiency compared with competitors and Customer's satisfaction. Since our system has been networked with Customs systems, 97% of our consignments have been processed automatically.

4.4.1.7 Risk Management

In the discussion of modernization initiatives of China Customs, risk management has been treated as a central theme encompassing all of the customs operations since 1998. Empirically, all customs informants reiterate the necessity of risk management to address the fundamental challenge of “fast clearance and seamless control.” Behind risk management, the rudimental assumption is that not all the business entities are compliant and Customs.

Within the H2010 Customs Clearance System, there is a sub-system of customs risk management. Information of any consignment which is extracted from customs declarations and all the relevant sources would be compared with pre-set risk profiles and level of risk would be decided. The system will automatically evaluate the risk level which would be used for targeting. Three channels are for the most part applied to processing trade; that is, the red channel, yellow channel, and green channel, and different treatments would be applied.

There are also problems and challenges in implementing risk management in the customs context. According to previous research and customs informants' comments, the challenges are: first, awareness of the importance of risk management is not balanced. Many customs managers and front-line officers just treat risk management as a new approach to Customs work and feel that it is the narrow work of competent offices within customs. Integration of risk management with all other customs operations is far from the expectation; second, the positioning of risk management is in a narrow perspective; third, consistency and coordination in applying risk management are not adequate, and the methodology, rules, standards in China Customs are not consistent.

In terms of the application of risk management, business has mixed attitudes. On the one hand, business thinks that it is desirable for customs to implement risk-based customs control and compliance management, because differentiated treatments are applied to consignments according the relevant risk level. Most cargo is automatically processed if it is of low risk or no risk. On the other hand, business complains that the reliability of risk profiles is not solid enough, as Zhang Tao complained:

We like the idea of risk management, but are bit doubtful of its reliability. For a period our declarations are always targeted for physical inspections. We asked the officer why, and he just said “this is decided by Customs risk management, not my decision.” We are still not sure for what ground is for risk profiling. Is it too arbitrary and not transparent?

4.4.2 Structural Factors

4.4.2.1 Goal Alignment

In building the CBP, customs and business are assumed to pursue the agreed goals beyond their own self-interests. In the context of China Customs, the common goals just echo the fundamental challenge China Customs faces: facilitating legitimate trade and protecting security (either economic or social). However, business, in the nature of private sector, seeks to pursue profits, which may be somewhat in conflict with the public’s purposes.

Normatively, all the customs informants stressed that both parties must agree and propose higher goals if the CBP can be genuinely established, as Mr. Gu Peijun commented:

It is right business seek financial gains, but it doesn’t say business can’t cooperate with Customs. They are just the double sides of a coin. No business, no trade, why do we need Customs? Meanwhile, if there is no fair playing field and efficient trade order, business will suffer eventually. In a globalized world, both parties should look beyond

their own boundaries and work together to enhance national competitiveness.

In this regard, the argument of a “shadow of the future” can be justified. That is to say, though there is a divergence among their self-interests, both customs and business need to realize that their cooperation or partnership contributes to “bigger” and “longer” goals.

4.4.2.2 Informal and Formal Arrangements

In China Customs, gradualism in organizational change and reform is significant (Gao, 2002; Fan, 2007; Yu 2011). This means that pilot projects are tried first for a new policy or regime and then move to more systematic and institutionalized arrangements. The CBP mirrors this tendency. As discussed above, the evolution of the CBP arrangements in China can be thought of as a spectrum in terms of formality and degree of interconnectedness between customs and business (see Figure 4.2).

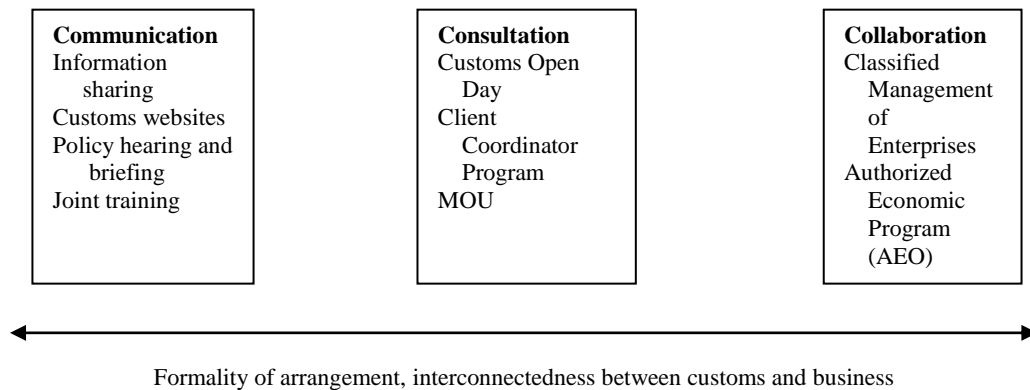


Figure 4.2 A Spectrum of CBP Arrangements in China Customs

Source: Compiled by the Researcher.

The spectrums also reflect both the narrow and broad meaning of the CBP. At the program level, the CBP is usually understood by scholars and practitioners as a compliance and AEO program, like the CME in China Customs. However, this study embraces a broad meaning with strategies under communication and consultation also included. This reflects the client-centered mindset and service-

oriented government in administration reform. However, it does not mean that formal arrangements are inherently more advanced than informal arrangements; they just serve different purposes.

4.5 Barriers and Challenges for the CBP

Consolidating the research findings by other scholars and empirical observation and interviews, the researcher found certain barriers and challenges are in place for customs and business to pursue and build a mutually-beneficial partnership.

4.5.1 Power Imbalance

In the interactions and transactions between customs and business, a power balance is obvious. This power balance was originally mandated by customs-related laws and regulations, which grant customs monopoly and authority over the trade community. The asymmetry of information also gives customs an advantage. Though transparency in customs matters develops significantly, the technical nature of customs work creates a lot of opportunities for customs to manipulate information for its own convenience.

Specific to the CBP, the above discussion demonstrates that customs is the dominating sides for the initiation of all the arrangements despite the fact that it responds to the pressures and requirements of the business community. Consequently, business is a “passive” recipient. For example, as observed by Fan Haikun (2011), in the various versions of the CMEP, the criteria for classifying enterprises, stipulating MOUs, the evaluation of the enterprise compliance level, facilitative measures have been mainly formulated and decided by customs. In spite of various communication and consultation mechanisms, the real needs of business may not be adequately heard or addressed. In this process, the role of trade associations is also not adequately played out.

As informants from both sides confessed, there is even an embarrassing phenomenon that can be termed “abused service” (Fan, 2011). That is to say, customs offers “services” in a one-sided manner, which regrettably imposes an unnecessary burden on business. For example, customs intensively conducts field visits and holds

consultation meetings at companies, and this disrupts the normal operations of the company, as Fan Debiao, with the Shanghai Huahong Grace Semiconductor Manufacturing Corporation, which was certified as an AEO by the Shanghai Customs District in 2013, stated:

We are proud of being granted as AEO status and receive tangible benefits. However, we don't want to be an experiment model for Customs. International trade is only one part of our operations; it seems Customs is still self-centered to sell certain extra services to us. It is bit annoying, as business, we just want fair, fast and efficient clearance.

4.5.2 Compliance Culture

The regulatory compliance culture in China generally and in the customs context specifically is not as adequate as the public expects. Regulatees have a strong tendency to cheat and commit commercial fraud in taxation, product safety, and many other areas. The main reasons for this compliance culture are: first, the market economy has not maturely developed and the credit management system covering all individuals and entities is still at the initial stage; second, a long tradition of “guanxi” (special connection) still plays a role in many aspects of the society. People and organizations have the tendency to employ “guanxi” for rent-seeking; third, specifically for customs, much room for administrative discretion exists. Even the enterprises under Class AA seek illegal interests.

Inertia exists on the customs side. On the one hand, customs promotes the CBP, and on the other hand, customs needs to maintain a deterrence enforcement strategy in the background to find and punish noncompliant traders.

4.5.3 Customs Integrity

Integrity has long been a key theme and an important component in customs as promoted by the WCO. It is the same with China Customs. It should be admitted that corruption problems after the “Integrity Storm” have been fundamentally transferred, and rampant corruption has been contained throughout China Customs.

Nevertheless, one cannot be optimistic about potential threats and prospects. During each year's China Customs Director-General Conference, the Customs Conference on Integrity and Fighting Corruption is held in parallel to identify weak areas in integrity and to chart corresponding strategies.

From the perspective of the CBP, corruption is clearly against the rationale and principle for a mutually-beneficial relationship. However, in reality, business has mixed feelings in this regard. On the one hand, businesses think that the credibility and trust of customs lie in integrity. On the other hand, when business encounters actual problems in customs clearance, it will seek "under-the-table practices" that may facilitate the procedures. On the front-line of customs operations, it is implicit for business representatives to keep a good relationship with customs officers. Such a good relationship is fueled by providing lubricating "benefits" to customs officers like free meals and commercial membership cards like golf. me

4.5.4 Fragmentation of Policy

The fragmentation of policymaking and enforcement for border management also poses challenges in building the CBP. It is well recognized that customs is only one government agency in international trade processing and border management. In China, a wide number of government agencies and entities such as authorities on commerce, foreign exchange, tax, quarantine, maritime management, immigration, ports, railways, banks, etc. are part of the administrative and commercial chain. With different jurisdictions, philosophies, and procedures, these agencies and entities themselves are not adequate in their coordination. In spite of the "Integrated Clearance Program" and "China E-port," there is a great deal of distance from the requirements under the principle of Coordinated Border Management promoted by the WCO. Usually, a company needs to build up partnership arrangements with different government agencies, and unnecessary costs are incurred.

4.6 Outcomes of the CBP

4.6.1 Organizational Outcomes

The organizational outcomes incurred by customs and businesses can be observed in a tangible and intangible dimension (see Table 5.4). These outcomes are brought out by the spectrum of the CBP arrangements as a whole and certain outcomes, such as an enhanced supply chain security, and privileges in clearance are more linked to formal CBP arrangements like those of the AEO program. Here the outcomes mainly refer to the anticipated benefits which have been confirmed by informants. Basically, positive outcomes are discussed in this study.

Table 4.8 Organizational Outcomes of the CBP in China Customs

	Customs	Business
	- Effective communication with business	- Being treated as equal partners
	- Proactive policy making for better regulation	- More channels to communicate with customs
	- Improved service quality	- Legal rights protected
	- Increased compliance by business	- Reduced theft, damage in the supply chain
Tangible	- Optimal resource allocation	- Reduced cost for customs processing
	- Enhanced risk management	- Reduced clearance time
	- Enhanced supply chain security (only for AEO companies)	- Enhanced logistics performance with less intervention
	- Targeted enforcement as with IPRs	- Streamlined internal systems
		- Enhanced security measures
	- Better public image	- Better image among clients
Intangible	- Knowledge sharing with business	- New opportunities for business
		- Knowledge sharing with customs

Source: Compilation by the Researcher

All of the arrangements are geared to forging a closer customs-business partnership; have created win-win dividends for both customs administration and the business. As put by a high level customs official in charge of the CME program, “The compliant enterprises won’t find Customs control nowhere, and the delinquent enterprises will find Customs control everywhere.”

Knowledge transfer is also recognized by informants on both sides. Between customs and business learning from each other is very important. Especially, in a technical world, customs needs to deal with thousands of types of goods, and it is not possible for customs and its staff to have full knowledge of such goods. In this regard, companies as traders can provide outreach assistance to customs. Of course, this is a mutual reaction. If customs understands how the business world operates, Customs can meet the needs of business appropriately. In this sense, we can assume that embeddedness with each other is very important. For such efforts, big companies, especially multi-national companies, are doing better. To operate across borders, they expect more efficient and fast trade processing. It is in their own interest to “invest” in dealing with customs.

