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WCO news

Council 2017
Transit
E-commerce
Fragile borders

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新疆克州水利发电有限公司
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World Customs Organization

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SOLUTIONS



Trade Hub

Trade Hub Information Portal



PAAR

Pre-Arrival Assessment Report

VIEW

Single Window Application Platform



NARP

National Automotive Repository Portal

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Pre-loading advance cargo information: latest status update

By Craig Clark,

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IN OCTOBER 2010, a bomb was found by police in the United Kingdom (UK) aboard a UPS plane after detailed information was passed through intelligence channels. Tests revealed that if the cargo plane's journey had gone to schedule, the device – in a package addressed to a synagogue in Chicago – would have gone off in midair over the eastern seaboard of the United States (US). The device found in the UK was one of two discovered. The other was at Dubai International Airport on a FEDEX plane. The device found in Dubai had travelled on two passenger planes without being detected. Both bombs were capable of bringing down an aircraft. Intelligence agencies believed that they were sent by the Yemen-based

al-Qaida affiliate in the Arabian Peninsula (AQAP), sparking fears that a new vulnerability in aviation security had been discovered by terrorists.

The WCO swiftly responded to these air cargo security concerns by issuing a communiqué on air cargo security in December of that year, in which it stressed the need for the further strengthening of cooperation with the International Civil Aviation Organization (ICAO), the International Air Transport Association (IATA), and other relevant international organizations. As a result, the WCO established a Technical Experts Group on Air Cargo Security (TEGACS) in February 2011, involving interested Customs administrations, civil aviation authorities, intergovernmental organizations and the private sector. Similarly, the ICAO also established a Working Group on Air Cargo Security (WGACS).

Technical Experts Group on Air Cargo Security (TEGACS)

The fundamental principle behind the establishment of the TEGACS is to enhance air cargo security by promoting cooperation between Customs and civil aviation authorities as well as other stakeholders, while clearly delineating their respective roles. At the international level, this includes promoting synergies between the instruments, tools and programmes of the WCO, the ICAO and the Universal Postal Union (UPU), and, in particular, to standardize data required by each authority, to align security programmes, to ensure risk mitigation through the implementation of risk management techniques, to ensure intelligence and threat information-sharing, and better use of technology.

Two issues of particular importance are currently under discussion at TEGACS



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meetings: the use of pre-loading advance cargo information for risk analysis; and, to the greatest extent possible, the harmonization of certification programmes, such as the Authorized Economic Operator (AEO) within the domain of Customs, and the Regulated Agent/Known Consignor (RA/KC) within the domain of civil aviation authorities. It is on the first issue that this article will focus.

From pre-arrival to pre-loading

After the October 2010 incident, there was a strong intention to shift the timeline given to air mode transport for the submission of their declaration from pre-arrival to pre-loading. However, initial discussions with the trade showed that it would be very challenging to submit the whole data set to Customs at that early stage. Therefore, several countries decided to test, by way of pilot programmes, the submission of a reduced data set and its value in providing a first layer of security analysis to address immediate air cargo security risks such as the “bomb in the box” scenario. The US pilot is called ACAS (Air Cargo Advance Screening), the European Union’s (EU) pilot PRECISE (Pre-loading Consignment Information for Secure Entry) and Canada’s pilot PACT (Pre-load Air Cargo Targeting).

Acknowledging the significant progress by the different pilots, the TEGACS underlined the need for the development of global standards for such advanced data systems, including the need for harmonization/alignment and cooperation among all stakeholders to avoid duplication. The phrase “Pre-loading Advance Cargo Information (PLACI)” was adopted in referring to these programmes.

The WCO adopted standards for submission of PLACI by various entities in the air cargo supply chain, including postal operators, and added it to its SAFE Framework of Standards to secure and facilitate global trade in 2015. The document states that advance cargo information submission should be “as soon as the information becomes available, but no later than prior to loading onto the aircraft,” and lists the 7+1 data elements, namely the Shipper/consignor name, Shipper/consignor address, Consignee name, Consignee address, Number of packages, Gross weight, Brief Cargo description, plus the Air waybill identifier (i.e. the House Air Waybill (HAWB) and/or the Master Air Waybill).

With respect to the above-mentioned Air waybill identifier, the identification of the data filer must be provided together with the HAWB and/or the MAWB number according to the air cargo business model. However, postal shipments will not be accompanied by a HAWB or a MAWB as they have their own unique identifier that can be used in the same way as a HAWB or MAWB to identify a shipment.

WCO-ICAO partnership marked by ongoing collaboration

Besides working on the development of PLACI, the WCO and the ICAO have initiated a number of projects based on a Joint Action Plan first issued in 2012 and later revised in 2017.

Publications

A brochure entitled “Moving Air Cargo Globally” was published in 2013 with the objective of introducing the regulatory frameworks for the international air cargo and mail supply chains, as well as the role and responsibilities of the WCO, the ICAO, the UPU, the United Nations Office on Drugs and Crime (UNODC), national authorities and aviation industry stakeholders. The second edition includes a new section on the economic implications of air cargo movements.

Workshops

A joint training module for Customs and aviation security officials that aims to enhance their understanding of the international air cargo supply chain, each other’s roles, and the roles of other important actors, has already been used to train officials in countries located in the Asia/Pacific, Middle East and North of Africa, and Europe regions.

Alignment of security programmes

Work on the harmonization of certification programmes, such as the AEO within the domain of Customs and the RA/KC within the domain of civil aviation authorities, includes the development of an AEO/RA guidance document and a joint AEO/RA security programme template, which will provide a structure allowing the alignment of the two security regimes. A pilot is expected to be conducted in Mexico and the development of the guidance will follow.

Conferences

Three Joint Conferences entitled “Enhancing Air Cargo Security and Facilitation” were held with the objective of stimulating discussions on how Customs, aviation security authorities and relevant stakeholders can work together to overcome global security concerns, including the identification of practical and sustainable solutions to these challenges. The 4th Conference will take place in 2018.

Using the standards

Recognizing that both the ICAO and the WCO cannot work on these issues in isolation, a WCO-ICAO Joint Working Group on Advance Cargo Information (JWGACI) was set up in 2014. It comprises eight members and one additional member to co-chair from each side as well as representatives of six relevant stakeholders. The purpose of the JWGACI is to discuss and recommend best practices – based on the pilots that are being conducted – for sharing and using PLACI in carrying out security risk analysis by Customs and civil aviation authorities to mutually support each other and strengthen air cargo security.

The JWGACI is co-chaired by the EU (representing Customs) and Singapore (representing aviation authorities). Members from Customs include Brazil, Canada, New Zealand, Nigeria, Saudi Arabia, South Africa, Turkey and the US, while aviation sector members come from Canada, France, the Netherlands, Senegal, South Africa, Switzerland, the UK and the US. Other represented stakeholders include the Global Express Association (GEA), IATA, the International Federation of Freight Forwarders Associations (FIATA), The International Air Cargo Association (TIACA) and the UPU.

A two-phased approach is followed by the JWGACI. Phase I, which was completed in 2015, involved the study of ongoing pilots and assessing the cost and benefits, the challenges, and impacts on aviation security and its operations. Phase II, which is ongoing, focuses on the technical details related to the identification of data elements and determining the processes and methods for the collection, sharing and use of advance electronic cargo information. An Interim Report was submitted to both the WCO and the ICAO in 2016 after the JWGACI members agreed that some aspects of the deliverables of Phase II required more work.

Progress

At the 11th TEGACS meeting that took place in February 2017, an extended panel discussion on PLACI was held, whereby it was agreed that even though it has been seven years since the Yemen incident, the risk is still present. In that vein, the importance of the different agencies in continuing to work together to mitigate potential risks in air cargo transport was acknowledged. In addition, the success of the pilots should not be measured quantitatively (i.e. only considering them successful if an improvised explosive device, or IED, is found in a shipment). There are many other benefits of a PLACI programme that are very difficult to measure (e.g. visibility in the supply chain, communication links with industry, prevention, incident management, etc.). PLACI was noted to be a valuable additional layer in the detection of suspect shipments. The JWGACI has met five times so far. The next round of meetings will focus on completing Phase II and the issuing of a final and complete report.

In the meantime, the EU introduced legislation in May 2016 requiring the submission of PLACI, with implementation expected by 2020. As part of its smooth implementation preparations, a two-day test of the transmission of pre-loading data (7+1 data) and response messages by Customs was conducted in cooperation with KLM Royal Dutch Airlines. Data from the KLM system was sent via a software which KLM had developed specifically for this test to a Customs test platform managed by Dutch Customs. From there, the data went through an automated risk engine, which had been

prepopulated with artificial risk profiles. When issues related to data quality are raised or positive hits are obtained, flagged shipments appeared on a screen and the person in charge had to decide which of the following two actions to take: request for information (RFI), or request for screening (RFS). The request message was then sent to KLM's system for its reaction. Cases of simulated freight forwarder filing were also tested.

The US has drafted language to make the requirements of its ACAS pilot a permanent regulatory regime. Meanwhile, the US has extended the pilot's operations for an additional 12 months to 26 July 2018. Furthermore, Canada continues to refine the constructs of its PACT pilot initiative. A Japanese initiative also begun in August 2016 with the involvement of a few airlines. It is based on the use of the 7+1 data elements and, in principle, on the submission of this data as early as possible before cargo is loaded onto an aircraft.

Expectation

The WCO would like to acknowledge that the whole initiative so far would not have been possible if not for the close cooperation and willingness of all parties involved – Customs administrations, the aviation sector and relevant stakeholders. The WCO hopes that the JWGACI Phase II Report will be completed soon so that it can be submitted for endorsement to delegates attending the WCO Policy Commission and Council Sessions in June 2018. The report is expected to go through a similar process at the ICAO.

More information

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Latest accessions to WCO instruments

Revised Kyoto Convention



Tunisia

Date of accession: 24 July 2017

112th Contracting Party



Burkina Faso

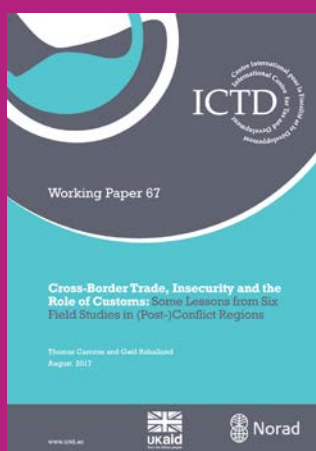
Date of accession: 8 July 2017

111th Contracting Party

More information

communication@wcoomd.org

Cross-Border Trade, Insecurity and the Role of Customs: Some Lessons from Six Field Studies in (Post-)Conflict Regions



In this research paper published by the International Centre for Tax and Development, Thomas Cantens, Head of the WCO Research Unit, and Gaël Raballand, a leading public sector specialist, take a close look at the role and practices of Customs in conflict-prone regions: northern Mali; Chad's border on Lake Chad; the Tunisia-Libya border from both the Tunisian

and Libyan sides; Sudan's border with Chad in West Darfur; and the northern borderlands of the Central African Republic neighbouring Chad and Cameroon.

More information

<http://ictd.ac>

<http://www.wcoomd.org/en/topics/research.aspx>

New instrument on royalties and licence fees

AN IMPORTANT NEW instrument was finalized at the May 2017 session of the WCO Technical Committee on Customs Valuation (TCCV). The instrument, Advisory Opinion 4.17, deals with a scenario where royalties have been paid by a franchisee to a franchisor for the use of the brands and system connected to the operation of stores under a franchise agreement.

Under Article 8.1(c) of the World Trade Organization's (WTO) Agreement on Customs Valuation, the Customs value of imported goods should include royalties and licence fees related to the goods being valued that the buyer must pay, either directly or indirectly, as a condition of sale, to the extent that such royalties and fees are not included in the price paid or payable. Royalties and licence fees may be paid by the buyer either to the seller/licensor or to a third party.

This issue is one of the more complex areas of Customs valuation, and has been widely addressed by delegates attending the TCCV. For example, a previous TCCV instrument – Commentary 25.1

– provides guidance on the interpretation and application of Article 8.1(c) in cases where a royalty or licence fee is paid to a third-party licensor unrelated to the seller.

The case analysed in the Advisory Opinion features Company A (an importer, buyer and franchisee in country I), who entered into a franchise agreement with Company B (an exporter, seller and franchisor in country E) concerning the operation of stores under the brand of Company B in country I.

Under the franchise agreement, Company A may buy the inputs that it must use to manufacture products that will be sold in the stores in country I only from Company B, or from companies authorized by Company B. In addition, Company A may purchase the inputs from third-party suppliers selling at lower prices, where duly authorized by Company B, in order to meet quality requirements.

The question under consideration was whether the royalties paid under the

franchise agreement for the imported goods should be added to the price actually paid or payable under Article 8.1(c) of the WTO Agreement on Customs Valuation.

The Advisory Opinion concludes that, as the payment of royalties in this particular case is not related to the imported goods but to the use of the brands and system of the franchisor in the country of importation for the manufacture and sale of products bearing the intellectual property of the franchisor, the royalties are not to be included in the Customs value of the imported goods.

Advisory Opinion 4.17 was approved by the WCO Council in July 2017 and has been published in the WCO Customs Valuation Compendium, which contains all the instruments of the TCCV, including several relating to royalties and licence fees.

More information

<http://wcoomdpublishings.org>

Council 2017

Directors General of Customs gathered at WCO Headquarters from 6 to 8 July 2017 to endorse the work done by the Organization covering the period July 2016 to June 2017, and to chart the way forward in the months ahead.

This dossier touches on the WCO's main areas of work – compliance, facilitation, tariff and trade affairs, and capacity building – and presents the progress made and initiatives taken in each of these areas over the 12 month period. It also reports interesting events that occurred during the Council.





Reflections on the six areas of work identified by WCO Members as a priority

By Kunio Mikuriya,
SECRETARY GENERAL, WORLD CUSTOMS
ORGANIZATION

AT THE DECEMBER 2016 WCO Policy Commission session in Moscow, Russia, Members asked the WCO Secretariat to identify the priorities it would focus on. Six areas of work were identified, based on the outcomes of WCO regional meetings: trade facilitation; e-commerce; security; Customs-tax cooperation; illicit financial flows; and performance measurement. The Council, at its July 2017 sessions, agreed with this work programme. In this article, I take up each of these topics in turn.