4.6.2 Social Outcomes

National competitiveness. The implementation the CBP arrangements are believed to contribute to national competitiveness. In this sense, the researcher adopts the concept of national competitiveness created by Porter (1998). In the perspective of business and trade, national competitiveness of one country is mainly reflected by the international competitiveness of industries and companies of that country. The objectives of implementing the CBP are directly linked to trade facilitation and security. At the micro-level, the costs business has reduced through building partnership with customs is significant. Furthermore, good reputation as Class AA enterprises under the CMET is believed by business informants to earn more business opportunity. In a broad sense, the MRA arrangements under the CMET permits Chinese companies to receive favorable treatments when these companies process their cross-border movements of cargo with foreign customs administrations. Since China becomes more and more merged into the globalization, the CBP as a public policy not only brings tangible benefits domestically but also provides extended

benefits abroad. Though numerical statistics are not consolidated on how the CBP contributes to national competitiveness in the sphere of international, qualitative data does demonstrate positive evidence for the case of China Customs.

Innovation in public administration. China Customs is recognized by the Chinese Central Government and the public as one of the leading agencies in reform and administration. The initiating and implementing of the CBP can serve as a pilot and a model in engaging citizens (individual and corporate) in public administration, especially between regulatory agencies and regulatees.

4.7 Chapter Summary

This chapter presents the empirical findings of the case study on China Customs. Historically, the customs-business relationship has undergone transformation in the past three decades within the broad context that China transitioned from a centrally-planned economy to a market economy. The relationship generally has witnessed a three-mode shift: business as regulatees, business as clients, and business as partners.

For the drivers and conditions for China Customs to embrace the CBP, customs reform and modernization develops and progresses in the overall trend of nationwide administrative reform. Sector failure in compliance management, trade facilitation, and trade security provide imperatives for both sides to pursue cooperative arrangements. The impact of policy transfer at the global, regional, and bilateral levels is obvious.

In order to maintain and enhance the CBP, two clusters of factors have been identified and elaborated. For the process of the CBP, it was found that trust, communication, incentives, technology, and risk management are significant for both parties. Meanwhile, the barriers and challenges for the CBP are considerable, and the major challenges are the power imbalance between customs and business, the negative impacts of a compliance culture, the potential threats posed by integrity issues, and policy and enforcement fragmentation in border management. The positive outcomes of the CBP arrangements were recognized by both customs and business informants.

CHAPTER 5

CUSTOMS-BUSINESS PARTNERHIP IN THAI CUSTOMS

This chapter looks into the CBP development and arrangements in the context of Thai Customs. The drivers for customs to adopt the CBP are clarified and analyzed. The factors on implementing CBP arrangements are identified and investigated, and barriers and challenges are also discussed. Outcomes and impacts are evaluated and reviewed, and a comparison is conducted with China Customs to some extent.

5.1 Brief Background of Thai Customs

5.1.1 History and Organizational Structure

The history of the Thai Customs Department (sometimes, it identifies itself as “Royal Thai Customs,” hereafter referred to as “Thai Customs”) can be traced back to 1874, when under the reign of King Rama IV, the “Bawn-Ring Agreement” entered into force and the “Customs House” was established to collect taxes and duties. In the reign of King Rama V, “Hoe Ratsadakorn Pipat” was founded to handle all kinds of tax collection and has become the foundation of the present Customs Department. Since then, customs work has expanded rapidly. The new customs office at the current premises for the headquarters was built in 1956.

The leadership of Thai Customs treasures its long history and legacy. It was on July 4, 2014, Dr. Somchai Sujjapongse, that the Director General (DG) of Thai Customs, together with all of the other top leaders, presided over the Buddhist ceremony on the occasion of the 140th anniversary of the foundation of the Customs Department (Thai Customs, 2014). In a country where Buddhist values and traditions have a deep influence in every aspect of life, Thai Customs wished to carry “good wishes” for its development. During the ceremony, one agenda item was to select and present a merit award to a few outstanding customs officers that had served in

customs across time. This ritual was aimed to kindle the spirit of service and the professionalism of Thai Customs among the customs officers.

Within the organizational structure of the Thai government, Thai Customs comes under the portfolio of the Ministry of Finance. The headquarters of Thai Customs is headed by the Director-General, who is currently supported by three Principle Advisors and assisted by four Deputy Director-Generals (DDGs). It is composed of 16 bureau-level units. Among these units, three bureaus, the Central Administration Bureau, the Customs Standard Procedures and Valuation Bureau, and the Planning and International Affairs Bureau, are mainly involved in managing external relations with stakeholders and their responsibilities have varying priorities (see Table 5.1).

Table 5.1 Major Bureaus Engaged in the CBP within Thai Customs

Bureau	Concerned responsibilities
Central Administration Bureau	<ul style="list-style-type: none"> - Public relations of Thai Customs - Coordinating Joint Committee between Customs and Private Sector - Regular and temporary consultation with stakeholders - Monitoring the organizational performance, especially on good governance - Coordinating with the OPDC on public sector development
Customs Standard Procedures and Valuation Bureau	<ul style="list-style-type: none"> - Formulating and standardizing customs procedures through Thailand - Rule-making and management of Licensed Customs Broker - Rule-making and management of Gold Card Scheme - Rule-making and management of the AEO program
Planning and International Affairs Bureau	<ul style="list-style-type: none"> - Incorporating the CBP into the strategic plan of Thai Customs - Facilitating knowledge transfer on the CBP in cooperation with global, regional, and bilateral partners

Source: Compiled by the Researcher Based on Document Study and Interviews

The customs territory in Thailand is divided into five Regional Customs Bureaus, under which there are 44 customs houses or checkpoints both along the

border and at inland locations (see Appendix F). Similarly, Thai Customs adopts a three-level organizational structure, similar to China Customs. However, Regional Customs Bureaus are actually doing customs operations within their jurisdictions, which differs them from responsibilities of the Customs Districts in China Customs. Hence in this study, customs houses rather than Regional Customs Bureaus were selected for the research sites.

As for human resource management, Thai Customs is part of the civil service of Thailand. As of October 2013, the total number of staff was 5853 (Thai Customs, 2013). Basically, the staff in Thai Customs falls into four categories: government officials, government-employed staff, permanently-employed staff, and temporarily-employed staff (see Table 5.1). The officers that have the power of administrative administration and enforcement are mainly “government officials” and the other three categories of staff are mainly responsible for office work.

Table 5.2 Types and Number of Staff in Thai Customs (as of October 2013)

No.	Type of Staff	Number of Staff
1	Government Officials	4,102
2	Government-employed Staff	747
3	Permanently-employed Staff	325
4	Temporarily- employed Staff	679
Total	/	5853

Source: Thai Customs, 2013

5.1.2 Responsibilities and Strategic Components

5.1.2.1 Main Responsibilities of Thai Customs

As specified in Thai Customs Act, the major functions and responsibilities of Thai Customs are:

- 1) Enforcing customs acts, the Customs Tariff Decree, and other related laws;
- 2) Providing customs-related tax policies to the Ministry of Finance;

- 3) Enhancing exports and national production using tax measures;
- 4) Investigating, preventing, and suppressing customs offences;
- 5) Executing other functions and responsibilities as stipulated in the laws or assigned by the Ministry of Finance or the cabinet.

According to categorization of Sparrow (2000) and Widdowson (2003), Thai Customs, as with China Customs, is a typical regulatory and enforcement government agency. Their functions are more or less similar. In accordance with these legal mandates, the relationship between customs and business is primarily law-based and mandatory.

More specifically, Thai Customs is also responsible for “detecting fraudulent activities intended to avoid the payment of duties, taxes and fees, or activities meant to evade both national and international legal requirements, as well as interdicting illegal cross-border trafficking in arms, munitions, and currency” (Thai Customs, 2013). Thai Customs plays a vital role in protecting consumers and the environment against the illegal movement of hazardous and toxic goods and articles.

5.1.2.2 Vision, Mission and Strategy

Regarding strategic management, Thai Customs regularly conducts environment scanning and formulates its strategic plans. Since 2006, Thai Customs has pursued its vision as “World-class customs for national competitiveness and social protection.” With this vision, two strategic goals for Thai Customs are to enhance national competitiveness through regulating and facilitating international trade and also to protect society. Regarding what is meant by “world-class”, the researcher has not obtained a certain answer from the customs informants. As different informants interpret differently, this phrase both indicates “keeping abreast of global customs standards and best practices” or “excellence in customs service,” and there are no tangible performance indicators for “world-class customs.” Nevertheless, this new vision indicates that Thai Customs has repositioned itself in achieving national competitiveness in a globalized world.

To achieve these ambitious goals, Thai Customs also has crafted a mission and strategies. The four-point mission elaborates the components of the vision and rephrases the legal mandates. It is noted that customs “service” rather than

“administration” is stressed. The values for public administration such as efficiency, fairness, and transparency are reiterated.

Though Thai Customs is within the portfolio of the Ministry of Finance, revenue collection is not treated as one of the top priorities. Customs revenue only accounts for 5 to 6 percent of the total government revenue in Thailand (see Table 5.2), and this is not so significant compared with the case for China Customs. In this light, it is understandable for Thai Customs to focus on enhancing national competitiveness while protecting the society. The notion of working together with business is ideologically strong in Thai Customs.

Table 5.3 Customs Revenue as Compared to Government Revenue (2009-2013)

Customs Revenue	Fiscal Years (1 Oct-30 Sep)				
	2009	2010	2011	2012	2013
Customs Revenue	80,067	97,194	102,888	119,074	113,381
Import Duty	76,983	93,566	99,977	116,425	110,618
Export Duty	404	170	242	323	254
Fee	2,681	3,458	2,668	2,326	2,510
Government Revenue	1,410,858	1,704,477	1,892,317	1,975,876	2,157,472
% of Customs /Government Revenue	5.675	5.702	5.437	6.026	5.255

Source: Customs Standard Procedure and Valuation Bureau, Thai Customs Department, 2014.

Its strategies further elaborate its mission. For managing the tax collection system, “good governance” is incorporated. As Madam Konsiri, then Deputy Director-General stated, while the draft strategic plan was discussed in Thai Customs, the involved middle and senior officials thought that it would be better to embrace “good governance” when it was promoted by the Office of the Public Sector Development Commission (OPDC), Thailand. Comparatively, China Customs started

to incorporate the notion of “governance” only in 2014 when the CPC charted new directions for administrative reform.

Table 5.4 Components of Strategic Management in Thai Customs

Strategic components	Elaboration
Vision	World-class customs for national competitiveness and social protection
Mission	<ul style="list-style-type: none"> ● To provide modern, expeditious, and global standard customs service ● To promote economic development and national competitiveness by implementing customs-related measures ● To enhance efficiency in customs control, targeting at social protection ● To collect revenue in an efficient, fair and transparent manner
Strategies	<ul style="list-style-type: none"> ● To develop customs system to meet the world-class standards ● To develop customs measures with the key objective of enhancing national competitiveness ● To enhance customs control capacity, taking into account international standards ● To manage the tax collection system, taking into account good governance

Source: Thai Customs, 2013.

5.2 CBP Arrangements and Mechanisms

Similar to China Customs, Thai Customs has initiated and implemented a range of activities and arrangements under the umbrella of the CBP. In the Snapshot of Thai Customs (2011b, 2013), Thai Customs presented these arrangements under the column of “Communication with Business Community,” which reflects a broader view of the custom-business relationship as public relations. Also Mr. Prasong Pootaneat, then DG of Thai Customs stated as follows: “We have to also implement a new way of doing Customs-related business. Thai Customs realizes that partnership with business community is crucial role to accommodate to the changes and response

to the challenges.” (Thai Customs, 2013). Based on document study and observations, the major initiatives for the CBP are summarized below.