Trade facilitation

The WTO Trade Facilitation Agreement (TFA) entered into force in February 2017 and it is now of utmost importance to ensure its implementation. A “Communiqué from the international Customs community regarding the entry into force of the WTO Trade Facilitation Agreement” was endorsed by the WCO Council this year. Among other things, the Communiqué recommends that WCO Member administrations take steps at national level to encourage their Governments to support WCO involvement in the work of the WTO Committee on Trade Facilitation. The Communiqué also, amongst others, requests Customs administrations to urge all other border agencies to inform the National Committees on Trade Facilitation about their level of readiness to implement the TFA.

The WCO has committed to providing its Members with the technical support necessary for their TFA implementation plans, in coordination with the WTO and other relevant international organizations. Under the Mercator Programme, tailor-made technical assistance is offered, and Mercator

Implementation Plans have already been developed in some countries.

These plans represent multi-year engagements across various technical and organizational development matters. Some of the early results of actions under the tailor-made track include new risk selectivity systems, comprehensive roadmaps for implementing authorized economic operator (AEO) programmes, forward plans for the elimination of destination inspection regimes, along with cross-cutting organizational development activities, such as improved training and human resource management systems, and stretched leadership competencies among senior Customs managers.

Besides working on the implementation of the TFA, the WCO continues to promote accession to the RKC as well as the use of information technology (IT) and the development of digital environments such as Single Windows, based on standards such as those contained in the WCO Data Model.

In addition, the WCO currently has around 50 existing instruments and tools that greatly help its Members to implement the binding Customs-related provisions contained in the TFA. This guidance is updated on an ongoing basis with best practices from WCO Members. Among the new tools are the recently published “Transit Guidelines,” which can be used to enhance the efficiency of transit regimes.

E-commerce

The WCO Working Group on E-Commerce (WGEC) is progressing towards the preparation of guidelines, or a framework, on cross-border e-commerce by the June 2018 Council Sessions. Four areas of work had been

identified: facilitation and simplification; safety and security; revenue collection; and measurement and analysis. WCO Members’ working experiences and practices in these four areas have been collected, and a “Study Report”, based on the analysis of the received information, has been published.

Enhancing the digital capacities of Customs and their partners is also critical, in order to create an enabling environment for e-commerce activities and enforcement authorities. The WCO continues to work closely with the Universal Postal Union (UPU) to ensure electronic exchange of information between Customs and Post, and both Organizations are contemplating the joint organization of a high-level conference to encourage the implementation of electronic systems at the national level. Implementation of an electronic interface between national Customs and postal operators through the use of joint WCO-UPU messaging standards in particular, should be a priority.

Security

As a result of the December 2015 Punta Cana Resolution, which highlights the global Customs community’s position in relation to fighting terrorism, the WCO launched a Security Programme that focuses on five areas: passenger controls; the fight against chemicals that could be used in the manufacture of improvised explosive devices (IEDs); strategic trade Controls; the fight against small arms and light weapons (SALW) trafficking; and against terrorist financing.

Under this framework, in cooperation with the Government of Japan, the WCO began a new initiative for Customs administrations in the Asia/Pacific region, specifically focusing on border



security-related challenges in South-East Asia. The Project, which will run for two years, is aimed at strengthening the capacity of Customs administrations to counter terrorist-related travel and trafficking through better controlling the movement of goods and people.

Support is also being offered by the WCO through a research activity, which focuses on the management of fragile borders. The management of these borders requires a two-fold strategy, based on security and economic development, within which Customs has a natural role to play due to its relations with traders and transporters, both of whom are major economic actors in many borderlands.

The WCO has undertaken several field studies with the support of its Members at the borders between Tunisia and Libya, Sudan and Chad, Jordan and Syria, and at the borders throughout northern Mali, Chad, Nigeria and the Central African Republic. Additionally, two workshops gathering experts from North, West and Central Africa and the Near and Middle East took place to discuss the conceptual

framework and specificities of the role of Customs at fragile borders. They were held respectively in Abuja, Nigeria in December 2016, and in Riyadh, Saudi Arabia in April 2017.

Moreover, the WCO has provided support to the West and Central Africa region via the Security by Collaboration Project (SPC++), an initiative proposed by the Nigeria Customs Service to explore how countries in the region could better collaborate and share information and best practices. I would certainly encourage other WCO Members to consider initiating such initiatives.

Customs-tax cooperation

Building upon the “Guidelines for strengthening cooperation and the exchange of information between Customs and tax authorities at the national level,” further work is now being conducted with regard to the sharing of data between Customs and tax authorities through inter-operable systems and databases or a common database, as well as joint activities and initiatives, such as joint audits and joint risk management.

The WCO Secretariat has prepared a policy statement intended for its Members’ use, with a view to advocating the importance of “well-resourced Customs,” which needs to be fully understood by those responsible for financial and budgetary matters in Member countries, such as Finance Ministers, as well as other concerned parties, such as international finance organizations and development donors.

This cooperation has to be viewed in the context of domestic resource mobilization, which figured prominently among the United Nations (UN) Sustainable Development Goals. Customs contributes to indirect tax collection. According to the WCO Annual Report, Customs collected more value-added tax (VAT) and excise tax than Customs duties. Therefore, it is important to highlight the strengths of Customs, based on their physical presence at the border, their strong background in data management, and the fact that, unlike tax authorities, Customs operated in transactional, real-time mode.

With that in mind, the WCO Secretariat has prepared a policy statement intended for its Members' use, with a view to advocating the importance of "well-resourced Customs," which needs to be fully understood by those responsible for financial and budgetary matters in Member countries, such as Finance Ministers, as well as other concerned parties, such as international finance organizations and development donors.

The paper underlines the importance of securing resources for a multi-faceted Customs service within the context of taxation, from three perspectives: revenue collection as a Customs function per se; the Customs functions that are not related to revenue collection, but impact it; and the need to derive benefits from Customs' specificities within a Customs-tax cooperation framework.

Illicit financial flows

During the G20 meeting in China in 2016, the G20 leaders issued a communiqué on illicit financial flows (IFFs), which focused on trade mis-invoicing and which requested the WCO to produce a study report. The report, which is being developed, will be composed of three parts: analysis of IFFs through trade mis-invoicing; best practices; and policy recommendations.

Meanwhile, as an outcome of WCO Members' deliberations, and in order to ensure that the G20 was kept informed of the WCO's role and work progress on this matter, a WCO action plan on how to combat IFFs, highlighting the fact that IFFs were not limited to trade mis-invoicing, was developed and sent to the German G20 Presidency and the G20 Heads of Customs. References to the WCO's action plan on countering IFFs and the subsequent study report on the subject were included in the latest Annual Progress Report for 2017, which was approved by the G20 Development Working Group in May 2017.

I was also invited to speak at the Conference on the G20 Africa Partnership, held in Berlin, Germany in early June. This meeting provided me with an ideal opportunity to meet relevant stakeholders, such as representatives of the African Tax Administrations Forum, and to discuss how we could work together against IFFs.

Performance measurement

As part of the Achieving Excellence in Customs (AEC) initiative, which aims to assess the degree of implementation of WCO tools and norms by Customs administrations, the Secretariat wrote to all WCO Members requesting them to complete and submit the AEC form. The AEC performance measurement tool consists of 20 indicators depicting the four categories in the WCO Strategic Plan, namely Trade Facilitation and Security, Fair and Effective Revenue Collection, Protection of Society, and Institutional and Human Resource Development.

The purpose of the initiative is to help administrations develop their narratives to explain the progress made in Customs modernization based on WCO instruments and tools to political leaders as well as external and internal stakeholders. Moreover, the AEC was designed in such a way as to assist administrations with their planning,

and to help Directors General to engage with national decision-makers about the support they might require to implement WCO instruments.

To date, the AEC form has been completed by 109 WCO Members, and their responses are currently being analysed. Preliminary analysis shows that there is a correlation between accession to the RKC and the SAFE Framework of Standards to Secure and Facilitate Global Trade and an administration's level of performance.

The AEC is to be used for self-assessment only and not for purposes of ranking administrations. In this domain, WCO Members have expressed concerns on other institutions' performance measurement initiatives, such as the World Bank and its "Doing Business" project. Following discussions at the December 2016 Policy Commission session, the WCO Secretariat sent the World Bank an invitation to initiate a dialogue on the subject.

In the meantime, WCO Members are urged to provide more information and data on this matter, including details of their experiences with regard to the "Doing Business" project, in order to feed future discussions with the World Bank. Other institutions have also been approached by the WCO Secretariat to broaden any future dialogue.

Going forward

The WCO will continue to engage and act on the critical issues facing the global Customs community, of which I have highlighted only a few in this article. Additional WCO activities are summarized in the articles which follow, under the name of each WCO Directorate.

I trust that you will enjoy reading about what the WCO has done and what it will be doing in the months ahead, and that you will equally appreciate the other articles that were selected for this edition of the magazine.



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Tariff and Trade Affairs

ALL STRATEGIC GOALS with regard to Tariff and Trade Affairs (TTA) have been successfully accomplished over the past year. This was evidenced by the significant workload of the WCO Secretariat's TTA Directorate in 2016, with 45 days of meetings held, more than 4,000 pages of documents prepared, more than 300 items examined, and more than 400 decisions taken. Sixty-nine TTA missions were also conducted during 2016/2017 for a total of 359 days, which is a few days short of a year.

Cross-cutting activities: the WCO Revenue Package and advance rulings

The WCO continued to assist its Members in the implementation of the Revenue Package, which provides guidance and best practices for improving the efficiency and effectiveness of revenue collection, as well as in the implementation of an advance ruling system for classification

and origin, as required under the Trade Facilitation Agreement (TFA) of the World Trade Organization (WTO).

Botswana, Ethiopia, Jamaica, Jordan, Kenya, Madagascar and the United Arab Emirates received technical assistance on the above-mentioned topics during national seminars, as did the five Member States of the Southern African Customs Union – Botswana, Lesotho, Namibia, South Africa and Swaziland – during a sub-regional seminar.

Work on Phase III of the Revenue Package Action Plan is underway and will be completed by June 2018. It has two parts: (1) assisting WCO Members in using the tools developed in Phases I and II; and (2) developing new material and activities touching on Customs-tax cooperation, as well as assisting Least Developed Countries (LDCs) in origin certification, post clearance audit, fragile

borders, control of mineral resources and regional Customs laboratories.

Nomenclature and classification

The WCO continued to carry out its work on the uniform application of the Harmonized System (HS), with the adoption of numerous classification decisions and intensified capacity building efforts devoted to the implementation of HS 2017, the harmonization and enhancement of the analytical methods used by Customs laboratories, and the implementation of advance ruling systems for classification.

HS Contracting Parties

The number of Contracting Parties to the HS Convention has reached 156, with the accession of Burundi (January 2017) and Palestine (March 2017). Thus, the HS convention continues to remain the WCO's most successful global instrument to date.

Status on the implementation of HS 2017

The sixth edition of the HS, or HS 2017, entered into force on 1 January 2017. At present, 82 Contracting Parties have notified the WCO that they had implemented HS 2017 from 1 January 2017, and 23 Contracting Parties had advised that they would be implementing it in the course of 2017.

Speeding up the HS decision-making process

The HS Committee had re-opened its examination of a draft WCO Council Recommendation, which proposed an amendment to Article 8 of the HS Convention with a view to speeding up the decision-making process of the HS Committee by limiting the number of reservations to two in respect of its classification decisions.

At their Sessions in July 2017, the WCO Policy Commission and Council unanimously adopted the proposed draft Council Recommendation. The final resolution of this matter, which had been on the agenda for at least 15 years, while it might seem a small step, does in fact represent major progress.

Classification decisions and amendments to HS publications

At its 58th and 59th Sessions, the WCO HS Committee took 334 classification decisions, of which 251 related to international nonproprietary name (INN) pharmaceutical products linked to the implementation of the WTO Agreement on Trade in Pharmaceutical Products.

The HS Committee also adopted 8 amendments to the HS Nomenclature, 42 amendments to the HS Explanatory Notes and 41 new Classification Opinions. Moreover, it revised 11 existing Classification Opinions and deleted 3 existing Classification Opinions.

The HS classification decisions, the amendments to the HS Explanatory Notes and the amendments to the Compendium of Classification Opinions, with the exception of those for which reservations have been entered, are available on the WCO website.

Technical assistance

HS-related capacity building assistance to WCO Members is delivered in the form of national and regional seminars and workshops on the implementation and uniform application of the HS, on the modernization of Customs laboratories and their analysis methodology, and on the implementation of advance ruling systems for classification. The WCO Secretariat also provides advice on the classification of commodities following the submission of a request by a Member.

Technical assistance focusing on the HS and related matters, including Customs laboratory infrastructure and analysis methodology, was provided to officials from Albania, Azerbaijan, Bosnia and Herzegovina, Montenegro, Myanmar, Peru, Tajikistan, Tanzania, Zimbabwe, Samoa, Serbia, Sudan, Ukraine, Uruguay and Uzbekistan.

The WCO Secretariat also provided assistance to the Committee in charge of the nomenclature and tariff of the Central African Economic and Monetary Community (CEMAC) as it prepares to align the Community Common External Tariff to the 2017 edition of the HS.

A workshop, aimed at enabling Customs laboratories in the WCO Asia/Pacific region to share best practices on chemical analysis, took place in November 2016 at the Central Customs Laboratory in Kashiwa, Japan. Twenty-nine Customs laboratories representing 23 countries participated in the event.

In addition, a workshop, in May 2017, on the control of mineral resources gathered representatives from Customs and from institutions in charge of mineral resources in the Democratic Republic of the Congo, Nigeria, South Africa, Tanzania, Zambia and Zimbabwe, with the objective of:

- fostering cooperation and networking between the two main actors in each of the countries;
- establishing appropriate controls on minerals being traded, which entails proper analysis of the commodities to better value them in relation to revenue

collection and better determine their origin in relation to the fight against illegal mining.

With the support of JICA, a workshop on the HS 2017 amendments and tools developed under the WCO Revenue Package was held in November 2016, in Nairobi, Kenya for master trainers from five Customs administrations in East Africa.

At the invitation of the Oceania Customs Organisation Secretariat, the WCO also delivered training on HS 2017 at a workshop for Customs officers, representing 15 Customs administrations in the region.

In addition, the Organisation for the Prohibition of Chemical Weapons (OPCW) invited the WCO to introduce the role played by the WCO in controlling the trade in chemical products to participants attending the OPCW's Associate Programme – an annual programme for developing countries that aims to enhance their capacities by offering training in chemistry and chemical engineering.

Regarding classification advice to WCO Members, 127 responses were provided by the WCO Secretariat during the 2016/2017 financial year.

Valuation

The WCO continued its efforts in assisting its Members with the uniform application of the WTO Agreement on Customs Valuation (the Agreement), in particular, by providing guidance on the management of Customs valuation in an increasingly complex trade landscape.

Examination of Customs valuation questions

The examination of a question related to sales conditions, objective and quantifiable data – whether a royalty paid under a franchise agreement could be added to the value of imported inputs used in the manufacture of a finished product – led to the adoption of Advisory Opinion 4.17.

One technical question on “related party transactions as they pertain to the Agreement and transfer pricing”

led to the drafting of a case study, which should be adopted in the autumn of 2017. The case study illustrates a specific scenario, where Customs took into account transfer pricing information in the course of verifying the Customs value.

As Members of the WCO Technical Committee on Customs Valuation (TCCV) could not reach consensus, two questions were placed in Part III of the *Conspectus of Technical Valuation Questions*, i.e. questions raised, but not being considered by the TCCV at present. The two questions relate to:

- international marketing fees – whether the payment of an international marketing fee is dutiable;
- interpretation of the term “to the port or place of importation” in Article 8.2 (a) and (b) of the Agreement.
- The TCCV continued and will continue examining questions concerning:
- the circumstances surrounding a sale under the provisions of Article 1.2 (a) – goods produced in different countries;
- the valuation of imported goods purchased in ‘flash sales’ – which valuation method should be used for goods purchased during such sales when the price is significantly lower than the prevailing market price;
- the use of transfer pricing documentation to examine related party transactions according to Article 1.2 (a) of the Agreement – a situation where, in examining the circumstances surrounding the sale, Customs arrives at a different outcome from that of the transfer pricing study done based on the ‘transaction net margin’ method.

Technical assistance

National workshops on valuation issues took place in Kazakhstan, Moldova, Thailand and Tanzania. Two regional

workshops were organized respectively, for the WCO’s East and Southern Africa region and the Asia/Pacific region, and a sub-regional workshop was held for officials from the Dominican Republic and Haiti. In addition, a diagnostic mission on the valuation control system and assessment of related expertise was carried out in Burkina Faso, while train-the-trainer missions were held in Ghana and in Nigeria.

In cooperation with JICA, the WCO also delivered a workshop for 30 master trainers on Customs valuation from five Customs administrations in East Africa, which aimed at strengthening their understanding of Customs valuation and training delivery techniques, as well as at finalizing case studies to be used in future training activities for both Customs officials and Customs brokers.

As part of a series of joint regional workshops conducted by the WCO and the Organisation for Economic Co-operation and Development (OECD) on Customs valuation and transfer pricing, two workshops were organized for countries from the North of Africa, the Near and Middle East region, as well as the Europe and West and Central Africa regions. The workshops enabled officials from Customs and tax administrations to meet, understand each other’s domain, and discuss how they could cooperate to improve efficiencies in revenue collection.

The WCO also participated in a workshop on Customs valuation and valuation fraud, organized by the Agadir Technical Unit in Tunis for 25 officials from the Customs administrations of Egypt, Jordan, Morocco and Tunisia. Moreover, joint WTO-WCO workshops on Customs valuation were organized in Honduras and Saint Vincent and the Grenadines for participants from the public and private sectors.

Rules of origin

The WCO continued to support its Members with their understanding, management and implementation of rules of origin amid the ongoing

proliferation of regional trade agreements.

Global Origin Conference

In collaboration with the African Union (AU), with funding from the Korea Customs Service, the WCO organized its first Global Origin Conference in Addis Ababa, Ethiopia on 3 and 4 May 2017. The event provided a platform for the exchange of knowledge between the public sector, the private sector and the academic community. The WCO Origin Compendium, which compiles all instruments and tools developed by the WCO into one publication, was launched at the conference.

Technical assistance

Capacity building activities relating to the application of preferential rules included the organization of a regional workshop for Customs administrations in West and Central Africa, a sub-regional workshop for the Member States of the Caribbean Community (CARICOM), and national workshops in Cameroon, Palestine and Ukraine.

The WCO also conducted a workshop on the updating of preferential rules of origin following the 35th Session of the WCO Technical Committee on Rules of Origin and delivered assistance in this domain to Customs administrations of the Association of Southeast Asian Nations (ASEAN), specifically assisting them to technically update their ‘product specific rules’ to the latest edition of the WCO Harmonized System (HS), using the WCO Guide for the Technical Update of Preferential Rules of Origin. ASEAN Customs administrations also benefited from a workshop focusing on the development of an advance ruling system for origin and certification.

WCO experts also participated in the following events:

- A workshop for Arab countries organized in December 2016 by the United Nations Economic and Social Commission for Western Asia (ESCWA), dealing, among other things, with cumulation provisions,

the evolution of the Pan-European rules of origin (Mediterranean Arab countries are parties to the Pan-Euro-Mediterranean Convention), and progress made on the Great Arab Free Trade Agreement (GAFTA);

- A meeting organized in September 2016 by the United Nations Conference on Trade and Development (UNCTAD) in relation to the proper implementation of the 2015 Nairobi Decision on preferential market access for least developed countries (LDCs);
- A workshop on the technical update of preferential rules of origin organized by the Japan International Cooperation Agency (JICA) for Thai officials from the country's Customs Department, the Department of Foreign Trade, and the Department of Trade Negotiation.

Expert accreditation

In response to the growing demand for technical assistance linked to the building up of infrastructure for the application of advance rulings, the WCO Secretariat stepped up its efforts concerning the accreditation of origin experts. An accreditation event for experts coming from English-speaking countries in Africa was organized in March 2017. As soon as funding is available, a similar event for experts from French-speaking countries will be organized.

Harmonization of non-preferential rules of origin

As WTO Members continued to hold extremely polarized views about the need and benefits of harmonized non-preferential rules of origin, no specific negotiations were held in Geneva, Switzerland on the Harmonization Work Programme in 2016 and the first half of 2017.

More information

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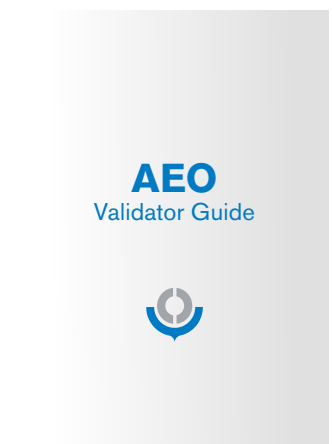
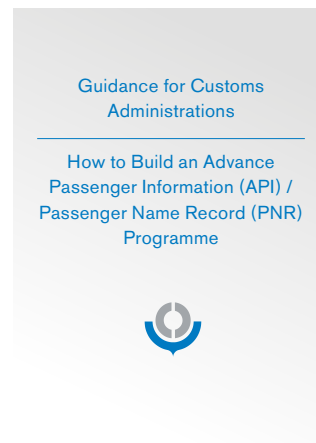
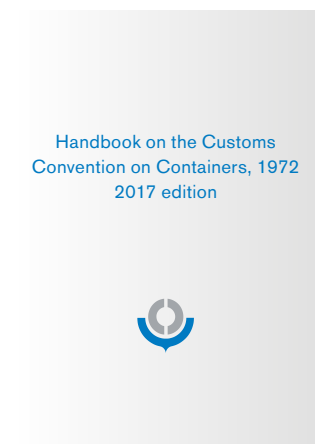
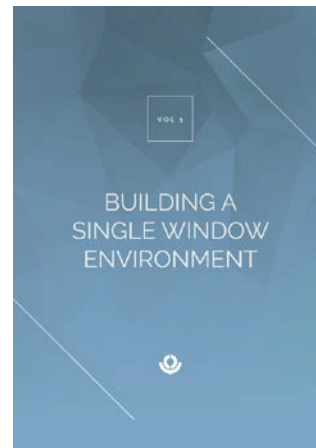
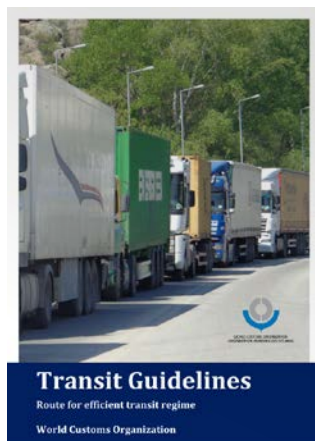
valuation@wcoomd.org

origin@wcoomd.org



Procedures and Facilitation

New publications



WTO Trade Facilitation Agreement

THE WORLD TRADE Organization's Trade Facilitation Agreement (WTO TFA) entered into force on 22 February 2017. The latest measures carried out by the WCO in the area of trade facilitation and TFA implementation under the WCO Mercator Programme include:

- adding new tools and best practices to the TFA Implementation Guidance such as the updated Single Window Compendium (Article 10.4), the Handbook on Inward and Outward Processing (Article 10.9) and the Transit Guidelines (Article 11);
- continuing with the development of the Guidelines on Customs Brokers (Article 10.6);
- delivering national and regional missions for technical assistance and capacity building covering various important Customs-related areas, such as risk management, authorized economic operator (AEO) programmes, transit and the Single Window (SW), as well as the use of the Time Release Study (TRS) and accession to the Revised Kyoto Convention (RKC);
- holding meetings of the WCO Working Group on the TFA (TFAWG), including joint sessions with the WCO's Permanent Technical Committee and Capacity Building Committee;
- completing a second round of workshops in all six WCO regions, which focused on the technical aspects of TFA implementation;

- further developing the network of Mercator Programme Advisors (MPAs) who oversee TFA implementation in the countries they are responsible for, including the holding of the first workshop for MPAs in Brussels in June 2017;
- endorsing new operating modalities for the tailor-made track of the Mercator Programme to further optimize the technical assistance to Members;
- developing detailed analysis of the use of information and communication technology (ICT) that will enable efficient implementation of the TFA.
- the elaboration of a document containing lessons learned and a high-level checklist, in order to assist airlines and governments in planning their PNRGOV implementation projects;
- the conducting of a survey to determine which versions of the PNRGOV message were in use, and what versions users planned to deploy in the future.

Advance Passenger Information (API) and Passenger Name Record (PNR)

In collaboration with the International Civil Aviation Organization (ICAO) and the International Air Transport Association (IATA), the WCO continues to develop, maintain and promote the API/PNR Guidelines, including its technical annex that contains, among other things, the API PAXLST and PNRGOV related standards. The latest work in this area includes:

- the update of the Management Summary on Passenger-related Information, which is an umbrella document;
- the update of the API CUSRES Message Implementation Guide relating to the revision identifier;
- the update of the PNRGOV XML Implementation Guide 16.1 and associated XML schema;
- the update of the PNRGOV EDIFACT Implementation Guide 16.1;
- significantly enhancing the PNRGOV Principles document;

Regarding API, in addition to the existing EDIFACT standard for API, namely the API PAXLST standard, which is the preferred method to transmit API data to governments, an XML format of the API message is being developed to avoid the development of non-standard formats by countries wishing to have the capability to receive API data in different formats.

The WCO is also promoting the Guidance for Customs administrations to use PNR/API, which aims to provide insight on how WCO Members can effectively utilize passenger information for passenger profiling and risk assessment, as well as its recently published new Guidance on How to Build an API/PNR System.

Concerning assistance to WCO Members on the establishment of API/PNR systems, WCO experts participated in two national workshops in Azerbaijan and Paraguay, with the aim of providing these countries with technical assistance and know-how for planning the implementation of API/PNR Systems and to initiate discussions between Customs officials, officials from other government agencies and representatives of the airline industry.

The WCO also organized a regional workshop for Eastern European countries - Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan and Ukraine - to sensitize them on the

passenger control issue, and discuss the use of passenger data, capacity building and foreseeable challenges related to the implementation of an API/PNR programme.

Authorized Economic Operators (AEO)

The AEO Compendium has been updated and a new publication, the "AEO Validator Guide," has been published. The guide provides practical guidance to assist countries in carrying out AEO validation in a standardized manner, sets out the essential elements required, and promotes a common minimum set of competencies that Customs officers tasked with conducting validations should possess.

The CREATE project, funded by Sweden and aimed at assisting the East African Community (EAC) with the development and roll-out of a regional AEO programme, is almost complete. Under this scheme, regional AEOs are mutually recognized in all Partner States and receive common benefits. Forty-six companies already have this status, and between them they manage about 5.6% of the transactions being made in the EAC in terms of value – about 1 billion US dollars per month. Inspections on their shipments or controls on their transactions have led to no contentious procedure so far.

Customs information management

WCO Data Model (DM)

Seventy-one countries have reported that their information systems conform to the WCO DM, and around 50 countries have active DM implementation projects underway. A WCO Member-wide tabulation status report of adoptions, which also indicates the increasing use of the DM, is available on the WCO website.

There has been good progress on Version 3.7.0 of the WCO DM, which will be ready for publication in December 2017.

The new version will include, among other things, an enhancement of the “My Information Package (MIP)” and updated as well as new data elements. A spreadsheet will be used to publish the new Information Packages in place of the previous Word document, making it more convenient for users in mapping their data requirement to the WCO DM.

Regarding technical assistance, WCO experts:

- assisted the European Commission in adopting the WCO DM for the development of EDIFACT and XML messages that will be implemented in the European Maritime Single Window prototype;
- provided help to experts from Mercosur in their efforts to develop a common dataset for the Customs declarations of the regional bloc's State Parties, i.e. Argentina, Brazil, Paraguay and Uruguay, in order to facilitate the harmonized exchange of information between and among these countries;
- organized a workshop for information technology (IT) experts from Burkina Faso, Côte d'Ivoire, Ghana, Togo and Senegal, in order to train them to develop message specifications based on the WCO DM. The objective is, among other things, to enable these administrations to develop harmonized and standardized electronic messages, and to enable them to achieve their goals when it comes to the interconnection of computer systems, particularly in managing transit operations;
- held a national workshop in Pakistan to assist the Customs administration in aligning its data requirements to the WCO DM.

Single Window (SW)

The WCO Compendium “How to Build a Single Window Environment” has been updated and renamed “Building a Single Window Environment.” The updated Compendium describes multifaceted aspects of a SW, with emphasis on the roles of cross-border regulatory agencies and of the private sector from an early stage.

Structural and editorial improvements were made to the Compendium, with some parts reviewed and new parts developed. The Compendium covers new aspects such as data quality, integrated risk assessment, public-private partnership, and performance management and sustainability in the SW environment.

WCO experts contributed to the development of tools and guidance related to the SW environment, such as the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT) Technical Note on Terminology for Single Window and Other Electronic Platforms.

They also participated in different international forums, supported activities relating to the implementation of SW solutions, and promoted the use of WCO standards and tools, such as Version 3.6 of the WCO DM and the RKC ICT Guidelines, at national workshops in Egypt, Jordan, Lebanon and Ukraine, setting the ground for the establishment or enhancement of national SW environments in these countries.