5.2.1 Information Sharing

5.2.1.1 Information-Sharing Facilities

Face-to-face contact between customs and business is still common in their daily transactions. For routine operations, Thai Customs has adopted the “window” practice for office designing; that is, all of the service counters for different functions and procedures are arranged in a customs service hall, where facilities on public information dissemination are provided.

As observed by the researcher, both in the headquarters of Thai Customs and La Chabang Customs House, bulletin boards are set up with information on updated customs laws and regulations (especially on notifications of change), and people are reminded of special matters. It was also noted that the organizational structure with each officer’s name and position was hung up for transparency, monitoring, and contact. The Customs Service Charter is publicized and a service hotline for enquiry and whistle-blowing is provided. In La Chabang Customs, an electronic queuing system is equipped to make sure that orderly and modern treatment of business representatives takes place. In the modernized office building of La Chabang Customs, some other facilities such as drinking-water machines, comfortable seats, and ample parking are also in place to create a customer-friendly environment.

As observed, at the customs service hall, customs officers treat business representatives (mainly customs brokers), in a gentle and respected manner, which may be attributed to the cultural traditions of Thai society for “politeness.” Very few officers treat businessmen harshly and authoritatively. Unlike China Customs, service halls or service counters are not so “solemn” in terms of accessing. At the headquarters, there is a canteen where customs officers and businessmen can just shop for lunch together, which is rare in China Customs. It seems that there is no “strict” separation between customs officers and businessmen.

5.2.1.2 Customs Websites

To ensure that all the stakeholders can obtain information from customs about procedures and control requirements, Thai Customs has developed an official website (www.customs.go.th) to provide customs-related information to the public. Useful information on the customs tariff nomenclature, customs laws and regulations, official gazettes, duty and tax rates, clearance procedures, valuation, customs contact information, and bulletins and notices are provided online. Practical tools such as a duty calculator which business can use to initially self-assess the to-be-paid duty are provided. The website integrates all of the online interactions and services, such as the Customs Care Center, Thailand National Single Window, E-tracking, and other functions.

At the website, rich information is also provided in English. The column on specific customs regimes and procedures are quite user-friendly for traders concerning what requirements and formalities they need to fulfill. Considering that Thailand is a popular tourist destination, Thai Customs also provides detailed information on travelers' clearance. In contrast, the official website of GACC still lacks useful information in English for the public. This practice also indicates that Thai Customs has realized that one major group of customs customers are businessmen from foreign countries. To help them to understand customs-related laws and regulations would be make international trade and investment easier and faster.

5.2.2 Consultation Mechanisms

5.2.2.1 Joint Committee between Customs and the Private Sector

At the level of the headquarters, Thai Customs maintains a formal consultative mechanism with stakeholders such as freight forwarders, shipping agents, customs brokers, and chambers of commerce by establishing and operating a Joint Committee between customs and the private sector. The key role of this consultative forum includes the discussion and approval of projected changes in customs services, monitoring and evaluating customs performance, and providing advice on the streamlining of customs services. As a routine, a “grand” conference is organized for this committee annually. Customs and business jointly discuss and decide on the agenda items.

5.2.2.2 Local Private Sector Cooperation Center

At the major customs houses, local Private Sector Cooperation Centers are established to enhance cooperation and partnerships between customs and businesses. The main function is to provide consultation and recommendations on customs services and problems in particular areas. Like in La Chabang, communication and consultation take place both in informal and formal ways.

5.2.3 MOUs between Customs and Business

To promote transparency, over 1000 companies have signed MOUs with customs undertaken to cooperate with customs in the fighting against corruption and to provide expedited services in a more transparent manner. This initiative was aimed at creating win-win results. Companies signing this MOU with Thai Customs are entitled to receive special services in their dealing with customs, for example, when there is a need to report any useful information or filing a complaint on corruption and misconduct, or when there is a need for assistance in solving problems encountered within customs formalities.

5.2.4 Compliance and AEO Programs

5.2.4.1 Licensed Customs Broker Scheme

A customs broker, who is a professional in customs procedures and has taken good care of importers and exporters in terms of accurate payment of taxes and duties, is eligible to be a licensed customs broker. Such brokers are normally granted various incentives, for example, processing cargo clearance via the Green Line, receiving tax compensation and refunds within one day, inspection of goods below half the normal inspection rate for imports, and exemption from cargo inspection for exports.

The customs brokerage practice in Thailand is different from that in China Customs. In China Customs, to make sure that customs brokerage maintains a sound level of professionalism, a Customs Broker Qualification Test is organized annually by China Customs. Only those that successfully pass the test and register themselves at customs brokerage agencies are entitled to work as customs brokers. In Thai Customs, there is no such test, but the process of licensing serves the purpose of quality control of customs brokers.

From October 2013, this program gradually was phased into the AEO program designed by Thai Customs. Like the CME program in China Customs, Thai Customs decided to integrate and reorganize the existing customs compliance programs into the single AEO program by following the WCO's principles and standards.

5.2.4.2 Gold Card Scheme

According to the WCO's categorization, the Gold Card Scheme can be thought as a compliance program²⁶ and a predecessor of the AEO program. An importer or exporter that has exhibited good compliance with customs for at least three years and possesses other qualifications as specified by customs can apply for the Gold Card Scheme. As the name indicates, the rationale was borrowed from commercial practices like those innovative services in banks, where customers with high credit and financial propensity would be recognized as high-quality customers and be issued a "gold card" and receive special privileges from bank services.

This scheme, first launched in 2005, aims to provide expedited cargo clearance for importers and exporters. Under this scheme, the importers and exporters are eligible for processing cargo clearance via the Green Line, exemption of cargo inspection (except for risk management selections), and tax and duty refunds at the time of submitting a Refund Application Form.

As with the Licensed Customs Broker Scheme, the Gold Card Scheme was merged into the AEO program in October 2013 in Thai Customs.

5.2.4.3 Authorized Economic Operator (AEO) Program

Thai Customs is committed to implementing the WCO SAFE Framework of Standards in 2005 and a national AEO program has been developed based on the WCO standards and guidelines from 2007. The distinction between the new AEO program and the Licensed Customs Broker Scheme and the Gold Card Scheme lies in the new requirements on international supply chain security. Early in

²⁶By "compliance program", the WCO refers to the "authorized trader" program which focuses on the performance of a company on complying with Customs-related laws and regulations. Criteria on supply chain security have not been counted on.

2008, an AEO working group, under the direct leadership of then Director-General of Thai Customs, was established to conduct a feasibility study. Subsequently, the national AEO Program was launched in 2008 and became fully implemented in 2010. During the pilot period, only two companies were certified by Thai Customs. From 2010, the program entered into full implementation. The national AEO program is based on the WCO standards and guidance. During the first stage, the project covered only exporters. However, having worked with the industry under the AEO Pilot Project, Thai Customs found that it was necessary to review and revise the program to encompass more eligible parties. Subsequently, the program has been expanded to cover importers and customs brokers as well from 2012. By August 2014, 204 companies had been granted AEO status, including 99 customs brokers and 105 importers and exporters (statistics provided by Ms. Sureeporn Wilawan, Section Chief of AEO Unit, Thai Customs).

For the future, Thai Customs conceives that partners eligible for AEO will be expanded to various types of operators such as carriers, consolidators, intermediaries, ports, airports, terminal operators, integrated operators, and warehouses and distributors.

To promote the program among business, Thai Customs, following commercial practice, designed a logo, in which the symbols of the Thai national flags and a globe are merged to reflect that the mission of the AEO program is to help Thai exporters and importers gain competitiveness in the international supply chain, as Ms Sureeporn Wilawan, team leader of the AEO working group in Thai Customs stated:

While dealing with business, we need to work business-like. A small logo may be helpful to promote this program domestically and internationally as we see Japan, Korea and Singapore have designed logos respectively. (Ms. Sureeporn Wilawan, 2014)



Figures 5.1 Logo of the AEO Program of Thai Customs

Source: Official Website of Thai Customs (www.customs.go.th)

To apply for the national AEO Program, a company should adhere to the following steps:

For the first step, the company should submit the following documents to the competent AEO Office, which was established in 2012 by Thai Customs:

- 1) Application form for the national AEO Program;
- 2) Juristic person certificate issued by the Department of Business Development;
- 3) Financial statement for the past 2 consecutive years in the case of importers and exporters and for the past 3 consecutive years in the case of customs brokers;
- 4) Site plan with details of security measures conducted; and
- 5) Other supporting documents, e.g. VAT registration, a list of shareholders from the Department of Business Development, etc.

For the second step, after the submission of the relevant documents, Thai Customs will conduct an on-site validation to assess the company's application and eligibility. The on-site assessment result determines whether the company qualifies for the national AEO Program.

From the perspective of organizational study, this validation is meaningful for enhancing the mutual understanding and interconnectedness between customs and the company. Traditionally, custom administration and enforcement were based on transactions; customs did not penetrate into the internal systems on trade or the customs compliance of a company. The substantive impact of AEO implementation is that Thai Customs is actually encouraging and guiding the company to establish, maintain, and improve a systematic internal system based on

specific standards. Meanwhile, by physically visiting the company and checking the actual situation, Thai Customs can also gain an up-to-date and deep understanding of business operations and their needs, which serves a sound basis for designing responsive services.

5.3 Drivers for Customs-Business Partnership

This section examines the contextual imperatives and conditions under which Thai Customs has chosen to adopt the CBP concept and implemented the relevant arrangements. First of all, themes within broader administrative reform from a governance perspective are reviewed and efforts on incorporating good governance in Thai public service by OPDC are highlighted. Potential sector failures in the customs context are explained, and the impacts of policy transfer for CBP are discussed.

5.3.1 Broader Administrative Reform in Thailand

5.3.1.1 Multiple Interpretation of Governance

A glimpse of governance in and beyond Thailand indicates that understanding and interpreting governance are diversified and confusing. Chaos and contradictions are characteristics of the study on governance as a field. For the case in Thailand, the situation is no better. As Bowornwathana (2006, 2008) observes, the importing of the idea of governance into the Thai polity has resulted in several competing interpretations. Governance means different things to different people. It even means different things to the same people in different circumstances.

1) Governance as the New Democracy

The paradigm of governance as the new democracy draws on the principle of citizen power. Citizens, not ministers, are the masters of government. The paradigm can be seen as the movement away from the old state-centric model of government to a new democracy called “governance,” emphasizing citizen power and the dispersal of power from the center.

In Thailand democratic governance emerged after a major political crisis in 1992. The major characteristics of the new democracy are embodied in the 1997 Constitutions: first, accountability, and transparency, and open

government represent the key principles of the new democracy. Second, it also stresses the importance of fighting against corruption. Third, it supports the idea of a smaller central government that does less.

2) Governance as Good Governance

As discussed above, this interpretation has its origins in the policies of international organizations, in particular the World Bank and the IMF. As good governance naturally contrasts with bad governance, which can result from having the wrong political regime, the misuse of authority in the management of the country, and the low policy capacity of governments, its usage is usually confined to developing countries.

As a key catalyst, the 1997 economic crisis, which had bankrupted the Thai government, brought with it good governance as a necessary condition for the recovery of the Thai economy. Several cornerstone legal documents provide the framework for overall reform.

3) Governance as an Efficiency Problem

It is argued that organizational arrangement can direct governance reform. Under the Royal Decree on the principles and methods of good governance of 2003, good governance was promoted under the jurisdiction of the newly-created Office of the Public Sector Development Commission. Consequently, good governance was given a narrower meaning with a clear focus on the efficiency dimension of reform. Interpreting governance as an efficiency problem fits well with the NPM reforms. However, such interpretation has several problems: first, management tools that are suited for business may not work well in government. Second, management tools are only fashions—they come and go; and third, management tools from the business schools have a tendency to centralize power in the hands of the prime minister and provide opportunities for domain expansion for the focal central agency in charge of the reform. Fourth, management tools can be expensive. Further, they add extra burden to government officials at line agencies.

4) Governance as the Ten Guiding Principles for the King

Under this interpretation, governance refers to the Buddhist teaching of the Ten Guiding Principles for a King. The Ten Guiding Principles for a King are: giving; self-conduct; giving-up; straightness; gentleness; perseverance; non-

anger; not causing injury; endurance or patience; and not doing wrong. The problem with interpreting governance as the Ten Guiding Principles for the King is that governance is actually a recent word used to explain a phenomenon under a democratic regime, where democratic values such as citizen power and government accountability and transparency are prioritized. Another problem is that governance is a multi-level concept; obviously, the Ten Guiding Principles for the King is an individual level of analysis.

5) Governance as the Thaksin System

Under Prime Minister Thaksin Sinawatra, a government system was developed with the aim of centralizing power in the hands of the prime minister. Professor Bowornwathana calls this phenomenon prime ministerialization: the country is like a company that belongs to the prime minister, and it must be run like a company by using a strong CEO model and allowing the super CEO to centralize power.

The absolute control by the prime minister was achieved by putting the prime minister's followers into all key positions, by subjecting media to serve the administration, by resorting to all other means such as payment, patron-client networks, position promises... etc. One of the main reasons to keep the authoritarian power in the hands of the prime minister is to serve business interests of government politicians. Therefore, it is not surprising to see that conflicts of interest, policy corruption, and double standards widely appeared by the Thaksin government. For the opponents of the Thaksin system who preferred democratic governance, the Thaksin system was unacceptable because it was completely authoritarian.

6) Governance as an Ethical Issue

Since the Thaksin system was seen as an instrument to practice bad governance, increasingly, the term governance has been used to refer to an ideal government leader that adheres to high ethical standards of behavior. Within this context, the concept of governance has been narrowed down to mean the ethics or virtues of the individual leader. The virtues can be honesty and being corruption-free. However, such an interpretation of governance is still in its formative stage. Much confusion lingers in terms of defining what the qualifications are for an honest and corruption-free leader.

In light of the above-discussed governance meanings in the discourse of Thai politics and public administration, the researcher found that the exploration of the CBP was more illuminated under the first three interpretations. Under the mode of new democracy, the implication for customs is how to engage business in regulation and enforcement to better achieve broader public interests. For good governance, the challenges for customs are how to incorporate the values and principles of good governance in the customs context. As for governance as an efficiency problem, it is also meaningful since customs intends to use CBP arrangements to optimize the allocation of administrative resources. Among these three streams, efforts by the OPDC have had a profound impact on customs' organizational development.

5.3.1.2 Good Governance as the OPDC's Initiative

Efforts on developing the Thai public sector are mainly attributed to the efforts of the Office of the Public Sector Development Commission (OPDC), which was created in 2002 to coordinate and monitor administrative reform initiatives across government agencies and public organizations under the umbrella of "good governance."

The OPDC's main mandate is to implement the Royal Decree on Criteria and Procedures for Good Governance (hereafter referred to as Decree for Good Governance), which entered into force in 2003. In the Decree for Good Governance, the targets of good governance in Thailand are specified as: responsiveness; result-based management; effectiveness and value for money; lessening unnecessary steps of work; reviewing mission to meet changing situations; providing convenient and favorable services; and regular evaluation (OPDC, 2003).

To achieve these normative goals, the strategic management approach has been applied by the OPDC; that is, the OPDC would formulate regularly strategic plans for Thai public sector development in which reform needs are identified, principles are clarified, and strategies are crafted. As in the Thai Public Sector Development Strategic Plan (2008-2012) (OPDC, 2008a), 11 principles and four strategies are consolidated (see Figure 5.1). Relevant to the discussion of the CBP in this study, the first principle, "Focusing on "citizen-centered approach," improving public services, and delivering high-value outcomes to the citizens," is illuminating.

Here, high-value public service is prioritized and citizens should also include business as corporate citizens. Furthermore, the second strategy of “participation” places imperatives on cross-sector collaboration among public, private and non-profit sectors. Within “participation,” the third sub-strategy is stipulated as below:

Setting public administration to support coordinated operations and networking among the public and private sector, communities and other sectors as an alliance and partners in public service by: 1) Driving a networking type of cooperation among public sectors, private sectors and public organizations; 2) Focusing on Public-Private Partnership-PPP by studying feasibility of co-investment of significant national project developments. (OPDC, 2008b)

Typical concepts such as “networking” and “alliance” in the discourse of governance are incorporated. PPPs are proposed in a narrow sense; that is, to develop infrastructure projects through joint efforts by the government and business partners.

As a key government agency determining the efficiency and effectiveness of trade processing and border management, Thai Customs needs to follow the directions and programs initiated by the OPDC and to incorporate the OPDC’s requirements into its strategic management and organizational plan. Ms. Pantipa testified as follows:

I could say that OPDC’s work have considerable impact on Customs modernization. They have monitoring, benchmarking, evaluating mechanism to implement the Decree for Good Governance. Leadership of Customs wants to rank higher in performance measurement conducted by OPDC.



Figure 5.2 Thai Public Sector Development Strategic Plan (2008-2012)

Source: OPDC, 2008a.

5.3.2 Sector Failure

Similar to the situation in China Customs, the issue of sector failure can also be found in the context of Thai Customs; namely, in the fields of compliance management, trade facilitation and supply chain security, and other enforcement areas.

Both customs and business informants point out that compliance with customs laws and regulations cannot be adequately achieved with only one-sided efforts. Effective compliance management can be mutually beneficial and at the same time rely on joint efforts both by customs and business. The discussions on compliance management are crossed with other factors such as transparency and communication.

The second priority is trade facilitation. Trade facilitation is a typical “wicked problem” involving a wide of range of stakeholders and encompasses multiple dimensions, hardware, and software. In the Thai Customs context, fast clearance of legal cargo is built on voluntary compliance by business and customs professional work driven by various modernization initiatives.

Another important imperative is the requirements on international trade supply chain security. As the informants agreed, terrorist threats are serious problems, considering Muslim extremists' activities in the southern part of Thailand; however, terrorist threats in the international supply chain are not a big problem for Thai Customs at the current stage. However, the AEO programs have been launched and implemented with major Thai trade partners such as the US, Japan, China, and the European Union (EU), and this will be a disadvantage for Thai companies that have not joined the AEO program. More significantly, if Thai Customs expands the AEO program to all the stakeholders along the international supply chain, it must engage and rely on the support and participation of the private sector.

5.3.3 Policy Transfer

The impacts of policy transfer are significant for Thai Customs in terms of adopting the concept of the CBP and launching the above-presented CBP arrangements. The influencing forces are identified at global, regional, and bilateral levels.

5.3.3.1 Impacts of the WCO

As an active member of the WCO, Thai Customs have adopted and implemented the major international standards and tools provided by the WCO. Unfortunately, Thai Customs is still not a signatory of the Revised Kyoto Convention, due to political turmoil in recent years. Nevertheless, Thai Customs has actually incorporated all of the principles of the RKC into its customs-related laws and regulations. In 2005, Thai Customs signed a letter of intent to commit to implementing the WCO SAFE Framework of Standards. In January 2007, the WCO sent a panel of four accredited experts (among whom one was from the WCO Secretariat, two from Japan Customs, and one from Australia Customs) to conduct a two-week diagnosis mission on all of the major aspects of strategic management of Thai Customs, and finally a diagnostic report was submitted to the DG of Thai Customs. Regarding the status quo of the customs-business relationship, the report commented: "Thai Customs is promoting new relationship with the trade and business community to make Customs clearance more transparent and seamless".

To improve this relationship, the report recommends as follows: “Thai Customs should consider strengthening its client management approach to yield improvements in client satisfaction, process efficiency and program effectiveness.”

The diagnosis report was translated into the Thai language and disseminated among all the customs officials above the middle levels and presented to the stakeholders, including selected business partners for comment. The whole process from diagnosis to formulating strategic action to implementing diagnosis suggestions was a good learning experience for customs and business people in terms of what the WCO was advocating for the future direction of customs modernization.

As observed by the researcher, Bangkok, as the hub of the regional offices of international organizations, also provides opportunities for Thai government agencies to be exposed to innovative ideas and best practices in administration and governance. Thai Customs is the host administration of the ROCB AP. The ROCB AP plays a role as catalyst and facilitator to help regional customs administrations implement the WCO standards and tools, including the SAFE Framework of Standards. The ROCB AP adheres to intimate cooperation with Thai Customs and also provides ready assistance on the capacity building that Thai Customs has requested, as Mr. Yoshihiro Kosaka, head of the ROCB AP from 2009 to 2014 stressed:

The WCO and ROCB AP appreciate the generous support of Thai Customs. Reciprocally, ROCB AP is always at place to offer any help we can do for Thai Customs. During 2010 to 2012 when Thai Customs served the regional Vice Chair, ROCB AP supported Thai Customs to lead initiatives like AEO program in this region.

5.3.3.2 Obligations and Commitments under Regional Mechanisms

Customs cooperation within the ASEAN framework is another imperative for Thai Customs to embrace the conceptual and practical aspects of the CBP. The ASEAN member states have committed to building the ASEAN Economic Community (AEC) by 2015. The AEC Blueprint is intended to transform ASEAN into “a single market and production base, a highly competitive economic region, a region of equitable economic development, and a region fully integrated into the

global economy.” To respond to the establishment of the AEC, ASEAN Customs administrations need to fulfil their mandates and strengthen cooperation. In the ASEAN Custom Vision 2015, all DGs agree to “to strengthen the cooperation and partnership with businesses and Industries, international Customs community and international organizations.” In this sense, building the CBP is the obligation of the members under the ASEAN cooperation framework. To achieve its vision as “World-Class Customs for national competitiveness and social protection,” Thai Customs actually conducted benchmarking activities through the customs cooperation mechanism of ASEAN, including implementing the CBP policies.

5.3.3.3 Influence from Bilateral Partners

The most direct influence is still from the US CBP. Cooperation on the Container Security Initiative (CSI) between Thailand and the US has provided Thai Customs with hands-on experience on how to fight against terrorist threats to the supply chain and securing trade facilitation. On the other hand, being pushed forward by the US CBP on C-TPAT cooperation has inspired Thai Customs to consider developing AEO programs.

Japan Customs is another source for Thai Customs to obtain assistance in its modernization. From 2007 to 2011, Japan Customs, through the bilateral cooperation mechanism of the Japan International Cooperation Agency (JICA), set up a Customs Expert Task Force in Thailand and Thai Customs agreed to provide office and logistics support. The task force was composed of three experts seconded from Japan Customs and their mandates were to support risk management in the customs in Cambodia, Thailand, and Vietnam. Since Thai Customs was the host, they could have intensive consultations with Japanese experts in building their risk management system and other customs techniques.

While Thai Customs designed the pilot AEO programs, experience from other countries were also drawn upon. As an episode, the researcher remembers that Ms. Tanmesin Pavarana, then AEO Team Leader in Thai Customs, organized a small workshop, inviting the researcher and other experts from Hong Kong, Japan, and Korea to introduce their national experience in setting up customs compliance or AEO programs. Thai AEO team members asked detailed questions about the potential challenges, pitfalls, and technical configurations in implementing these programs.

Through the experience of China Customs and Thai Customs, it is clear how the CBP was originally advocated by the US government in response to the security requirements after the 911 terrorist attack, was then picked up by the WCO to upgrade the CBP as the global theme and international standards, and finally was adopted and tailored by a customs administration through knowledge transference and experience sharing.