Non-intrusive inspection (NII)

Members of the Technical Experts Group on Non-Intrusive Inspection Equipment (TEG-NII) continue to work on the development of an international standard for scanned images and associated metadata, called the Unified file format (UFF). The project is currently in Phase 2 with NII suppliers developing the architecture of the UFF and the associated testing platform.

The WCO Guidelines for the Procurement and Deployment of Scanning/NII Equipment have been updated as several new technologies had come onto the market since the guidelines were first published in 2011. They now cover the four types of emerging technologies: neutron scanning; cosmic ray tomography; vapour analysis; and CT scanning.

eATA Carnet Project

The eATA Carnet Working Group, which comprises WCO Member administrations and International



Chamber of Commerce/World Chambers Federation representatives, developed a Globally Networked Customs Utility Block for the eATA, which is based on a decentralized system. The Working Group will now conduct a comprehensive comparison of the decentralized and centralized systems, in addition to undertaking a detailed study on the impact of both systems.

Digital Customs

The WCO has progressed well with its “Digital Customs” work programme in terms of developing/enhancing standards and tools. It has updated its Digital Customs Maturity Model, which provides a road map for administrations from the least to most mature in terms of ICT implementation. New activities/processes have been added under each of the “maturity segments” described in the Model. In addition, a detailed analysis of the use of ICT in the efficient implementation of the WTO TFA has been developed.

In terms of technical assistance, the WCO, under its Mercator Programme, is organizing regional workshops on Digital Customs and e-commerce for each of the WCO regions. These



Workshops are aimed at improving knowledge and strengthening the capabilities of Customs administrations on issues concerning the use of modern technologies. Four workshops have already been held in the Europe, Asia/Pacific (AP), North of Africa, Near and Middle East (MENA), and West and Central Africa (WCA) regions.

Postal traffic

The WCO is closely working with the Universal Postal Union (UPU) on a number of issues of mutual concern, which, in particular, include advance electronic exchange of data, postal supply chain security, e-commerce, and the quality of data in CN 22 and CN 23 declarations. The Guidelines on Postal Traffic (Specific Annex J.2 of the RKC) have been updated and endorsed by the RKC Management Committee.

In July 2016, the WCO and the UPU sent out a joint letter to all Customs administrations and designated postal operators, urging them to prioritize the implementation of electronic data exchange between Post and Customs at the national level, using joint messaging standards.

Following that, the WCO and the UPU launched a joint WCO-UPU survey in May 2017 to ascertain the preparedness level of postal operators and Customs administrations for capturing, sending, receiving and using data in electronic format. Survey responses are being analysed, which will, among others, form the basis for developing guidance on establishing an electronic interface between Post and Customs at the national level, as well as for planning capacity building activities.

The two organizations also organized a Customs-Post Workshop for Latin American countries in Uruguay in August 2016, which was attended by Post and Customs representatives from 17 countries. The representatives agreed to explore the possibility of the entities signing a Memorandum of Understanding (MoU) at the national level, as well as the establishment of national contact committees to formalize cooperation, where such committees do not already exist.

A few countries that attended the Customs-Post Workshop mentioned that they were already testing data exchange between postal operators and Customs administrations, or are considering

initiating pilots. The others agreed to examine the possibility of exchanging advance electronic information.

Another joint workshop was held in Australia, in May 2017, for Customs administrations and postal operators in the Asia/Pacific region, with the aim of assisting both Customs and Post in developing or refining plans relating to the exchange of advance electronic data, and in stimulating concrete implementation actions.

E-commerce

The WCO Working Group on E-Commerce (WGEC), together with its four Sub-Groups, is steadily progressing within the four identified work packages: Trade Facilitation and Simplification of Procedures; Safety and Security; Revenue Collection; and Measurement and Analysis. The objective is to develop recommendations, guidelines and/or a framework on cross-border e-commerce, to collect and disseminate best practices and initiatives, and to enhance or update related WCO instruments and tools.

For example, the WGEC Sub-Group I (Trade Facilitation and Simplification of Procedures) is carrying out exploratory work on developing global standards/guidelines related to the exchange of information between e-platforms/marketplaces and Customs for efficient risk assessment and improved service delivery.

Based on a survey among its Members, the WCO recently published a Study Report on Cross-Border E-Commerce, which analyses how Customs administrations process cross-border e-commerce transactions, and addresses the challenges stemming from growing low-value and small shipments. As a follow-up to the Study Report, country-specific best practices and case studies have been developed and published on the WCO e-commerce web page together with all other e-commerce related information.

To promote the tools and the work done by the WCO thus far, WCO experts participated in several events, organized by various international organizations and stakeholders, including the

UNCTAD E-Commerce Week that was held in Geneva, Switzerland, in April 2017.

Role of Customs in natural disaster relief

The WCO and representatives of Customs administrations participated in the 2017 Humanitarian Networks and Partnerships Week (HNPW), which was organized by the United Nations Office for the Coordination of Humanitarian Affairs (UN-OCHA). Several Customs related sessions were held during the HNPW, and the WCO was offered the opportunity to present its tools and initiatives in the area of natural disaster relief management.

The event enabled participating Customs administrations, humanitarian actors and private sector representatives to discuss the challenges faced in relief operations and how they could be addressed.

Activities under the Customs for Relief of Epidemic Diseases (C-RED) Project, which is funded by the Dutch Ministry of Foreign Affairs, have begun. Under the Project, support is provided to Customs administrations in West Africa that were affected by the Ebola epidemic, namely Guinea, Liberia, Mali, Nigeria, Senegal and Sierra Leone, to better prepare them in handling future epidemic disease outbreaks and natural disasters.

A workshop was organized to enable these countries to discuss regional and national challenges, as well as solutions to facilitate the import and transit of humanitarian relief goods in times of crisis, based on national, regional and international best practices. In addition, WCO experts have begun providing support on a national basis, which focuses on the analysis and review of the legal framework, and the development of standard operating procedures (SOPs) related to the clearance of relief goods.

More information

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Capacity building

Strategic advisory support and delivery

STRATEGIC ADVISORY SUPPORT and delivery entail needs-assessments through diagnostic missions, the development of comprehensive strategic plans, the implementation of WCO standards, and the regular monitoring of performance indicators. During the 2016/2017 period, the WCO conducted 45 strategic advisory support missions.

Key WCO capacity building tools to support these missions and actions include the Diagnostic Framework, a Risk Management Diagnostic, a Human Resource Management Diagnostic, an Institutional Assessment (enforcement capability), Trade Facilitation Agreement Scoping, and other specific organizational analysis tools.

Mercator implementation plans

Since its launch in June 2014, the WCO has been promoting the Mercator Programme as a strategic initiative aimed at assisting governments worldwide in implementing the World Trade Organization's Trade Facilitation Agreement (WTO TFA) in a uniform manner by applying WCO instruments

and tools, as the TFA provisions relate, to a large extent, to Customs procedures.

During the 2016/2017 period, Mercator Implementation Plans have been developed and endorsed in the following countries: Afghanistan, Bangladesh, Burundi, Cuba, Dominican Republic, Ethiopia, Guinea, Lesotho, Malawi, Namibia, Rwanda, Sierra Leone, South Africa, Sudan, Swaziland, Uganda and Zimbabwe.

Under these plans that represent multi-year engagements across various technical and organizational development matters, more than 40 individual missions were conducted. Multi-year, results-oriented planning is playing an increasingly larger role in the WCO's delivery planning versus ad hoc requests. Both developing and developed WCO Members' experts play a central role in the delivery of these missions, with dedicated contact points in place in all "Mercator countries."

To manage the implementation of these plans as well as further requests from WCO Members for TFA-related capacity building support, the WCO created a

new pool of strategic advisors – Mercator Programme Advisors (MPAs). The first Global MPA Workshop was held at WCO Headquarters with the participation of 19 MPAs. The objective was to listen to live experiences from the MPAs, enabling an exchange views on the Mercator Programme and discussions on how to improve the effectiveness and efficiency of the Programme, from an integral perspective:

- Accreditation process;
- Pre-mission (preparation, communication, logistics);
- In-country dynamics (types of missions, techniques, successes, collapses);
- Post-mission (evaluation, administration, follow-up, continuing commitment).

In order to assist MPA's and related WCO Experts further, the WCO has developed a Handbook for Mercator Programme Advisors, which is available on the Members' section of the WCO website. The WCO also intends holding regular

forums where MPA's and related WCO experts can exchange ideas, experiences and best practices.

Human resource development (HRD)

WCO e-learning platform: CLiKC!

CLiKC! (Customs Learning and Knowledge Community) continues to develop the support offered to capacity building activities, with specific areas devoted to enhancing preparation and communication between participants during specific events such as training workshops or accreditations.

The platform itself underwent a major upgrade at the end of 2016. The new version of its website not only benefits from a state-of-the-art platform, it has also enhanced the possibilities offered to National Coordinators. Users now benefit from simplified and user-friendly navigation, and more robust video conferencing and video hosting functions used in the framework of online courses.

The existing courses on Risk Management, Post-Clearance Audit, Coordinated Border Management and the Revised Kyoto Convention have additionally been translated into Arabic and Amharic. A course on the WTO TFA is now available for WCO Members in English, French and Spanish. To ensure that the platform remains a vital tool for its Members, the WCO is continuing to develop other courses that will be added in due course.

Virtual Customs Orientation Academy (VCOA)

The 4th and 5th sessions of the VCOA – a WCO initiative comprising four highly interactive modules supplemented by online tutoring and two optional modules on the CLiKC! platform – took place in July 2016 and March 2017 respectively, with the participation of 63 Customs officials from 50 WCO Member administrations.

The VCOA's main objective is to provide newly recruited Customs officials with a 14-week unique development opportunity. The learning journey addresses core Customs competencies,

the concepts of clearance procedures and practices, international standards and conventions, and how to apply them in the workplace. Upon completion of the activities, and after being evaluated, 51 successful Customs officers were awarded certificates, seven of them with honours.

Fellowship Programme

Three sessions held during the 2016/2017 period, for English, French and Spanish speakers respectively, brought together 43 officers over a six week period. The Fellowship Programme is associated with WCO leadership and management development programmes.

It aims to invest in middle managers with high potential, and to develop their abilities, skills and knowledge to ensure that they can actively participate in the reform and modernization processes of their administrations. The calendar for the upcoming sessions, as well as details on the selection procedure, is available on the WCO website.

Scholarship Programme

Ten officers participated in the Public Finance Programme at the National Graduate Institute for Policy Studies (GRIPS) in Tokyo, Japan, and 10 officers participated in the Strategic Management and Intellectual Property Rights (IPR) Programme at Aoyama Gakuin University (AGU), which is also located in Tokyo.

Career Development Programme (CDP)

The CDP is an initiative supported by Japan Customs that provides an opportunity for selected candidates from developing Member administrations to undertake work at the WCO Secretariat for 10 months as Professional Associates. Within the framework of the 2016/2017 Programme, which commenced in September 2016 and ended in July 2017, 10 Customs officials – from Angola, Bangladesh, Belize, Benin, Cambodia, Guinea, Mexico, Mongolia, Senegal and Ukraine – worked at the Secretariat on a number of projects and activities.

The involvement of Professional Associates enables WCO Members to enhance their communication with

the Secretariat (especially in those countries where neither of the WCO's official languages are spoken), serves to add to the diversity of the Secretariat's staff, and, more importantly, provides participants with the opportunity to gain international work experience and professional expertise in various Customs matters.

Leadership and Management Development Programme (LMDP)

Eight LMD workshops were conducted during the reporting period. An additional four have been delivered as part of the WCO Fellowship and Career Development Programmes, and a regional training event was delivered as part of the "Executive Programme in Customs & Business Administration" – a seven-week non-degree programme aimed at delivering theoretical approaches and practical information on Customs and international trade, which is funded by the Korea Customs Service.

In addition, four Customs administrations benefited from a "Top Executive Retreat," which is aimed at strengthening the capacity of senior management to lead and drive reform and modernization agendas. At these retreats, a wide range of topics, such as visioning, strategic management, negotiations, people management, change management, and strategic and personal communication, are discussed in great detail.

The impact of the workshops is assessed with the help of a new monitoring tool – a 360 degree performance review of participants and of their environment (superior, colleague of the same level, and two staff members), conducted by the WCO six months after the workshop/retreat has taken place.

The tool was developed in order to enable measurement of lasting impact. Results of the impact assessment show that more than 80% of participants profit permanently from the workshop/retreat, with a tangible and visible improvement of their leadership and management skills, as well as their attitude and behaviour, noted after six months. After adjustments, this modern and automated monitoring tool will also be



implemented for several other capacity building programmes.

People Development Diagnostic Tool (PDDT)

The PDDT is intended to serve as a practical guide for administrations, enabling them to gauge where they stand in the context of HR standards and best practices. Although the tool can be used autonomously in its simplified form by teams in charge of HR modernization within their administrations, WCO Members may benefit from a series of accompanying measures to support their HR capabilities, including a WCO mission.

Five Customs administrations benefited from such missions under the West Africa Customs Administration Modernization (WACAM) Project. These Members have since developed and approved their respective roadmaps for the modernization of their HR

management (HRM), and four of the five Members have already set up an HRM Modernization Committee.

New tools and instruments

Project Management Workshop Package

As the driving force for Customs reform and modernization continues to be the WTO TFA, its entry into force is expected to induce an increase in the presence of projects as countries strive to comply with the provisions of the TFA. To support its Members, the WCO has developed a five-day workshop package in English and French on project management, which is based on the principles laid out in the WCO Capacity Building Compendium. Support has been available to requesting WCO Members since July 2017, and the Package will be piloted in the Gambia and Burkina Faso in the autumn of 2017.

The workshop package was developed under the framework of the Swedish-funded WCO-WACAM Project. The Package focuses on the organizational framework needed for the effective application of project management to Customs and reform initiatives, and introduces participants to all phases of the project management life cycle, namely initiation, planning, implementation (execute, monitor, control) and closing. This interactive workshop is aimed at officers involved in designing, executing and evaluating Customs reform and modernization initiatives.

Training of Trainers Package

In order to ensure the continuous development of competencies within Customs administrations, it is important that WCO Members can rely on a critical mass of experts that can act as trainers to share their knowledge and help the professional development of their peers. In the framework of the WCO-WACAM Project funded by Sweden, the WCO has been able to extensively revise its Training of Trainers Package to reflect the competency-based approach and modern training techniques.

This five-day training package focuses on the following areas: the importance of competency development for organizations, the adult learning cycle, how to develop training modules, how to plan and deliver training sessions, and how to evaluate a training activity. The workshop package will be piloted in Gabon and the Gambia in the autumn of 2017.

EAC Regional AEO Validation Package

Under the WCO-EAC CREATE project that is funded by Sweden, the WCO has supported the Members of the East African Community with the development of a regional AEO Validation Package, which was developed in line with the recommendations of the WCO SAFE Working Group.

The Package covers the areas of supply chain security, AEO programmes and its linkages to the SAFE Framework of Standards and the WTO TFA, AEO pre-validation techniques, AEO validation



techniques, and AEO post-validation management. Its first modules were piloted in June 2017 under the CREATE project, and the remaining modules will be piloted in early 2018.

Integrity

The WCO is continuously reviewing its approach in the area of integrity, in order to take new experiences into account. Different types of missions are organized to respond to specific requests made by its Members. The WCO held the 16th Session of its Integrity-Sub-Committee from 9 to 10 March 2017 that included a joint session with the Capacity Building Committee. A Compilation of Integrity Practices from WCO Members was issued for the session.

From July 2016 to June 2017, the WCO sent integrity assessment missions to El Salvador in September 2017, and to Angola and Guatemala in February 2017. It co-organized and participated in a sub-regional Integrity Workshop in Fiji that took place during July 2016, and organized a Train-the-Trainer Integrity Workshop for the Mauritius Revenue Authority in January 2017.

In the context of the NORAD project, a WCO mission went to Rwanda in December 2016 to assist the Rwanda Revenue Authority with the implementation of its integrity strategy. In addition, a WCO mission went to Liberia in January 2017, following the decision by the Liberia Revenue Authority to resume the implementation

of its performance measurement policy under the project.

The WCO conducted a Corruption Risk Mapping Workshop that was organized by the African Union in December 2016, and was invited, given its expertise, to participate in a United Nations Development Programme (UNDP) Corruption Risk Mapping Workshop. It also attended the OECD Integrity Forum 2017, and made a presentation at the Maritime Anti-Corruption Network (MACN) members' meeting that was held in Dubai in April 2017.

Gender equality and diversity

Given the interest demonstrated by Members during the 7th Session of the WCO Capacity Building Committee, and in order to continue the Organization's commitment to support gender equality and diversity, the WCO Secretariat engaged in a number of initiatives.

In September 2016, the WCO hosted a meeting of the Women in Trade Network that focuses, inter alia, on promoting the proactive engagement of women on topics related to global trade. The event gathered more than 100 women, with European Union Commissioner Cecilia Malmström attending as a guest speaker.

The WCO also participated in a meeting entitled "How does trade policy impact gender equality?" in January 2017, and attended a UNDP Seminar on the role of women in leadership in administrations in the context of trade facilitation and

revenue collection that was held in Cairo, Egypt.

The WCO Secretariat reviewed its LMDP to better incorporate a gender perspective, and in October 2016, it sent a survey to its Members aimed at collecting information on gender and diversity policies within Customs administrations or at a national level, as well as statistics on the overall gender balance within administrations and at senior and middle management level.

Concerning the survey, the WCO has received very good feedback from its Members, with a total of 57 responses. The results will be used to further develop the WCO's gender equality and diversity agenda – for instance, by establishing an informal working group.

Donor engagement

Two donor-related events were held during the 2016/2017 period: one for the WCO West and Central Africa region in May 2017, and another for the WCO Americas and the Caribbean region in March 2017.

WCO capacity building efforts continue to enjoy support from established donors contributing to the Customs Cooperation Fund, such as the Governments of Germany, Japan and Korea, as well as China Customs and Eurocustoms. Other donors include development banks, national development agencies, Ministries of Foreign Affairs and international organizations.

More information

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Compliance and Enforcement

Security Programme

UNDER THE STRATEGIC Trade Controls Enforcement (STCE) Programme, a curriculum and modules for training purposes have been developed to assist in the evaluation of standard operating procedures (SOPs) and work practices dealing with strategic goods, which are defined as weapons of mass destruction (WMD), and conventional weapons and related items involved in the development, production or use of such weapons and their delivery systems.

The STCE training curriculum is being adopted by many Customs administrations across the globe, and the WCO has organized the following training events since July 2016:

- ten STCE national workshops, gathering 270 attendees from 12 different countries and the WCO Regional Intelligence Liaison Office (RILO) Network;
- eight train-the-trainer workshops, gathering a total of 155 experts from 53 different countries, whose ambition was to be accredited as STCE Expert Trainers.

The WCO has also maintained a prominent role in terms of advocacy with regard to the establishment of controls in relation to strategic trade: being present at the United Nations (UN) Security Council's review of Resolution 1540, which was adopted in 2004 to address the risk of non-state actors acquiring WMD; and participating in many different regional and sub-regional events and workshops to support the implementation of Resolution 1540.

Under the stream of work related to small arms and light weapons (SALW), the WCO delivered technical assistance to Mexican Customs and to countries from the WCO Asia/Pacific region, in order to enhance their analytical capabilities in this area. It also conducted Operation Chimera, focusing on the detection of SALW as well as the physical movement of cash and bearer negotiable instruments. The operation resulted in the seizure of 716 weapons and parts thereof, along with 2,500 pieces of ammunition, as well as 11 million US dollars in cash and over 450 million US dollars in bearer negotiable instruments.

Under Programme Global Shield – an initiative to monitor the trade in 14 chemicals that could be diverted for use in the illegal manufacture of improvised explosive devices (IEDs), the WCO organized an awareness-raising seminar for Customs administrations in the MENA region, and conducted industry outreach activities in Kenya and India.

Revenue Programme

Post-clearance audit (PCA)

A new tool, “How to Audit” Typology on post clearance audit (PCA) has been developed. It gathers technical skills currently being applied by auditors around the world, and already contains more than 20 practical cases. A review of the PCA guidelines is also being carried out by a newly established working group, which gathers more than 12 experts from various countries. Moreover, two PCA Technical and Operational Advisors Accreditation Workshops were conducted for French and English speakers respectively.

Operation Pegasus

Customs administrations, representing 92 countries, took part in Operation



Pegasus, a three-week operation coordinated by the WCO, which focused on tackling the diversion of equipment and the products utilized in the manufacture and production of illicit cigarettes. A list of targeted goods and their respective HS codes as well as descriptors were prepared for all participants, including a list of producers located in their jurisdictions. To ensure that the products identified were legitimate and for lawful purposes, additional verification of the end-users or customers were required.

Free zones

A new activity aims at combating illicit trade in tobacco by focusing on monitoring the movement of cigarette containers through regional hubs or free zones. As part of the preparatory process, the WCO Secretariat has started a series of study visits: firstly, to assess the risks associated with free trade zones (FTZs); secondly, to gain a better understanding of the control mechanisms in place; and thirdly, to assess best practice. An operational plan will be drafted incorporating the lessons learned from the study visits, and will be shared with WCO Members in due course.

Drugs and Precursors Programme

Project AIRCOP

Launched in 2010 to build drug enforcement capabilities at international airports, Project AIRCOP has been responsible for the setting up of Joint Airport Interdiction Task Forces (JAITFs) in 16 countries: Barbados; Benin; Cameroon; Cape Verde; Côte d'Ivoire; the Dominican Republic; Gambia; Ghana; Guinea Bissau; Jamaica; Mali; Niger; Nigeria; Panama; Senegal; and Togo. In addition, JAITFs will start functioning in four other countries during 2017: two in Africa (Ethiopia and Mozambique); and two in South America (El Salvador and Peru).

UNODC-WCO Container Control Programme (CCP)

The CCP is a joint initiative between the UN Office on Drugs and Crime (UNODC) and the WCO. Port Control Units (PCUs) established under the CCP are, at present, fully operational at more than 60 ports in 44 countries, and funding for the integration of another 11 WCO Members into the CCP is now available. Given the success of the CCP, a separate joint programme on air cargo control has

been established, with specialized units to target suspicious shipments in this transport segment already operational in Bangladesh, Georgia, Jordan, Pakistan and Sri Lanka. Within the scope of the Programme, since 1 July 2016, the WCO has implemented or planned 144 training activities on different types of techniques to enhance law enforcement agencies' capacities in the maritime and air cargo domains.

Operations

Two operations targeting drug smuggling were organized between July 2016 and June 2017:

- Operation Sports Bag, which focused on "rip-on/rip-off" drug smuggling (i.e. contaminating legitimate container shipments with drugs) between ports in Latin America, North America and Europe, was conducted from January to March 2017 as part of the CCP's activities. The operation led to a number of large-scale seizures of cocaine;
- Project SMART CAT 2, which targeted new psychoactive substances (NPS), was conducted from 1 November 2016 to 31 January 2017. Officials



from 58 Customs administrations and eight RILOs participated in the operation, which was initiated by RILO Asia/Pacific and RILO Eastern & Central Europe. A detailed analysis on the NPS trafficking situation was published following the operation.

IPR, Health and Safety Programme

Extensive capacity building activities in this area have been conducted in 56 countries, taking the form of regional or national seminars and diagnostics. Two large-scale operations were coordinated by the WCO:

- Operation ACIM (Action against Counterfeit and Illicit Medicines), which took place over an eight-day period in 16 African countries during September 2016, led to the interception of around 129 million units of substandard or fake products, 97.51% of which were related to pharmaceuticals;
- Operation Action IPR A/P 2, a follow-up of a previous operation in 2015, gathered 26 countries from the Asia/Pacific region over 19 days in February 2017, with the largest number of cases involving foodstuff, followed by pharmaceuticals and spare parts.

In addition, the WCO also co-organized the annual global operation against illicit medicines, known as Pangea, along with INTERPOL and EUROPOL.

Environment Programme

INAMA Project

Launched in October 2014, the INAMA Project, undertaken in conjunction with the WCO Secretariat's Capacity Building Directorate, aims to strengthen the enforcement capacity of targeted Customs administrations in Sub-Saharan Africa, while focusing on the illegal trade in wildlife, particularly endangered species listed in the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

During the 2016/2017 period, two training events were organized in November 2016:

- one on CITES investigations aimed at enabling participants to improve their awareness, knowledge and competencies on the enforcement of the CITES, and, in particular, in conducting such investigations;
- another on "advanced intelligence," as a continuation of the training on basic intelligence that took place in 2015, aimed at helping participants to improve their capacity to collect, process and disseminate CITES-related intelligence.

In addition, training aimed at building the capacity of targeted Customs officers in planning and coordinating enforcement operations to fight the illegal wildlife trade were conducted in Namibia in May 2017 and in Gabon in June 2017.

As a follow up to this training, an enforcement operation codenamed "Save REP" was organized with the participation of nine countries from East and Southern Africa, including Nigeria and Ghana. A similar operation, gathering Customs administrations from West and Central Africa as well as Madagascar, is ongoing.

Furthermore, the WCO conducted diagnostic missions in Burkina Faso, Cameroon, Kenya, Tanzania, Togo and Uganda, in order to assess the capacity of their Customs administrations to enforce the CITES. As a result of these missions, the administrations completed a work plan for the receipt of further support under the framework of the INAMA Project.

Timber Guide

Forensic analysis of timber can provide robust results, including the identification of the species, age and geographical provenance of a timber sample. The WCO participated in the development of the UNODC Best Practice Guide for Forensic Timber Identification, aimed at assisting frontline officers, crime scene investigators, law enforcement officials, scientists, prosecutors and the judiciary among others. The Guide covers the whole chain of events, providing information on best practices and

procedures from the crime scene to the courtroom, with the aim of facilitating the employment of forensic science to the fullest extent possible, in order to identify timber and combat timber crime.

International Consortium on Combating Wildlife Crime (ICCWC)

Under the auspices of the ICCWC, which comprises the WCO, the CITES Secretariat, INTERPOL, the UNODC and the World Bank, support is provided to national enforcement agencies involved in the protection of wildlife.

Activities undertaken mainly revolved around the implementation of the Wildlife and Forest Crime Analytic Toolkit, which enables a comprehensive analysis of existing systems in the area of wildlife and forest protection to be conducted and technical assistance needs to be identified. Since 2016, Angola, the Bahamas, Colombia, Congo, the Democratic Republic of Congo, Guyana, Kenya, Mexico and Mozambique have received technical assistance.

Moreover, the WCO also supports INTERPOL, under the ICCWC umbrella, with an ongoing multinational and transcontinental enforcement operation focused on clamping down on ivory and rhino horn smuggling. The operation started in November 2016 and is scheduled to be concluded by December 2017.

The WCO, as a member of the ICCWC, participated in drafting the high-level and internationally recognized "Hanoi Statement on Illegal Wildlife Trade," which states, amongst other things, that the signatories "welcome the ongoing initiatives and programmes instituted by the WCO and its Members to strengthen controls in the global supply chain, and welcome the significant contributions made by the various Customs administrations in seizing illegally traded wildlife products."

The Airport Wildlife Trafficking Assessment Tool

The International Air Transport Association (IATA) and the WCO developed the assessment tool, with support from the Reducing

Opportunities for Unlawful Transport of Endangered Species Partnership funded by USAID. The objective of the tool is to help airports assess the security measures in place to counter the transport of illicit wildlife products. The tool was piloted at Maputo International Airport (Mozambique) in November 2016 and at Hanoi International Airport (Vietnam) in December 2016, and five additional assessments are planned for 2017 and 2018.

Electronic crime

During its last meeting, the WCO Electronic Crime Expert Group (ECEG) examined the DarkNet (an overlay network that can only be accessed with specific software, configurations or authorization, often using non-standard communication protocols and ports), big data analysis, social network analysis and risk management, as well as software and hardware for computer forensics.

Cultural objects

In continuation of its efforts to support the implementation of UN Security Council Resolution 2347 on the protection of cultural heritage in the event of armed conflict (adopted in March 2017) and the WCO Resolution on the role of Customs in preventing illicit trafficking of cultural objects (endorsed by the WCO Council in 2016), the WCO raised awareness on this issue among Customs administrations, promoted the use of the ARCHEO communication tool, and has started developing a training compendium for Customs officers.

To do so and as a first step, it organized a workshop in April 2017 for the North of Africa, Near and Middle East (MENA) region, with the aim of performing a gap analysis and developing recommendations on the needs of Customs in the region. The region was chosen as a priority because of the serious security situation, the scale of looting, the subsequent illicit trafficking of cultural objects, and possible linkages of these activities to terrorist financing. Based on the recommendations, the WCO organized a train-the-trainer event for MENA region experts in September 2017.