5.4 Factors in Implementing the Customs-Business Partnership

5.4.1 Process Factors

5.4.1.1 Political Will and Leadership

As with the case in Thailand, political will and commitment were first found in the leadership of the Ministry of Finance (MOF). While the expert panel of the WCO conducted a diagnostic mission for Thai Customs, they found that “it [was] clear that the Thai Ministry of Finance [was] supportive of modernization of Thai Customs and has taken a keen interest in new developments.” The vision, mission, and strategy of Thai Customs had been submitted to the leadership of the MOF for endorsement. The business-enabling principles embodied in these strategic elements demonstrate the commitment to a building mutually-beneficial relationship with business.

Political will in Thai Customs has also been obviously manifested. As their mission indicates, in a country with a long history of free market and export-led growth country as one of the Four Asian Tigers, Thai Customs clearly understands that business engaged in imports and exports is the backbone of the national economy. The leaders uttered the will and commitment to establishing a cooperative relationship with the business community on many occasions.

The celebration of International Customs Day in 2010 reflected such commitment. On January 26, 2010, Thai Customs celebrated the International Customs Day 2010 to the WCO-designated theme “Customs and Business: Improving Performance through Partnerships.” To Thai Customs selected the officials and private sector representatives that deserved to be awarded a WCO Certificate of Merit on International Customs Day as well. This award is to honor customs officers that

were working to implement, improve and strengthen the “Customs-Business Partnership,” and to recognize the private sector representatives, including companies and professional associations that worked in close collaboration with customs. On that occasion, Mr. Somchai Sujjapongse, then Director-General of Customs reiterated as follows:

Over many years Thai Customs has been developing close relations with the business, and this is reflected in many of our initiatives that have been drawn up in a spirit of consultation, dialogue and openness...I feel it is more important than ever to make the point that Customs and business must work closely together in a shared Endeavour to enhance performance. (Thai Customs, 2010)

At the ceremony, the researcher talked to some customs officers and business representatives that had been awarded the WCO Certificate of Merit. They anonymously confessed that it was meaningful for the WCO to promote “partnership” at the global level in the long history of customs administration. They also agreed that there was a distance between rhetoric and reality in terms of the CBP implementation. Nevertheless, the open advocacy by the WCO could be seen as a leap forward in improving the customs-business relationship. For Thai Customs, adopting the strategy of the CBP does not mean that building favorable relationship with selected companies, but the CBP should be woven into of its corporate strategic management.

5.4.1.2 Trust

Normatively, the informants both in customs and business agree that trust itself is critical to building a cooperative, trustworthy partnership. Empirically, the trust level is not as ideal as the normative argument. Business informants complained as follows: “we know that partnership is a beautiful word, but does customs really want to create an equal, mutually-beneficial relationship with us? It is doubtful.” Among many customs officers, the basic assumption on business was that business will take advantage of loopholes in legislation and enforce and commit commercial fraud.

Generally, the trust level between customs and business is somewhat problematic. Inertia from both sides exists, as a young customs officer confessed:

Thai people are traditionally polite and always “wai” (special Thai gesture in greeting) to each other even between officers and Customs brokers. But you can’t be misled by superficial things.

5.4.1.3 Communication

In the modern era where there are increasing demands for greater facilitation, good communication, and consultation and co-operation between the business community and customs, it is vital to achieve a satisfactory balance between effective control and facilitation. Greater familiarity with the business community means more effective trade facilitation and control. In this spirit, Thai Customs has initiated various projects to foster understanding and co-operation between customs and the business sector.

5.4.1.4 Incentives

Companies that have adopted and implemented robust security measures will benefit from the increased visibility of goods in the supply chain, reduction in pilferages, and greater efficiency in their supply chain management. Additionally, companies certified under the AEO Programme are recognized as trusted partners of Thai Customs and enjoy the following benefits:

- 1) Privileges on customs procedures covering import, export and re-export;
- 2) Tax privileges on more speedy tax refund and compensation;
- 3) Privileges on using guarantees as a standardized Authorized Economic Operator in lieu of placing a guarantee on transshipment and transit;
- 4) Privileges on legal cases under the conditions specified by the Customs Department;
- 5) Exports will be recognized by foreign Customs Administrations having a Mutual Recognition Agreement (MRA);

6) Other qualified privileges will be announced by the Director-General of Customs.

Mutual recognition of the AEO authorizations between customs authorities is also widely considered to be one of the principal benefits. Already a good number of customs administrations are working on bilateral mutual recognition arrangements. A longer-term goal is to establish a global system of mutual recognition. Thai Customs is therefore in the process of considering MRA negotiations with other customs administrations.

As the business informants urged, negotiations on MRAs with major Thai trade partners are imperative, since the benefits of AEO status are mainly reflected in the preferential treatments in foreign customs administrations. For Thailand, export-led economic growth is critical and efforts in this aspect by Thai Customs are meaningful.

5.4.1.5 Technology

Computer techniques are increasingly used by Thai Customs to support a wide range of customs operations. “e-Customs” was implemented on 1 January 2007, composed of modules on e-Import, e-Export, e-Manifest, e-Payment, and e-Warehouse. The system of e-Customs provides business operators such as exporters, importers, customs brokers, and shipping companies, with a paperless environment and a one-stop service.

The “e-Customs” system is thea comprehensive system developed by Thai Customs to facilitate and process all commercial goods imported into Thailand. It is widely recognized as one of the most sophisticated and integrated business-oriented systems. The e-Customs system significantly cuts costs, and reduces paperwork requirements for both customs and relevant trading communities.

As with China Customs, the application of ICT in customs operations has had a profound impact on the reshaping of the customs-business relationship. As observed by the business informants, major benefits include: first, discretionary power by front-line customs officers are standardized to a certain extent and decisions by customs are less arbitrary and inconsistent; second, businesses receive significant cost reduction. Within the paperless trade environment, time and cost on preparing and submitting paper documents have been drastically reduced; third, the physical contact

between business representatives and customs officers is reduced, and meanwhile, opportunities for under-table maneuvers are also minimized.

5.4.1.6 Risk Management

In an effort to achieve an appropriate balance between trade facilitation and regulatory control, Thai Customs has abandoned the traditional methodologies of selection and inspection and is utilizing risk management principles to determine if customs intervention is required or not. The risks facing Thai Customs include the potential for non-compliance with customs laws and regulations as well as the potential failure to facilitate international trade. The Thai Customs Department therefore has established formal risk management policies and procedures that align with the WCO's risk management techniques.

In regard to this, central and local risk profiles have been developed for various customs-related areas, including customs clearance for imports and exports; warehouses and free zones; and IPRs, precursor chemicals, and goods hazardous to health and the environment. The central profile was developed by the Post Clearance Audit Bureau in cooperation with the Investigation and Suppression Bureau, while the Local Profiles were developed by a risk management working team in the Regional Customs Offices, including other operational offices, for example, the Laem Chabang Port Customs Office and the Suvarnabhumi Airport Cargo Clearance Office, to ensure that the system incorporates both national and local risks.

The systematic central and local risk profiles replace the random examination of documents and goods with a planned and targeted working methodology, ensuring maximum use of customs resources(Thai Customs, 2013). The profiles generally contain such information as company names, high risk cargo, country of origin, country of loading and destination, etc. The risk profiles are kept in the customs automation system to enable a more rapid analysis of selectivity criteria.

The profiles are accessible to authorized customs officers only. Once established, the profiles along with other information and intelligence provide a basis for targeting potentially high-risk movements of consignments, means of transport, or travelers for Thai Customs.

To remain effective, the risk management system has been evaluated on a monthly basis or on a case-by-case basis to identify weaknesses in the control

program and to promote continuous improvement. In addition, risk profiles are reviewed at regular intervals to ensure that they are always up to date, and to get rid of the information that is no longer relevant. Thai Customs also carries out random checks because companies that are in regular contact with customs may be aware of profiling methods or sometimes the profiles themselves. These random checks can provide a cost-effective means of identifying other types of risk and of monitoring or estimating their significance, or any changes in the risk pattern.

5.4.2 Structural Factors

5.4.2.1 Goal Alignment

Like China Customs, lofty goals beyond the respective self-interest of customs and business exist. As manifested in the policy documents of Thai Customs and in the comments of informants, the common goals for building partnerships are: to enhance trade facilitation, to shape national competitiveness in international trade, and to secure and protect Thai society.

Contrary to the assumption that business only seeks financial interests for profits, business informants uttered their expectations for better administration and governance. They believe that cooperation and consultation would contribute to the overall economic growth and social development of Thai society, as commented by Mr. Yanyong, President of Customs Brokers and Transportation Association of Thailand (CTAT):

Customs and business, we are on the same boat, though we have diverging interests. As Thailand aspires to be a hub of trade, logistics and tourism in the context of building AEC, business and government agencies, of course, including Customs, we should work together for maintaining and sharpening Thai competitive edge.

5.4.2.2 Informal and Formal Arrangements

In the broad sense of the CBP, the activities and arrangements taken by Thai Customs can also be thought of as a spectrum against the criteria of formality and interconnectedness among partners (see Figure 5.3), for which a similar pattern

has been observed in China Customs. There is also a tendency to move from loose communication mechanisms to more formal arrangements of the CBP, as in implementing the AEO program.

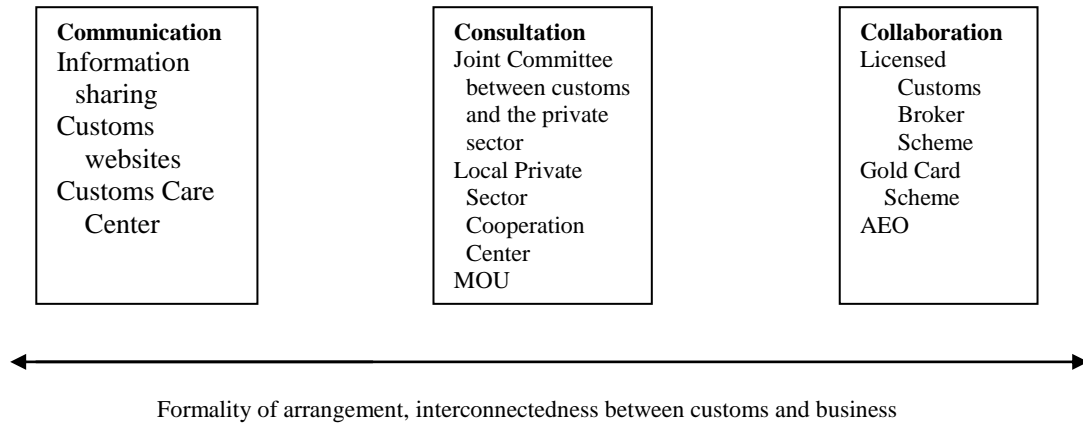


Figure 5.3 A Spectrum of CBP Arrangements in Thai Customs

Source: Compiled by the Researcher

5.5 Challenges in Implementing the CBP

5.5.1 Power Imbalance

Similar to the situation of China Customs, the informants both with customs and business admitted that a power imbalance could be an impending factor in building up mutually-beneficial relationships. For the business side, the onus is on the customs. On the other hand, customs does not have enough confidence in business compliance for customs matters. The mindset and atmosphere of suspicion towards each other deserves attention from both parties.

5.5.2 Compliance Culture

Like the “guanxi” tradition, Thai culture also has a long and strong legacy of patronage and favoritism. Government officials and their business counterparts may think that taking tea money for the convenience of the service is somewhat acceptable culturally. Therefore, maintaining a good relationship with regulatory officials is the common sense for businesspersons. For example, as the researcher observes, as the

days approach New Years, the headquarters of the Thai Customs suddenly becomes congested. Why? Many businesspersons present beautiful baskets to different bureaus and offices as an open token to compliment the customs officers. Usually, a gift basket may cost 500 to 1000 Thai Baht. While the researcher curiously consulted Thai Customs officers that worked in the ROCB AP, their answer was as follows: “It is a routine practice in Thai society and is both acceptable for government officials and business people.”