Besides developing further training modules, the WCO is also planning, in conjunction with INTERPOL and other partners, to organize a global enforcement operation that will target the smuggling of cultural objects.

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WCO tools

The CEN suite

The CEN suite includes three stand-alone applications, namely the Customs Enforcement Network (CEN), the National CEN (nCEN) and the CEN communication platform (CENcomm), which are compatible and complimentary in nature – each supporting Customs with the digitalization of operational processes in the enforcement field.

During the 2016/2017 period, the nCEN was deployed in six new countries, namely Guinea, Haiti, Philippines, Sierra Leone, Ukraine and Vanuatu. Besides the new deployments, the following 19 countries use the nCEN to support their analytical and risk management processes: Angola, Botswana, Burundi, Comoros, Fiji, Georgia, Kenya, Lesotho, Malawi, Maldives, Mali, Mauritius, Mozambique, Namibia, Seychelles, Swaziland, Tanzania, Uganda, and Zimbabwe.

The use of CENcomm continues to expand rapidly, and was used to host 93 operations and projects during the 2016/2017 period, which demonstrates the continuing upward trend in activity in recent years.

Following the release of a new version of the CEN and the nCEN, the WCO began a modernization project for CENcomm, which is intended to improve the overall functionality and user experience, as well as interconnectivity and protection against the latest data security threats.

WCO Cargo Targeting System (CTS)

The CTS enables user countries to capture advance electronic cargo manifest information, and to perform risk assessment, profiling and targeting. To date, the WCO CTS' maritime cargo capability has been deployed in two new countries, namely Kenya and Ukraine. The WCO CTS' air cargo capability is still under development and is currently being piloted in New Zealand and Panama.

Customs Operational Practices for Enforcement and Seizures (COPES) Project

During the last two years, under the COPES Project, three-days training was delivered at 17 events, regional seminars and/or national workshops. Thus, 392 participants from 72 countries, representing Customs and other border officials, received training that was primarily aimed at promoting best practices concerning evidence collection and seizures in relation to investigative and prosecutorial functions.

Furthermore, funding has been found to further roll out the COPES concept in the next three years, and will comprise six main activities:

- the design of a new and more consistent five-day training exercise;
- the accreditation of regional COPES experts;
- the organization of awareness-raising regional seminars for senior management;
- the organization of national workshops for frontline officers;
- the creation of COPES e-learning modules;
- the update of the COPES Compendium.

Global Trade Enforcement Network (GTEN)

The GTEN system, set up to enable administrations to exchange information and intelligence in order to combat commercial fraud, is now fully operational in 33 countries, and four RILOs are currently using it too.

More information

enforcement@wcoomd.org





Election

Mr. Enrique Canon, the Director General of Uruguay Customs, was elected Chairperson of the Council.



Signing ceremonies

During the 2017 Council sessions, the WCO signed several Memoranda of Understanding (MoU):

- First, one with Mexico Customs on the establishment of a WCO Regional Customs Laboratory in Mexico;
- Second, one with Turkey Customs on the establishment of a WCO Regional Dog Training Centre (RDTC) in Ankara;
- Third, one with US Customs and Border Protection on the establishment of a WCO RDTC in the United States.

More information

www.wcoomd.org/en/about-us/partners/mou-new.aspx

2017 WCO Photo Competition

“No matter the weather, Customs still do their job” is the caption of this year’s winning entry from Kyrgyzstan Customs. The photo shows a Customs officer checking the shipping documents of a truck at Torugart, the Kyrgyz-Chinese road border crossing point. Although the photo was taken in May, the climatic conditions at 3,550 metres above sea level are still rough at this time. The winter lasts about 9 months in this region with temperature going below 40 degrees Celsius, and with frequent blizzards and snowstorms.

65th anniversary in pictures

A RECEPTION, SPECIALLY organized in honour of the 65th anniversary of the WCO, gathered delegates to the Council Sessions, the staff of the Secretariat, and current as well as former Professional Associates from the WCO-Japan Career Development Programme.

The former Professional Associates, who were invited to attend the Council Sessions, had participated in

a competition and the winners were handed their prizes by the Director General of Japan Customs, Mr. Mikio Kajikawa, during the event.

Guests attending the reception were welcomed by the Secretary General of the WCO, Dr. Kunio Mikuriya, and entertained by the Belgian Customs band while they enjoyed a sumptuous buffet dinner.





True leadership through greater awareness

By Rob Jansen,

PROGRAMME MANAGER, LEADERSHIP AND
MANAGEMENT DEVELOPMENT PROGRAMME, WCO

Since 2015, Directors General of Customs and their executive teams have been able to participate in a ‘Top Executive Retreat,’ as a means of further strengthening their capacity in implementing change and in achieving organizational results. This article explains what a retreat is all about and the benefits that can be derived from attending such an event.

AT THE END of a WCO Top Executive Retreat (TER), the Director General of a Customs administration and his/her executive team leave with many new and fresh ideas on how to proceed with their main strategic challenges. They feel energized and full of confidence because, as a team, they have become stronger. Not only do they have clear objectives and expectations, their cooperation will also, from now on, be based on the three most important pillars on which every solid team should be built: trust, openness, and the value of disagreements.

In addition, the team have learned to ‘stand’ in their personal leadership, not a leadership based on power and position, but a personal leadership grounded in ‘self.’ Most importantly, they have become more aware of who they are, more aware of how to first manage themselves before leading and managing others, more aware of how to really understand others, and more aware of how to positively influence and have a real impact on others.

The above paragraphs describe in a few words what you can expect from participating in a TER, the more recent ‘product’ of the WCO Leadership and Management Development (LMD) Programme. The event is held over 3.5 days, and activities are divided between mornings, afternoons and evenings. Although each retreat is tailor-made based on the inputs received from members of the executive team, all share identical features and steps which are detailed below.

The mornings

Morning sessions are dedicated to personal development, leadership attitude, and behaviour and management skills. It is essential for strong leadership to have a strong vision. Not a purely rational and clever vision that covers all the needs of a modern Customs administration, but a vision that demonstrates personal passion. Robert K. Greenleaf, the founder of the Center for Servant Leadership said, “It begins with the natural feeling that one wants to serve, to serve first. Then conscious choice brings one to aspire to lead.”





“The retreat only lasted three days, taking into consideration the fact that it is very difficult to remove senior people from their desks for too long; however, the work that was done in this short time was invaluable. The team was exposed to a number of critical issues that needed attention. Not only did we learn the value of establishing a climate of openness and honesty, which allowed for feedback from all the participants, it also enabled us to see the blind spots and take action. Such retreats are useful in that they are meant to change habits that have been formed over time. It is therefore one’s wish that they could be held more frequently.”

Dumisani E. Masilela,
Commissioner General, Swaziland Revenue Authority

“I was particularly impressed with the unusual way in which this retreat took place. The night sessions called ‘around the fireside’ were real approaches to discovering the personality of others. I understood that the objective of the retreat was, above all, to ‘break the ice’ between colleagues, in order to create a team that communicates and therefore, a performing team. It was a success because, through the often very moving personal stories that colleagues shared about their lives, our team gained in confidence, sincerity and probably efficiency.”

Michéline Iboudo,
Deputy Director General, Burkina Faso Customs

Next to vision, awareness is the key word in leadership. It all starts with knowing oneself and being aware that your qualities, beliefs, convictions, values and vision, influence the way you perceive situations, people, challenges or opportunities. The next step is to be mindful of your own thoughts, emotions - like fear, anger or joy -, as well as words and deeds at all times, in order to better manage yourself. The last step is to really understand others, to really listen to others, and to find out why and how they think and act as they do. This is a difficult, but necessary attribute for leaders as well as managers to acquire.

With these ingredients – strong vision, self-awareness and the capacity to manage oneself and understand others – it is possible to influence others and have a positive impact on them. During the morning sessions, the relation between these four ingredients and the outward roles and responsibilities of leaders and managers is constantly explored. Motivating, delegating, delivering and ensuring feedback, as well as coaching and communicating, are the topics put forward.

The afternoons

The afternoon sessions focus on the strategy and the modernization plan and priorities of the Customs administration. The objective is to agree on a way forward and how to deal with the challenges related to management and communications that might have been identified. While it is important to understand which actions have to concretely be done, the added value of the meeting lies somewhere else.

Firstly, the TER addresses the role and responsibility of different levels of managers in order to clarify the role of executive managers:

- operational managers have to learn to manage people instead of being ‘the best expert’ that does all the work himself/herself;
- senior managers have to develop the skill of managing strategically by focusing on processes, the future,

priorities and bringing balance to the organization;

- executive managers are challenged to lead and inspire the entire administration, and to reach out beyond the organization by building relationships with other relevant parties like the trade community, other Customs administrations, and the political and governmental systems.

Secondly, emphasis is put on ‘how’ to lead and inspire the entire administration. The success and outcomes of modernization plans and related implementation efforts is certainly not only dependant on the brilliance and content of the plan itself. The way top managers involve their staff and communicate with them, their ability to delegate, to inspire trust, to share their belief and passion, and to focus on the wellbeing of the staff, are often of greater importance.

Theories are presented and discussed, but the facilitators animating a TER concentrate mostly on asking probing questions and giving feedback. The aim is to enable the participants to experience what it really means to be an executive manager. Although participants might feel as if they are in a ‘constant confrontation’ state, understanding how to lead while ensuring a balance between ‘focus on content’ and ‘focus on relations’ comes as a relief to them.

The evenings

The team building activities take place during the evening sessions. These sessions are rather surprising and go far beyond the traditional approaches to team building. In a relaxed atmosphere, the executive team experiences what it is to be open and what it means to be personal, even vulnerable.

However, the ultimate objective is not only to build a strong executive team, but to create a high performing Customs administration. Such an administration must be a learning organization; an organization where giving and receiving feedback is not

an awkward moment, but is a driver for enhancement; an organization that doesn’t employ human resources, but human beings.

Unfortunately, too many Customs administrations still rely on hierarchical, authority-driven leadership and management styles that focus on traditional practices related to planning, organizing, directing and controlling. But, having excellent management skills is not enough to deal with objectives in terms of revenue collection, compliance, trade volumes, trade facilitation, security and integrity. An exemplary executive team is needed that aims to build leadership throughout the administration, in order to lay the foundation for a swifter organization and to modernize Customs processes.

The evening sessions aim to make the executive team aware that coping with all these challenges requires the involvement, or better commitment and enthusiasm, of all members of the administration. Participants are stimulated to use these insights and their personal experience after ending the retreat. It is now up to them to further spread this new spirit throughout the rest of the organization.

The LMD Programme

Up to now, six retreats have been delivered so far with success as the contributions from participants published alongside this article show.

Besides the TER, another important element of the LMD Programme is the LMD workshop for senior managers. The 10-day workshop is based on the same principles as the TER, but approaches leadership and management issues slightly differently, giving participants more time to understand, discuss and digest its content.

The WCO would recommend the combining of a TER and an LMD workshop to get the most desired outcome: executives and senior managers ‘speaking the same language’ in leading and managing important changes in the organization.

This is especially important right now, as administrations have to step up their efforts in implementing the provisions of the World Trade Organization's Trade Facilitation Agreement. Such an endeavour requires not only technical expertise, but most of all for Customs officers to demonstrate the right leadership and management skills whatever their managerial positions.

LMD facilitators feel positive, proud and pleased when, at the end of a TER, they watch a team walk out to start working

on their own and on their organization's transformation. Feedback shows that participation in a TER, as well as in an LMD workshop, provides an important impetus for modernization.

I hope that this article will have caught the interest of Customs leaders and managers, whom I look forward to meeting during a future TER or LMD workshop.

More information

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The LMD Programme is very grateful to its former donors, namely Finland's Ministry of Foreign Affairs and the World Bank. To maintain and further develop the LMD Programme, new funding is necessary. Potential donors, Customs administrations and individual readers are gladly invited to respond to this article.

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Enhancing results in the fight against the illicit trade in cigarettes: Dominican Customs' positive experience



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By the Dominican Republic's Customs Directorate

ILLICIT TRADE ENDANGERS the healthy structure of trade and industry, and requires constant vigilance from Customs administrations, which, due to their position at the border, play a critical role in combating this trade that causes enormous detriment to state revenues and that of industries around the world.

There are several types of illicit trade activities, including money laundering, drug trafficking, the smuggling of precious stones and metals, and the trade in counterfeit and pirated goods, as well as the trafficking of people and endangered or protected wildlife. A chart (see Figure 1), published by the Organisation for Economic Co-operation and Development (OECD), shows estimates of the revenue generated according to each type of illicit

trade – tobacco, which is in fourth place, accounts for lost revenue amounting to about 40 billion US dollars.

Illicit tobacco trade occurs in all parts of the world, regardless of the level of income of a country. It encompasses practices related to the distribution, sale or purchase of tobacco products prohibited by law, such as tax evasion (sale of tobacco products without payment of applicable taxes), falsification and concealment of the origin of products, as well as contraband.

Cigarettes sales account for about 90% of the global tobacco market. Although there has been a drop in the number of cigarettes sold, its market value has increased [IMARC (2017), "Cigarette Market: Global Industry Trends, Share, Size, Growth, Opportunity and Forecast 2017-2022"].

The WCO 2010 'Customs and Tobacco Report' states that "where goods are highly taxed, easily portable and penalties remain relatively light for trafficking, trans-national criminal organizations will take advantage of any weaknesses in Customs, revenue or other border controls to amass profit." Trafficking not only affects state revenues, it is also a source of income for criminal and terrorist organizations, according to the 2014 edition of the WCO "Report on Illicit Trade".

Measuring illicit trade is somewhat complex because of its stealthy nature. A study by the World Health Organization (WHO) estimates that 1 in 10 cigarettes consumed in the world comes from illicit trafficking [www.who.int/fctc/mediacentre/news/2015/wtnd2015/en/].

The chart (see Figure 2) published by Euromonitor International for the 2009 to 2014 period shows the growth rate of the illicit tobacco market over time: the Latin American market grew by about 12%; the Middle East and African markets showed the largest growth in volume of illicit cigarettes sold; and the North American, People's Republic of China and Asia Pacific markets had decreased.

Another graph (see Figure 3) shows the global cigarette volumes produced in 2015 by the four largest tobacco companies. Here we see the extent of illicit cigarette trade, ranking third and with values almost reaching those of British American Tobacco.