5.5.3 Integrity Issues

Integrity in the Thai Government has been improved significantly in recent years according to the survey of Transparency International. However, threats of corruption to Thai society cannot be understated. As the nature of customs work decides, potential risks for integrity issues still exist in Thai Customs.

The trustworthiness of a public agency lies in its integrity. With social illness and an undesirable compliance culture, Thai Customs still faces surmounting challenges in building a clean and just customs, because this lays a firm basis for CBP development.

5.6 Outcomes of the CBP

This section reviews and evaluates the impacts and outcomes that the CBP arrangements have brought upon customs itself and the participating business partners. Taking into consideration the differing influence across the CBP spectrum, here the focus is on the more formal and institutionalized forms of the CBP; namely, the Gold Card Scheme and AEO program launched by Thai Customs. First, outcomes at the organizational level are discussed, then 4outcomes incurred beyond the sphere of customs and business are reviewed.

5.6.1 Organizational Outcomes

The organizational outcomes for customs and businesses are both tangible and intangible (see Table 5.4). These outcomes are brought out by the spectrum of the CBP arrangements as a whole and certain outcomes, such as enhanced supply chain

security and privileges in clearance, are more linked to formal CBP arrangements like those of the AEO program. Here the outcomes mainly refer to the anticipated benefits which have been confirmed by the informants. It is bit deficient that these findings were more generated through subjective feedback or attitudes by the informants; quantitative evidence has not been collected.

Table 5.5 Organizational Outcomes of the CBP in Thai Customs

	Customs	Business
Tangible	- Effective communication with business	- Being treated as equal partners
	- Proactive policy making for better regulation	- Smooth communication with customs
	- Increased compliance from business	- Active role in customs policy-making
	- Improved service quality	- Reduced theft, damage in the supply chain
	- Optimal resource allocation	- Reduced clearance cost
	- Enhanced risk management	- Reduced clearance time
	- Enhanced supply chain security	- Enhanced logistics performance with less intervention
Intangible		- Improved internal systems for trade compliance
		- Enhanced security measures
	- Good image in the eyes of business	- Branding a trusted company among clients
	- Informal connection with business	- New opportunities for business (as for customs brokers as AEO)
	- Knowledge sharing with business	- Knowledge sharing with customs
	- Innovation in customs reform and modernization	- Informal connections with customs

Source: Compilation by the Researcher

For business, as summarized from the interviews with business informants, the tangible and intangible benefits could include: reduced compliance costs, faster clearance, good reputation both among customs and the public, and new opportunities

for business. The CBP has also brought positive outcomes to Thai Customs. Generally, the identified impacts are: a better compliance level on the part of business, optimal resource allocation, and a sound basis for customs integrity.

As an indicator, surveys on public agency service performance conducted by the OPDC have shown that the public gave high credit to the performance of Thai Customs against the components of good governance.

Both for customs and business, knowledge transfer is taking place in Thai Customs. Across the spectrum of the CBP arrangements, from the informal end to the formal end, information sharing and knowledge exchange are manifest. From the perspective of informed compliance, knowledge of the technical requirements of customs requirements is critical for voluntary compliance. More importantly, deep interconnectedness with business through consultation mechanisms and validation processes under the AEO program provides Thai Customs with valuable opportunity to understand the “business” of business. This ensures responsiveness and closeness to commercial reality.

5.6.2 Social Outcomes

Trade facilitation. As an export-driven economy, international trade bears heavy weight in the economic growth in Thailand. Thai Customs is a leading agency in border management. The CBP arrangements included in the portfolio of trade facilitation measures taken by the public and private sectors in Thailand have generated positive progress. According to the survey results by the Doing Business Index compiled by the World Bank, and the Business Enabling Index by the World Economic Forum, the performance of Thailand as a whole has witnessed steady improvement, and holds outstanding performance in the world, though there is much room for improvement.

Protection of society. Social protection is the traditional function of Thai Customs. However, new threats in contrabands such as IPR issues, cross-border organized crimes, drugs and other imperatives definitely have brought new challenges to Thai Customs. To tackle these complex problems, Thai Customs understands that better results could be achieved through collaboration and partnership with wider stakeholders, with business as the main players.

5.7 Chapter Summary

This chapter discussed how the CBP arrangements emerged and developed in Thai Customs. The broader context and specific conditions which gave rise to the CBP were reviewed and examined. It was found that, similar to China Customs, Thai Customs adopted the CBP in response to a wide range of contextual drivers, such as public sector reform, sector failures in compliance management, and trade facilitation and anti-terrorism. Policy transfer by global, regional, and bilateral players has meaningful implications for Thai Customs in adopting and designing the CBP. As for the factors and elements in building and implementing the CBP, similar factors for China Customs were identified and discussed. Challenges in the power imbalance, compliance culture, and integrity were elaborated. Outcomes of the CBP at the organizational level and for the wider society were evaluated.

Generally, due to data availability, the empirical findings and logical arguments for the case of Thai Customs were comparatively weaker than those for China Customs. However, the experience of Thai Customs does add broader insights into understanding the CBP. The researcher believes that it is better than only one case for China Customs had been selected for this study.

CHAPTER 6

DISCUSSION AND CONCLUSION

This closing chapter summarizes and discusses the empirical findings in the proceeding case study of the two selected cases. Research questions are revisited and an integrated framework for understanding the CBP is proposed. Potential contributions to theory building are discussed. Implications both for policy and operations are also put forward. The limitations of the study are revisited. Finally, suggestions for future study are proposed.

6.1 Summary and Discussion of Findings

6.1.1 Customs-Business Partnership as the New Governance

6.1.1.1 Evolution of the Customs-Business Relationship

The empirical findings generated from the case studies of China Customs and Thai Customs provide supporting evidence for the normative and pragmatic argument that the customs-business relationship has undergone transformation, from an “old” command-and-control mode to a mode of the customs-business partnership (see Table 2.10). Globally, as the WCO finds that customs administrations operate in a turbulent environment and have to rethink their role and embark on a modernization course in response to a range of external and internal change drivers, such as progressive globalization, changed structures of trade, new trade and logistics models such as e-commerce, increased security threats and higher expectations from the public and private stakeholders (Gordhan, 2007; WCO, 2008b;).

It can be generalized that, in legal terms, the nature of the customs-business relationship has not changed drastically. As customs is a typical regulatory and enforcement government agency, the customs-business relationship is primarily mandated in laws and regulations, is compulsory, and is mandatory and rule-based

(WCO, 1999a,1999b; Widdowson, 2003; Chen, 2005). Customs is legally authorized to apply administrative and enforcing measures on business behavior and activities. However, as Widdowson argues, it is necessary to differentiate the statutory and administrative requirements of customs. Customs can apply its administrative discretion and flexibility to ensure that statutory requirements are met. Thus the CBP can be thought of as philosophical, conceptual and practical change for customs to readjust its relationship with business.

Generally, the researcher believes that it is difficult to say that there is an obvious paradigm shift in the customs administration and management mode. Observing from the perspective of public management and governance reform, it could be posited that the CBP could represent a breakthrough in this aspect.

6.1.1.2 The Customs-Business Partnership: Rhetoric or Reality

The case study of the two customs administrations also demonstrates that the CBP can be both “rhetoric” and “reality.” This reflects the meta-analysis of public-private partnerships either as “rhetoric” (Osborne and Jung, 2000; Teismans and Klijin, 2002; Wettenhall and Thynne, 2003, Hodge and Greve, 2007) and “reality” (Lowndes and Skelcher, 1998; Peters and Pierre, 1998; Stoker, 1998, Rhodes, 1988 and 2007).

The rhetoric of the CBP can be found both in customs and business. For customs, the CBP enters the discourse at the global, regional, and national levels. Globally, building and maintaining mutually beneficial relationships with business has been a major and lasting principle for the international customs community. Three milestone instruments of the WCO present a roadmap for members to adopt and implement the CBP. Regionally, policy coordination and capacity building by the APEC and ASEAN further shape the discourse. At the national level, as demonstrated by the two cases, customs administrations promote the CBP externally and internally. Partnership then becomes a kind of “politically correct” expression.

Rhetoric on the business side is also obvious. Though business partners are rather “passive” recipients of the CBP arrangements, business welcomes the friendly gestures offered by customs. A mutually-beneficial or win-win relationship has been echoed by business when it deals and interacts with customs. The notion of service-orientation and client-centeredness is for the benefit of business. However,

superficial applauding by business may not reflect the deep concept of customs by business.

Regarding the CBP as reality, the empirical findings from the two cases can demonstrate that both customs administrations implemented a wide range of institutional arrangements, which generally can be thought of as a spectrum against formality and interconnectedness. The more formal and institutionalized CBP arrangements such as the CME in China Customs, and the Gold Card Scheme and AEO Program in Thai Customs, prove that the CBP no longer just pays lip service but has tangible policies and concrete actions for customs and business.

6.1.2 Research Questions Revisited

The empirical findings provide sound and valid answers to the research questions listed in Chapter 1. Based on the initial outline formulated at the end of Chapter 2, the researcher built up an integrated framework for understanding the CBP by incorporating explorative findings into the initial outlines (see Figure 6.1). Basically, the notion of stages of partnerships developed by Seitani and the academic work done by Bryson et al. are still borrowed. The conditions, factors, and elements discovered in the data collection are clustered.

6.1.2.1 Drivers and Conditions for CBP

The findings test the assumption (maybe common sense) that the concept of the CBP evolved in a broader context and that the CBP arrangements are driven by certain imperatives.

First of all, the study in both cases indicates that customs adopted and implemented the CBP in its national administrative reform. The experience of China Customs in the past three decades provides a clear clue. The transitions from a centrally-planned economy to a market economy are the most profound transformation in China, which have led to further transitions in Chinese administrative reform. The modernization of China Customs has incorporated principles such as the service-orientation of broader administrative and governance reform. For Thai Customs, a similar situation can be found. The theme of the CBP can be understood in different modes of governance evolving in Thailand. The efforts by

the OPDC to institutionalize good governance at different levels of government in Thailand have had considerable impacts on Thai Customs.

Second, sector failure is another imperative for customs and business to seek cooperation and collaboration. Though differences exist in terms of goals and organizational logics, both sides realize that neither side can cope with the “wicked problems” in the context of customs regulations and enforcement. Both for China Customs and Thai Customs, three major areas of sector failure are identified. First is compliance management, which is at the core of the modern customs regime. Trade facilitation is another issue encompassing multiple stakeholders. Security in the international supply chain, as an emerging theme driven by the 9/11 terrorist attack in the U.S., is another imperative for the international customs community. However, security, especially fighting against terrorist threats, is not so imperative either in China or Thailand.

Third, the effect of policy transfer is obvious. Because customs is the main government agency that processes, regularizes, and controls the cross-border movement of cargo and people, globalization not only shapes the broader context for customs, but also facilitates experience sharing among administrative concepts and practices. As the findings indicate, regarding the CBP, policy transfer happens at the global, regional, and bilateral levels. The existence of the WCO as the global customs cooperation platform is the major source for customs reform. The evolution of the CBP in China and Thailand reflects the evolution of the CBP within the framework of the WCO. Launching of the AEO programs in both countries is just to fulfill their commitment as a member of the WCO. There is clear evidence of how member administrations absorb and incorporate international standards and tools into their own modernization initiatives. As discussed above, regional and bilateral institutions or partnerships also play an active role in introducing and promoting the CBP.

6.1.2.2 Factors and Elements of the CBP

Under the analytic framework, the factors and elements in building the CBP come under two groups, process factors and structural factors. Below the researcher would like to re-discuss the relevance of these factors. The themes that emerged from the data collection are also elaborated.