The Dominican Republic's experience

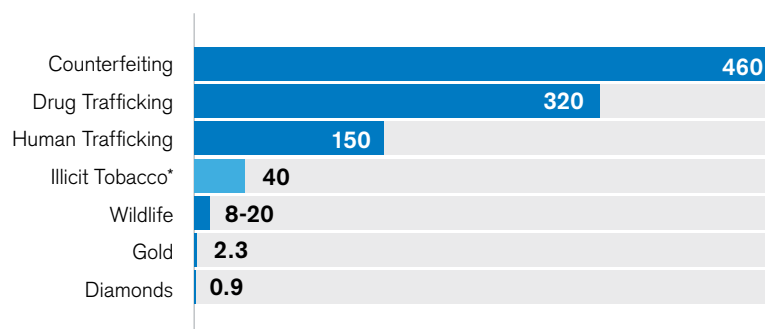
The Dominican Republic's General Customs Directorate (DGA) is aware that, in a small economy, such as theirs, any wrongdoing can generate company bankruptcies in a short time, which could negatively impact job availability, social welfare and state income.

Therefore, the DGA deals with all illicit cross-border trade in the same way. No case is minimized or dismissed, and Customs enforcement is carried out in a planned manner, with inspections being based on risk assessment, taking into consideration possible damage to environment, health, and competition policy.

The number of cigarette smuggling cases in recent years confirms that it is an important and increasing activity. To fight back, the DGA asked representatives of local tobacco companies to participate. This collaboration has enabled Customs to gain more information on the incidence of illicit sales of cigarettes in the country. The results of the "Empty Pack Survey" provided by Phillip Morris Dominicana show the evolution of illegal cigarette consumption in the Dominican territory during the 2013-2016 period (see Figure 4).

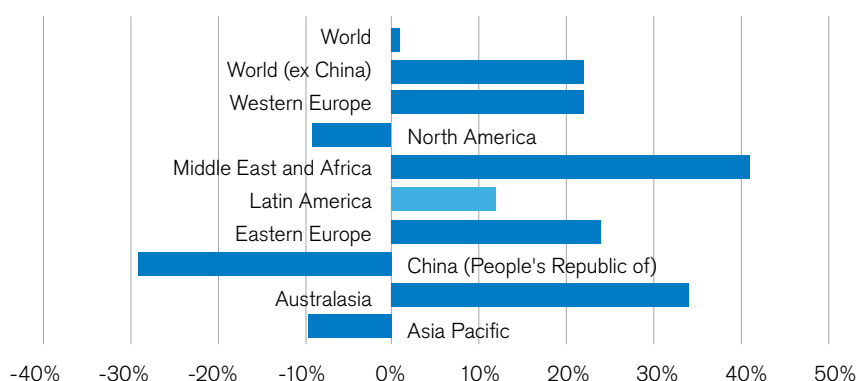
Although these results are nothing but a snapshot of a given moment in a year, they reveal that the number of cigarette

Figure 1. Illicit Trade
Estimated international revenue by sector (2016 or latest), Billions US\$



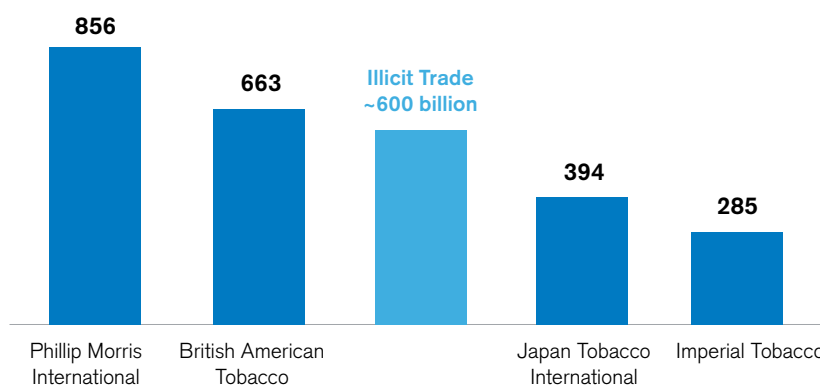
* Lost revenue
Source: Converging Criminal Network, OECD

Figure 2. World illicit trade in cigarettes by volume growth 2009-2014



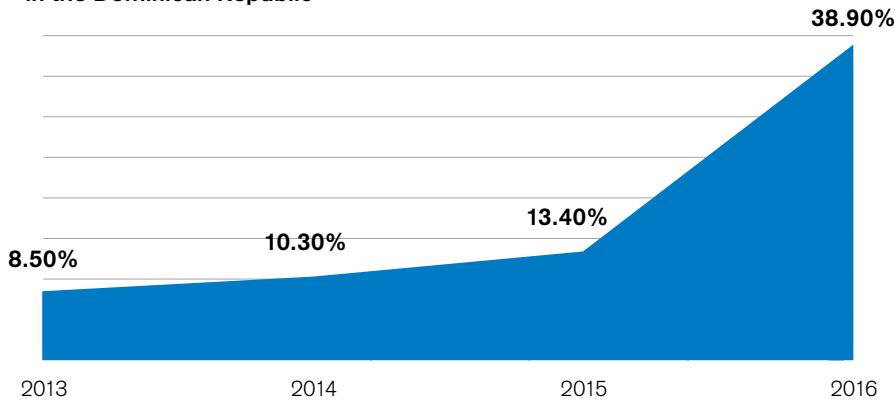
Source: Euromonitor International (2015): Global Tobacco: Key Findings, Part I – Cigarettes, the ongoing quest for value, July, "Regional trends in illicit trade", p.25

Figure 3. Total Global Volumes 2015



Source: Companies' respective annual reports and www.stopillicitcigarettes.com

Figure 4. Non-domestic cigarette packs incidence trend in the Dominican Republic



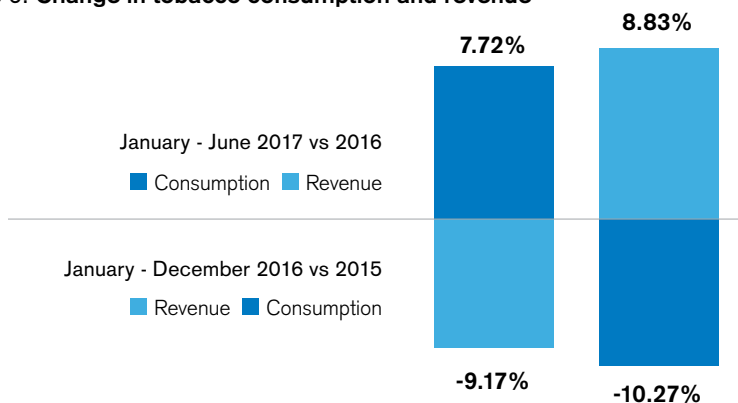
Source: Empty Pack Survey 2016. MSIntelligence

Figure 5. Number of cigarettes destroyed in millions of units



Source: DGA

Figure 6. Change in tobacco consumption and revenue



Source: Data from the general Directorate of Internal Revenue (DGII) and the DGA.

* The statistics presented correspond to the number of cigarettes or tobacco sold, presented by the sector's taxpayers to DGII plus the imports declared to DGA

packs being sold on the black market has been increasing steadily over the years.

Aware of the growing problem, the DGA has taken specific measures to try to remedy the situation. During the 2012 to 2016 period, around 90 million cigarettes had been seized. Having intensified its efforts, just between August 2016 and August 2017 only, a total of 123.9 million cigarettes were seized and destroyed by Customs (see Figure 5).

Based on data from tobacco consumption and the revenue derived from it, the DGA can see the results of its efforts over the last year, enabling a total rethink of the level of cigarette consumption in the country, and the impact on the level of collected revenue. In 2016, compared to 2015, Customs saw a decrease in imports of tobacco and in revenue from tobacco sales. In comparing the first six months of 2017 with 2016, an increase in both revenue and consumption has been noted (see Figure 6).

Much of the success that the DGA has had in dealing with the illicit cigarette trade is due to several strategies implemented after 2014. These include the signing of a cooperation agreement with US Immigration and Customs Enforcement (ICE), information exchange with tobacco companies, the use of a tracking and tracing system, as well as coordinated operations with border authorities and law enforcement agencies at strategic points on the island.

Cooperation with other government agencies

Thanks to the cooperation agreement with ICE, the DGA has been able to strengthen the efficiency of its Trade Transparency Unit (TTU). The unit detects anomalies and suspicious trade activities by analysing the details of commercial transactions visible to both countries. To do so, it relies on a specialized system called the "Data Analysis & Research for Trade Transparency System" (DARTTS), which enables complex analyses to be conducted. The system contains trade

Although cigarettes with recognized trademarks are occasionally introduced into the country illegally, most of those seized by the DGA fall within the 'illicit whites/cheap whites' category – these are branded cigarettes legitimately produced by independent manufacturers located in various regions of the world, for which there is no real legal market for their sale, or they are only or mainly intended for the illegal market of another country.

data from both the United States and other countries, allowing transactions that do not follow normal patterns to be identified.

Dominican Customs has also strengthened its relationship with national public institutions, especially the Office of the Attorney General (as the prosecution and criminal subjection of offenders for these crimes is the responsibility of the public prosecutor's office), and the General Directorate of Internal Revenue (as these crimes have repercussions on the internal taxes applicable to beverages and cigarettes).

Officers of the DGA's Intelligence Department carry out inspections together with their counterparts from the National Police and the above-mentioned institutions. These operations take place at ports, airports and borders, and have led to substantial amounts of smuggled products being detected.

Public-private partnerships

The private sector plays a key role in preventing contraband and effectively tackling illicit trade by passing information on suspicious activities or behaviour to Customs officials.

A Memorandum of Understanding (MoU) has been signed between Dominican Customs and Phillip Morris International to formalize cooperation in the fight against cigarette smuggling, thus improving Customs' seizure outcomes.

In recognizing the DGA's efforts, Alvise Giustiniani, the Vice President of Illicit Trade Strategy & Prevention at Phillip Morris International, declared that, "Illicit trade damages the economy and society, and is a real threat to national security. Its eradication is a challenge too big for any one group, government or company to achieve alone. The Memorandum of Understanding Philip Morris International signed with the Dominican Republic's Customs Directorate demonstrates how governments and the private sector can collaborate effectively for greater impact. We welcome the Directorate's strong leadership and focus addressing the illicit tobacco trade, which has already achieved significant success in protecting business, the economy and citizens from this crime."

This strategy was also adopted by Panama Customs, which also received recognition of its efforts by the private sector. According to Alfredo Argueta, the Country Manager for British American Tobacco in Panama, the Panamanian administration "faithfully follows the successful actions taken by the Dominican Customs as an example on how to reduce the trade in cigarettes entering or leaving Panama's territory fraudulently."

Tracking

Thanks to the use of a tracking and tracing system with stamps being required on every cigarette pack, as well as the analysis of container variables (weight, quantity, importer, etc.), the DGA's intelligence officials have been able to better find illegal cigarettes, which are often hidden in containers filled with construction material, rolls of cloth, confectionery or energy drinks, among others.

Although cigarettes with recognized trademarks are occasionally introduced into the country illegally, most of those seized by the DGA fall within the 'illicit whites/cheap whites' category – these are branded cigarettes legitimately produced by independent manufacturers located in various regions of the world, for which there is no real legal market for their sale, or they are only or mainly intended for the illegal market of another country, or they are smuggled into a destination country and sold without duties and taxes being paid.

Aware of the dynamic nature of illicit trade and that offenders change and adapt their techniques, including declaring cigarettes as lower risk merchandise in an attempt to take advantage of trade facilitation benefits, Dominican Customs is constantly updating its risk management parameters. In addition, before 2014, cigarettes seized from illicit activities were sold at public auctions, but after 2016, the DGA began incinerating all of them to protect its citizens, while securing healthy competition for licit and formal traders and distributors which supply the market.

Conclusion

Dominican Customs understands that contraband, as well as tax evasion, cannot easily be eliminated, but can be reduced by following a comprehensive governmental approach, which requires, above all, strong political will to address all aspects of the illicit trade problem.

Similarly, the DGA recognizes that fully trained human resources are one of the key tools in the fight against illicit trade. Customs officials need to be able to use technological resources and data sources to increase their effectiveness in detecting illicit trading schemes, thus enhancing cross-border enforcement and protecting state revenue, while ensuring the health of the Dominican Republic's people.

More information

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Customs officials check a warehouse where goods sold online and to be shipped abroad are stored

Cross-border e-commerce in China

**By Hao Wu
and Robert Ireland¹**

WCO RESEARCH UNIT

E-COMMERCE – THE trade in goods and services via the Internet – has become a growing component of the global economy, and cross-border e-commerce a major topic of discussion for Customs authorities. Accordingly, the WCO has placed this subject high on its agenda, including:

- creating a dedicated Working Group on E-commerce (WGEC) as a forum for WCO Members and the private sector to discuss strategies for the facilitation and control of cross-border e-commerce transactions;

- undertaking fieldwork and research to collect and analyse the experiences of WCO Members in this domain.

The first research mission took place in China, a country where the success in e-commerce is palpable and continuing to grow potently. Fieldwork was conducted in Shenzhen, Shanghai and Hangzhou from 21 to 28 March 2017 with the support of China Customs. The objective was to obtain first-hand information that would enable the WCO to develop appropriate standards, instruments and tools on cross-border e-commerce.

In advance of the mission, the WCO had sent a questionnaire to representatives of

government agencies and e-commerce companies in China that it had arranged to meet. These included the Customs offices in Shenzhen, Shanghai and Hangzhou, the Commission on Customs and Trade Facilitation of the International Chamber of Commerce (ICC) China, the Committee of Hangzhou Cross-border E-commerce Comprehensive Pilot Area and the Authority of Shenzhen Qianhai, as well as Alibaba, SF Express and YTO Express.

At the meetings, participants presented their experiences in supervising and operating cross-border e-commerce transactions, and discussed the challenges faced and the international instruments and standards needed.

¹ Robert Ireland has since left the WCO Secretariat

The WCO delegation also visited the operational sites of the Customs offices in Shenzhen and Shanghai, as well as the bonded warehouse belonging to the China Merchants Group, Alibaba's 'OneTouch Business Service,' Caohejin Hi-Tech Park, and the logistics hub of SF Express.

A snapshot of China's cross-border e-commerce industry

E-commerce has been burgeoning in China since 1997. After two decades of continued growth, the e-commerce industry keeps booming while adopting various modes (e.g. B2B, B2C, C2C and O2O). Cross-border e-commerce began to grow significantly in 2011 and is now an important part of Chinese foreign trade. China's major foreign trading partners in e-commerce are the United States, Russia, Brazil, Spain, the United Kingdom, Australia, France, Italy, Japan, Canada, Germany and South Korea, according to the E-Commerce Connectivity Index (ECI), created by Alibaba.