1) Process Factors

Leadership and political will. In customs modernization and capacity building, leadership and political will are claimed to be a prerequisite element (WCO, 2005a). In China and Thailand, informants with customs and business echo this argument. Empirically, leadership in both customs administrations is in place in adopting the CBP, even though the political systems are different in China and Thailand. Customs leaders understand the broad context and imperatives for administrative reform and the relevant principles, such as service-oriented and client-centered government. Political will also refers to the allocation of resources, and this can be observed in building the CBP. The inputs of physical, financial, and human resources have been adequately provided in this area.

The importance of leadership on the business side can be found. The role of trade associations such as customs broker association is helpful but needs to be improved.

Trust. Trust building is the essence of partnerships and collaboration (Bryson et al., 2006; Mcquaid, 2010). Both in China Customs and Thai Customs, it was found that mutual trust has been significantly improved, but it still does not meet the expectations by either party. Especially in Thai Customs mistrust is quite rampant. It is recognized that building trust between regulatory and enforcement government agencies such as customs and their regulatees is not easy. The rudimentary assumptions of each other influence the trust level.

Equity and fairness are important for customs administration and enforcement. If any company perceives unfairness in such a relationship, trust in customs would be compromised. Trust here mainly refers to responsive behavior. Customs needs to uphold the core values of public administration. It is particularly meaningful for a regulatory and enforcement agency. This common-sense finding again proves the relevance of values of public administration.

Communication. To achieve informed compliance and voluntary compliance, efficient and effective communication and consultation are important. Across the CBP spectrum in both cases, nearly all of the arrangements include the function of communication. Nevertheless, arrangements specifically addressed to information sharing and consultation focus on enhancing communication.

Regarding media, channels, and platforms such as physical facilities, customs public websites, and customs-business consultation committees, business recognizes their value and positive impacts. However, asymmetry exists since customs holds an advantageous position. On the other hand, business shows “indifference” in its dealings with customs. Participation in the whole process of policy making in customs matters is not adequate in either administration.

Incentives. The assumption under the rational model—that a person and organization make decisions based on rational calculations of cost and gains—can be helpful in understanding the business behavior under CBP arrangements. The empirical findings in the two cases test the assumption to certain extent.

If the arrangements under the clusters of communication and consultation mainly address the theme of service-orientation and client-centeredness, the more formal arrangements such as CME in China Customs and the AEO program in Thai Customs pursue win-win ends. In this light, both customs administrations intentionally identify and design “benefits” for business to join the compliance and AEO programs. This practice reflects the emphasis by the WCO on “tangible benefits” for business in setting up AEO programs.

However, due to limited data and methodological difficulties, this study has not conducted a cost effectiveness analysis to concretely find that how business gained from participating in the customs-initiated CBP programs.

To implement the CBP arrangements, incentives should also be in place for customs officers at different levels. In the case of China Customs, it was found that inconsistency in awareness and attitude toward the CBP exists. Especially, there is a fear that customs may lose power if it treats business in a too-friendly manner. Additionally, officers at the front line feel at a disadvantage due to disparities in remuneration and other work pressures. Customs needs to be alert to this internal tension if the CBP can be sustained.

Transparency. Linked to the discussion of communication, transparency is another important principle of good governance for modern customs. Practically, both China Customs and Thai Customs have made input efforts into implementing the policy of openness for government information. Business has

provided a positive evaluation. However, there is still a distance in this important area.

Technology. Technology is both an integral building block for customs but also a key instrument in implementing the CBP. In Thailand or in China, we can see that the application of ICT or other modern technology has been one of the key strategies for customs reform. From the researcher's observation, such application provides both a "personalized" and "impersonal" effect on the customs-business partnership. For the former effect, wide use of applications would enhance customs efficiency and make rational and standardize all of the procedures, and transparency could also be enhanced.

Risk management. Since the previous theoretical models and frameworks are not built into the context of regulation and enforcement, risk management has not been included as a factor. However, risk management was a repeating theme in the collected documents and the interviews. The key notion for risk management was to provide differentiated treatment towards business based on the potential risks posed to compliance. The CBP is established with compliant traders, and risk management provides a systematic way to assess risks posed by business.

2) Structural Factors

As observed by Bryson et al., structure has not received the same interest because "researchers have emphasized organizing as a process over organizations, meaning more formal structural arrangements." For the structural dimension, two relevant factors are discussed.

Goal alignment. Both in China and Thailand, in a normative manner, informants on both sides stress that the CBP can only be developed to pursue higher and wider goals such as trade facilitation and security, national competitiveness, and the protection of society.

Informal and formal arrangements. In this study, a broad sense was adopted for the CBP. The CBP can be understood as a range of relational and institutional arrangements. In terms of formality and the interconnectedness among partners, these arrangements can be informal or formal. With this notion in mind, the researcher found that the CBP arrangements in both countries can be placed on a

spectrum. It was also recognized that formal arrangements like those of the CME in China Customs and the AEP program in Thailand demonstrate rich dimensions of partnership for theoretical research and can be a direction for future customs modernization.

6.1.2.3 Barriers and Challenges for the CBP

At the levels of perception and practice, there are barriers and challenges for customs to adopt and implement the CBP. In the studied cases, several major themes have been identified.

Power imbalance. In their interactions, the transactions between customs and business, a power balance was obvious in both cases. This power balance was originally mandated by customs -related laws and regulations, which grant customs monopoly and authority over trade community. Asymmetry of information also gives customs an advantage. Though transparency in customs matter has developed significantly, the technical nature of customs work creates a lot of opportunities for customs to manipulate information for its own convenience. Specific to the CBP, the above discussion demonstrates that customs is the dominating side in initiating all of the arrangements, despite the fact that it responds to the pressures and requirements of the business community.

Compliance culture. As the CBP is built on informed and voluntary compliance, the influence of a compliance culture for the whole society and for customs matters specifically cannot be understated. Implicitly, the researcher found that the willingness of compliance with customs -related legislation and enforcement was not up to the public's expectations. Regulatees have a strong tendency to cheat and commit commercial fraud in taxation, product safety, and many other areas. In China, "guaxi (special connection)" permeates many areas of the society, and in Thailand, under-the-table practices are still common.

Customs integrity. The conception of business regarding customs integrity and corruption problems is a critical element regarding mutual cooperation. The empirical findings indicated that though both China Customs and Thai Customs are free from large-scale and serious corruption due to public monitoring and internal control, the situation of integrity is not good for either administration. Customs needs to take every measure to build a clean public organization, and in this regard, the CBP could be a valid instrument since corruption is a two-sided coin. 4

Policy fragmentation. In China Customs, fragmentation of policy in trade regulations and border management are more problematic. It is well recognized that customs is only one government agency in international trade processing and border management. In China, a wide number of government agencies and entities such as authorities on commerce, foreign exchange, tax, quarantine, maritime management, immigration, port, railway, banks etc. are part of the administrative and commercial chain. With different jurisdictions, philosophies, and procedures, these agencies and entities themselves are not adequate in coordination. In spite of the “Integrated Clearance Program” and “China E-port,” there is a great deal of distance between them and the requirements under the principle of Coordinated Border Management promoted by the WCO. Usually, a company needs to build up partnership arrangements with different government agencies, and unnecessary costs are incurred.

6.1.2.4 Outcomes of CBP Arrangements

The anticipated outcomes were basically in congruence the with empirical findings. Since the CBP arrangements are more in relational dimensions in terms of interactions between customs and business, the findings are more qualitative than quantitative.

1) Organizational Outcomes

As identified from the interviews with the business informants, the main benefits for business partners are:

For business, summarized from business interviews, the tangible and intangible benefits as expected were reduced compliance costs, faster clearance, and good reputation both among customs and the public, and new opportunities for business.

The CBP also has also brought positive outcomes to customs. Generally, the identified impacts are: better compliance level from business, optimal resource allocation, and sound basis for customs integrity.

Knowledge transfer was also recognized by the informants on both sides. Between customs and business are very important. Especially, in a technical world, customs needs to deal with thousands of types of goods and it is not

possible for customs and its staff to have full knowledge of such goods. It is in business own interest to “invest” in dealing with customs.

2) Social Outcomes

In both cases, it was found that the CBP arrangements not only brought benefits to customs and business, but also contributed to higher goals. In the context of customs, the utmost public values are: trade facilitation and security, protection of society, and national competitiveness. Additionally, from the perspective of innovation, the CBP can be regarded as an innovation in public administrative and serve as a pilot for other regulatory and enforcement agencies.

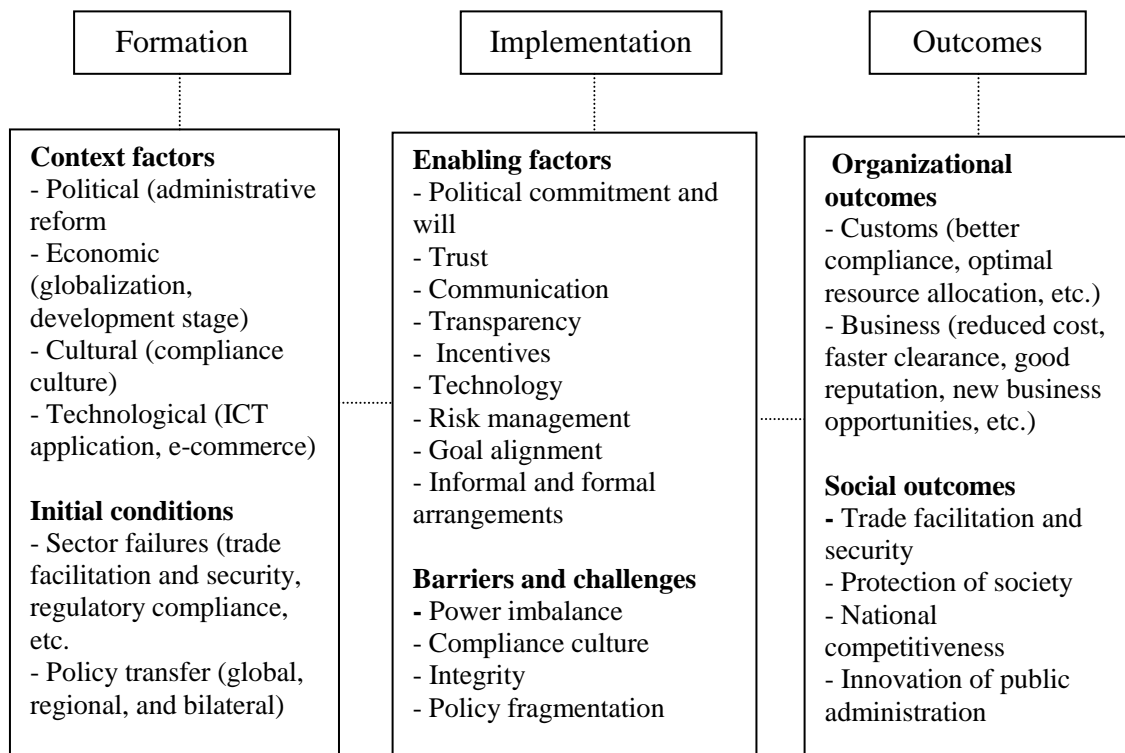


Figure 6.1 An Integrated Framework for Understanding the CBP

Source: Compiled by the Researcher

6.2 Contributions and Implications

It was conceived that exploration into the phenomenon of the CBP in this study not only brings potential contributions to theory building but also has practical implications. This section first examines potential contributions to the major theoretical themes discussed in the previous literature review, and then discusses implications for policy and operations in customs.

6.2.1 Theoretical Implications and Contributions

6.2.1.1 IORs

The study is built mainly built on the literature on IORs. Through the empirical findings, the researcher believes that the main contribution was to explore how partnership arrangements evolved between regulatory and enforcement agencies and business. In the seminal work by Oliver (1990), discussion of IORs was initially focused on the relationship between business entities. The basic assumptions of such partnerships are that participants are based on intentional choice and are primarily voluntary. By investigating these two cases, it can be posited that the relationship between customs and business is not necessarily contradictory or antagonist, even though their relationship is created by “necessity.” Both parties have much common ground to pursue mutually beneficial cooperation and partnerships.

Furthermore, the study expands the literature on developing countries as the context. The existing literature on partnerships, PPPs, and governance is mostly based on the experiences of developed countries. It is somewhat dubious whether “foreign” experience and approaches are viable in developing countries with differing contexts such as those in China and Thailand. Case study on customs in China and Thailand will advance the understanding of the theoretical domains from a comparative perspective.

6.2.1.2 Regulatory Compliance Management

Comparatively, customs compliance management is a new academic field. This empirical study supports the arguments for regulatory compliance in general and customs compliance management specifically. The “risk-based compliance management” model proposed by Widdowson (2003) was empirically

supported and enriched, since Widdowson only normatively identified the escalating strategy in his compliance and enforcement pyramid. Both China Customs and Thai Customs have applied risk management in their overall operations and have integrated the CBP arrangements in their risk management regime. Both customs administrations hold basic assumptions—that that majority of companies are willing to comply with customs-related laws and regulations. The rationale is that customs can only cooperate and partner with compliant traders and facilitate legal trade flow. Risk management will help to establish and decide the risk levels posed by different business players.

6.2.2 Implications for Policy and Operations

As the empirical findings demonstrate, elements of rhetoric for the CBP do exist to some degree in the customs world, yet concrete activities and institutionalized programs are actually designed and implemented in China Customs and Thai Customs, which can be treated as a global tendency in customs administration and enforcement. Therefore, the issue is not whether customs should adopt the CBP or not, but how to harness this new mode of customs-business interactions for mutually-beneficial outcomes and for creating wider public value.

Regarding the policy-makers in customs, the research findings carry significant implications. First, at the level of strategic management, the CBP should be incorporated as a key principle and element and should be further woven into other strategic components of customs reform and modernization. The role of leadership and political will both in customs and in the higher government portfolio should be in place and need to be translated into concrete actions and commitment of resources. This can also involve reallocation of limited resources of customs under new modes of administration and enforcement. Second, from a contingent perspective, the policy makers need to realize that alignment should be achieved among the identified conditions and factors in building the CBP. A holistic approach is expected to be taken to design and implement the CBP policies. Third, the implementation of the CBP arrangements should be put under the broader context of risk-based compliance management, because this is the defining nature of the CBP different from other partnerships which take place between business and business, or business between

non-profit partners. Promoting the CBP is never to compromise the enforcement of Customs or just provide lip services to business. Fourth, broad coordination and cooperation with other government agencies are necessary. In trade regulation and border management, customs is only one agency in the policy network, and business sees all the government agencies as a whole. Efficiency and effectiveness can only be achieved through collaboration of all the partners. Fifth, the barriers to the CBP cannot be underestimated. Certainly, regarding compliance culture or integrity issues, they are not easy to change in a short time. Nevertheless, policy makers should have clear awareness and mobilize all positive forces to carry on customs reforms.

At the operational level, rich implications can be drawn through the empirical findings. First, communication channels can be further improved; innovative methods with the development of technology can be harnessed, such as tracking technology used in the express industry. Second, helping business to strengthen its internal systems to comply with customs requirements should be extended to more business partners. The improved internal system will help business in voluntary compliance, which eventually will bring about tangible benefits for customs. Third, the spectrum of the CBP arrangements should be dynamic and evolving. While pushing forward the reform in a balanced manner, it is suggested that more institutionalized CBP arrangements be prioritized, which is also the rationale urged by the WCO. Both in China and Thailand, the AEO programs are just in their initial stages, and performance must be monitored and evaluated closely for the necessary modifications and changes.

6.3 Limitations of the Study

The limitations of this study lie in the research method itself, the theoretical lens, the data collection, and other limitations.

First of all, there was a limitation in using case study as the research method. As Yin (2009) argues, “case study is suitable for investigating contemporary phenomenon within their real-life context, especially when the boundaries between phenomena and context are not clearly evident”. The findings can be subject to different interpretations due to the interpreters’ experiences, knowledge, and

theoretical disposition. Especially, the interpretation of the case of Thai Customs may have been “superficial” because the researcher had somewhat limited access to the research sites and has not been immersed in the Thai culture.

Second, generalization of research findings should be cautiously carried out since the study was based only on the case study of two customs administrations where both were operating in the developing countries. It was assumed that implementing the CBP should be in congruence with the operational settings and policy priorities in a specific country. For this case study, the researcher himself was the instrument of the data analysis and interpretation so there could be blind zones and subjective bias, though cautions have been taken. At

As for the theoretical bases, the researcher realized, during the later stage of the research, that an area of literature may have been missing in this study. That is corporate social responsibility (CSR). The researcher found that CSR has been widely used to probe partnership arrangements between private entities with their private partners. Since the perspective of this study was mainly from the customs side, it would have been significant to apply a CSR perspective to probe why and how business pursues the CBP as internal motivation driven by their CSR strategies.

As for the data collection, there was an imbalance between China Customs and Thai Customs. Since the researcher works in China Customs, access to the research site was comparatively easier. In contrast, due to the researcher’s lack of fluency in the Thai language, the data collection for Thai Customs was comparatively weak. Additionally, the data collection was prolonged for Thai Customs and the analysis may not reflect the latest development, though updated interviews were conducted with the key interviewees. It is also a pity that more qualitative data were not collected, as the study could have been more valid for building arguments and developing the logic if sufficient quantitative data such as the benefits and costs that AEO status incurs by a company were included.

Finally, due to the scope of the study and energy input into it, the interactions and links among the factors and elements in the analytic framework were not adequately addressed. It is believed that there must be meaningful interactions or linkages among them. For example, the most common factor, “trust,” could be linked to nearly any of the other factors such as communication, reciprocity, technology, etc.

6.4 Suggestions for Future Study

It was envisaged that the CBP as an emerging phenomenon deserves further academic and empirical enquiry in and beyond the customs sphere, and this study could serve as a starting point for the other scholars. Therefore, suggestions for future research are provided below.

Research can be conducted in other administrative and policy areas. The research area of this study was customs administrations. Within the broader context of administrative reform, it is also imperative for other regulatory government agencies such as the police, immigration, quarantine, port authority, etc. to establish, maintain, and enhance meaningful and sustained partnership arrangements with the private sector. They may face the same or similar challenges in the context of regulation and control. Therefore, taking other government agencies as the research subject could be carried out.

The scope of the research could be extended to the area of border management. Customs is only one government agency in trade processing and border management. As the WCO indicates, customs in the 21st century should consider a key building block: coordinated border management. This is closely linked to the concept of a “single window” regarding how to building cooperative and collaborative relationships among all the participating entities, public or private. The imperative to enhance national competitiveness in a globalized era calls for concerted actions by the all stakeholders along the supply chain. If the research can cover the other government agencies, it is believed to be more meaningful both for theoretical and practical purposes.

Though two cases were adopted, as a direction of research, the elements of comparative study were not sufficient. It is believed that such comparative study would help to clarify the key elements, considering their specific circumstances and peculiarities. The study would have been more robust if a thorough comparison across two cases had been undertaken.

This study focused more on the relational aspect of the CBP. However, from the perspective of rational decision making, it would be significant to conduct a cost-benefit analysis on the CBP arrangements, especially like the AEO program. It is believed that the findings would be helpful for both parties to reconsider how to improve the emerging programs.

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APPENDICES

APPENDIX A

PROTOCOL LETTER

Dear Sir or Madam:

It is my honor to write to seek your support of Mr. Shujie ZHANG's research project. Mr. ZHANG, a doctoral student in the Interphd Program in Public Administration and Development, in the Graduate School of Public Administration (GSPA), National Institute of Development Administration, Thailand (NIDA), has defended the research dissertation proposal and has entered the stage of data collection.

The title of his research is "Customs Business Partnership: A Case Study of China Customs and Thai Customs," and the main objective is to understand and explore the development and characteristics of the Customs-business partnership in a broad context. It is expected that the research findings will not only be theoretically significant but will also generate meaningful implications for Customs policymakers and businesses.

According to the research design, Mr. ZHANG needs to collect primary data by conducting in-depth interviews. Considering your rich experience and sound expertise in the topical area, Mr. Zhang would like to approach you for an interview. As required by research protocols, he will strictly follow ethical issues such as informed consent, anonymity and respondent checking, and the data collected will be used only for research purposes. The research findings will be shared with you as appropriate. A note about the research and a basic question list are attached for your reference.

Much appreciation is extended for supporting this research project. It is believed that your insights will be very helpful in generating rigorous research.

Dr. Tippawan Lorsuwannarat

Chairperson for the Academic Committee

Interphd Program on Public Administration and Development

GSPA, NIDA

APPENDIX B

QUESTION LIST FOR INFORMANTS OF CUSTOMS

The questions below are posed based on the research objectives and are merely indicative. Any other relevant information and documents you could provide are appreciated. The interview may take 30-40 minutes. The scripts of the interview will be sent back for you to check and modify. The informant can choose to be identified with his or her real name or anonymity can be maintained.

1. What do you think of the current relationship between Customs and business? If there have been changes, what changes have you observed in this relationship in the past years?
2. Please review the evolution and development of the Customs-business partnership concept, arrangements, and programs such as compliance or the AEO programs in your administration?
3. What qualifications exist for business to participate in such partnership arrangements? What incentives are provided to business?
4. Why does Customs form and maintain partnership relationships between Customs and business?
5. What factors/elements are critical in forming and implementing the Customs-business partnership? What barriers or problems exist?
6. What benefits has Customs gained through partnership and cooperation with business? What outcomes are there for the society at large?
7. In the future, how will Customs cope with the emerging Customs-business partnership trend in the following aspects: leadership, resource allocation, procedures, and technology and integrity?

APPENDIX C

QUESTION LIST FOR INFORMANTS OF BUSINESS

The questions below are posed based on the research objectives and are merely indicative. Any other relevant information and documents you could provide are appreciated. The interview may take 30-40 minutes. The scripts of the interview will be sent back for you to check and modify. The informant can choose to be identified with his/her real name or anonymity can be maintained.

1. In what aspects does your company interact with Customs? How do you evaluate the relationship between your company and Customs? Have you observed any changes in this relationship in the past years? If so, what changes have you seen and why have they occurred?
2. What Customs-business partnership arrangements or programs such as compliance or AEO programs has your company participated in?
3. Why does your company maintain cooperation and/or collaboration with Customs?
4. What factors/elements are critical in forming and maintaining a partnership with Customs?
5. What are the common problems in dealing with Customs? What are the root causes of these problems? What measures have been taken to solve these problems?
6. What benefits has your company gained through cooperation and partnership with Customs administrations?
7. Has your company established a corporate compliance program regarding Customs matters? If so, how does it work? If not, is there such a plan?
8. In the future, what measures will your company take to improve its collaboration, cooperation, and partnership with Customs?

BIOGRAPHY

NAME	Mr. Shujie Zhang
ACADEMIC BACKGROUND	<p>Bachelor Degree in English & Literature, Henan Educational College, Zhengzhou, China Academic year 1995-1997</p> <p>Master Degree in International Business , Shanghai University of Foreign Trade and Economy, Shanghai, China Academic year 1997-2000</p>
PRESENT POSITION	June 2012 up to now, Deputy Director of Department of Training & International Cooperation, Shanghai Customs College (SCC), General Administration of China Customs (GACC)
EXPERIENCE	<p>From 2007 to 2012, seconded by China Customs as technical attaché to the World Customs Organization (WCO) Regional Office for Capacity Building for Asia Pacific (ROCB AP) located in Bangkok. Involved in Customs capacity building activities in Asia Pacific region</p> <p>From 2008, received a partial scholarship from the Graduate School of Public Administration (GSPA), National</p>

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