Cross-border e-commerce transactions, particularly in B2C terms, entails e-transactions, e-payments and logistics. There are a mass of market players in China, including e-platforms (e.g. Alibaba), e-payment operators, e-vendors, warehousing operators, and express shippers (e.g. SF Express and YTO Express), which jointly operationalize massive online transactions and offline deliveries on a day-to-day basis.

In fact, cross-border e-commerce impacts economies in different ways. It (i) enables diversified products from all over the world to be supplied to consumers; (ii) encourages small and medium-sized enterprises (SMEs) to participate in international trade; (iii) improves economic competitiveness; (iv) spurs innovation (e.g. many Chinese e-platforms are utilizing 'big data' to analyse and monitor cross-border e-commerce transactions); and (v) creates jobs – according to the Ali Research Institute, the Alibaba Group's research arm, there are over 2 million people working in the field of e-commerce in China; SF Express, the largest Chinese express shipper, states

There are over 2 million people working in the field of e-commerce in China; SF Express, the largest Chinese express shipper, states that it has employed approximately 124,000 staff members.

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China's general policies on cross-border e-commerce

Aware of these benefits, the Chinese government has embarked on issuing a series of policies in favour of this industry. China's National People's Congress is currently reviewing the draft E-commerce Law, which includes a special chapter on cross-border e-commerce. The text explicitly requires government agencies to take measures to, among other things, facilitate the processing of cross-border e-commerce transactions, and ensure their legal compliance by means of, for example, building pertinent regimes, sharing information, and using paperless systems.

But encouragement policies date way back. In August 2013, the Chinese government promulgated a notice requiring relevant government agencies to put in place measures that support cross-border e-commerce, in response to the new trends in foreign trade and the emerging needs of traders and consumers. Later on, in June 2015, it published the 'Guiding Opinions on Promoting the Healthy and Rapid Development of Cross-border E-commerce.' In this document, the Chinese government rolled out its strategy to foster cross-border e-commerce, which encompassed a number of measures:

- encouraging enterprises to engage in international trade through e-commerce;
- strengthening major e-platforms;

- enhancing Customs and quarantine procedures;
- improving cross-border payment services;
- providing financial support to e-commerce companies;
- promoting the functions of trade associations.

At the local level, municipal governments in some cities are encouraged to explore ways in which they can integrate different administrative resources and provide comprehensive services in order to hatch cross-border e-commerce. For example, in Shenzhen, China's fourth biggest city, 99% of cross-border e-commerce operations are processed within Qianhai, which is part of the Guangdong Pilot Free Trade Zone (FTZ).

The Authority of Qianhai has created a special division to attract and serve e-commerce industries by regularly holding meetings with cross-border e-commerce players within the FTZ, clarifying FTZ policies, and gathering questions to be addressed by other government agencies. Moreover, as Qianhai is located within a FTZ, goods exported from Qianhai can be imported into a foreign FTZ and stored under bonded conditions; if purchased, the goods can be conveyed from the FTZ to a foreign market upon Customs clearance; in other cases, the goods can be shipped to a third country or returned to Qianhai without any duty payment.

In addition, the Chinese government has also approved a dozen cities to found cross-border e-commerce comprehensive pilot areas, with a view to hatching this emerging industry. Hangzhou, which is also known as China's e-commerce capital, was the first to be approved, on the back of its achievements in mobilizing different administrative resources.

To hatch SMEs and new entrants in this industry, the municipal government of Hangzhou has established systems that enable e-platforms, banks, logistics operators and government agencies to share data and information for the purposes of identifying non-compliance risks, protecting intellectual property rights (IPR), facilitating financial flows,



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monitoring the behaviour of enterprises, compiling statistics, implementing sanitary and phytosanitary regulations, etc. Moreover, the municipal government, in partnership with some e-platforms (e.g. Alibaba and Amazon), delivers capacity building and training to SMEs and new entrants.

Customs regulations on cross-border e-commerce

Announcement No. 26 on Matters concerning the Supervision of Retail Imports and Exports in Cross-Border E-commerce, issued by the General Administration of China Customs (GACC) in April 2016, among other things, is the principal Customs regulation on cross-border e-commerce. The Announcement applies to all individuals and companies that engage in retail imports and exports via e-platforms, including e-vendors, e-payment operators, e-platform providers (either self-run or a third-party), and logistics operators.

All cross-border e-commerce players are obliged to register with their local Customs house and on the Cross-Border E-commerce Clearance Service Platform, which is part of the Chinese E-port Portal maintained by the GACC.

Before any import or export transaction, all cross-border e-commerce players are required to input information about the transaction (e.g. purchase order) and payment/logistics (e.g. waybills) to the Clearance Service Platform. Thus, Customs officials are able to compare

information on the same transaction coming from different sources and identify any risks contained therein.

The e-vendors or e-platforms have to also declare the import or export electronically to Customs. The declaration can be conducted through the Manifest for Cross-Border E-Commerce Retail Consignments. If a consignment is identified as not being legally compliant, it will be investigated.

As e-commerce highly depends on 'just-in-time' delivery, the GACC, since May 2015, has required its Customs offices to provide all-year-round services to cross-border e-commerce and to ensure that Customs clearances, under normal circumstances, are processed within 24 hours upon arrival of consignments.

China Customs levy tariffs, value-added taxes (VAT) and excises on retail imports of cross-border e-commerce. The dutiable value is the actual transaction price, including cost, insurance and freight (CIF). Purchasers should pay the duties and taxes, but e-platforms or e-vendors, if they have deposited sufficient guarantees, may pay the duties and taxes and then claim reimbursements from the purchasers. Some authorized companies may pay the duties and taxes to Customs periodically, rather than on a consignment by consignment basis.

For the sake of consumer welfare, the GACC, together with other government agencies, has published a

list of commodities. When a consumer purchases a listed commodity, he/she is exempt from tariff collection and needs only to pay 70% of the applicable VAT and excise, on condition that a single import does not exceed 2,000 Chinese yuan and that the accumulated value of imports for the same individual within one year does not exceed 20,000 yuan. In other words, each purchaser is vested with a quota on certain goods within which he/she may enjoy a zero tariff and a 30% discount on VAT and excise.

According to the GACC, this policy not only spurs consumers' purchases, but also encourages imports, and results in increased revenue collections. Moreover, as cross-border e-commerce transactions are supervised through the Clearance Service Platform, the evasion of duty and tax is minimized.

The road ahead for cross-border e-commerce

Cross-border e-commerce is still in the course of fast growth. Unprecedented trading techniques and modes, stemming from this industry, also continue to balloon. While the contributions of cross-border e-commerce to a country's economy are apparent (e.g. acting as a positive catalyst for economic competitiveness), there are safety and security issues that must be borne in mind (e.g. the impact on the environment, counterfeit goods and cyber-enabled smuggling), which lead to a number of challenges on the road ahead.

Several best practices can be drawn from the Chinese experience in governing cross-border e-commerce. In particular, (i) the central government develops its strategies and roadmaps for boosting cross-border e-commerce at the national level, (ii) all relevant government agencies issue specific, but aligned policies and regulations on cross-border e-commerce within their remits, and (iii) the municipal governments are allowed to experiment with measures they deem most suitable for local conditions.

More information

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A convoy of lorries waiting to depart from Bangui

Fragile borders and Customs activities in a post-conflict situation: the case of the Central African Republic

By Thomas Cantens,

WCO RESEARCH UNIT,

and Sidoine Yeremi,

NATIONAL CUSTOMS EXPERT, CENTRAL AFRICAN REPUBLIC

THE CENTRAL AFRICAN Republic (CAR) gained independence in 1960, but has a chequered history of coups d'état and ongoing guerrilla attacks. In 2013, Séléka – a Muslim-dominated coalition of rebel groups from the north, which ousted the former President François Bozizé – became embroiled in conflict with the “anti-balaka,” a resistance network of Christian self-defence militia.

Hostilities between the two groups declined after a de facto partition was established between the Christian

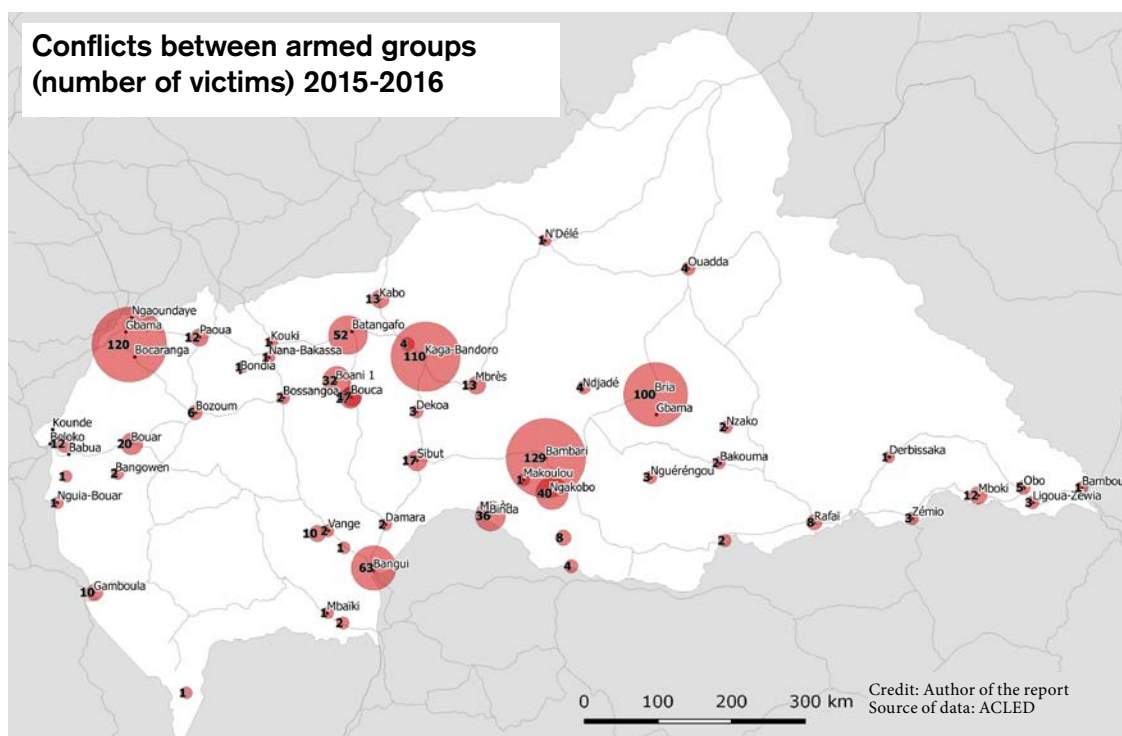
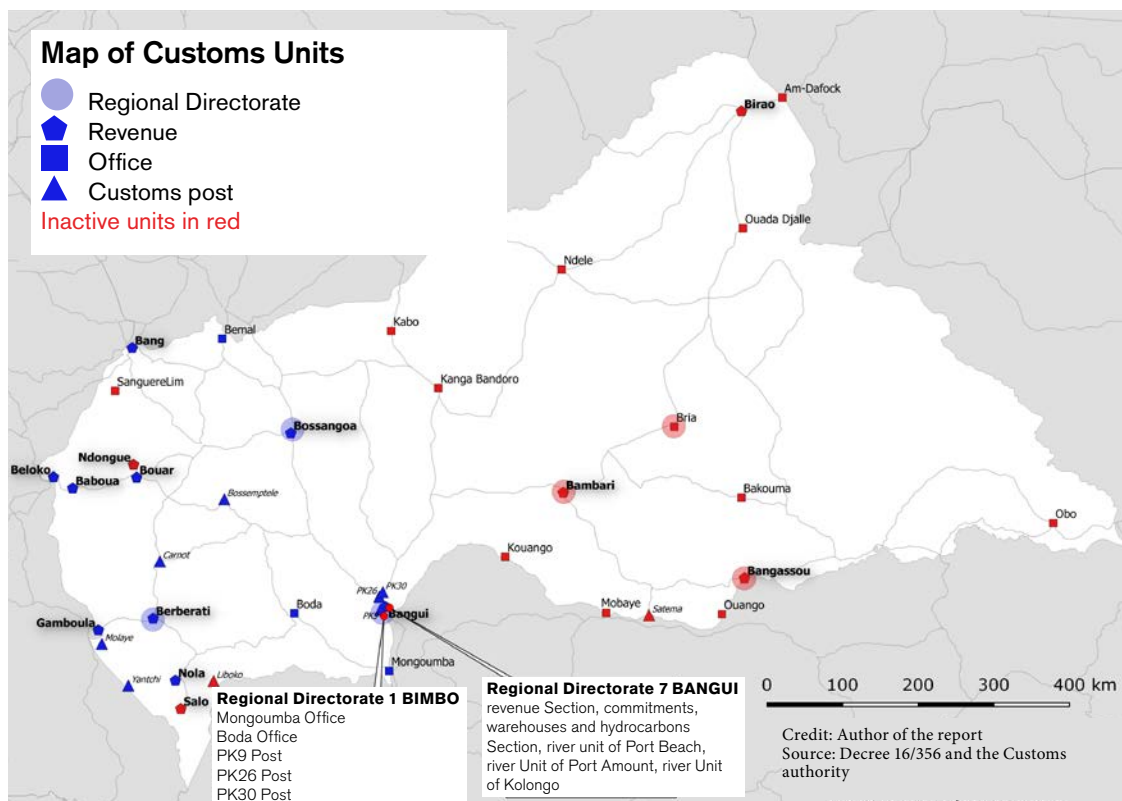
south and the Muslim north, but were superseded by an outbreak of fratricidal conflict between the various Séléka factions, which culminated in the official dissolution of the coalition in 2014.

At his investiture on 30 March 2016, the new President announced his intention to focus on disarming ex-combatants, restoring security, and bringing about reconciliation. Armed groups, nevertheless, remain present across large swathes of the country, occupying the north, north-east and east, causing many violent clashes and constituting an obstacle to the redeployment of the State's administration throughout the country.

A divided territory

The CAR can be regarded as comprising three separate areas for Customs administration purposes, each with its own specific features and constraints:

- the Béloko-Bangui corridor, which is characterized by the presence of state services and is the focal point for most of the Customs authority's modernization and surveillance efforts;
- the centre and the east, which are notable for their absence of Customs authorities in any form, and which are dominated by armed political groups that formed in the aftermath of the Séléka rebellion;



- the west (outside the Béloko-Bangui corridor), which is administered by the State, but is facing major security-related challenges – the Customs authority maintains a presence at certain border points and in a number of towns in this area, but the police, gendarmerie and army are largely absent, with security being, for the most part, in the hands of the United Nations

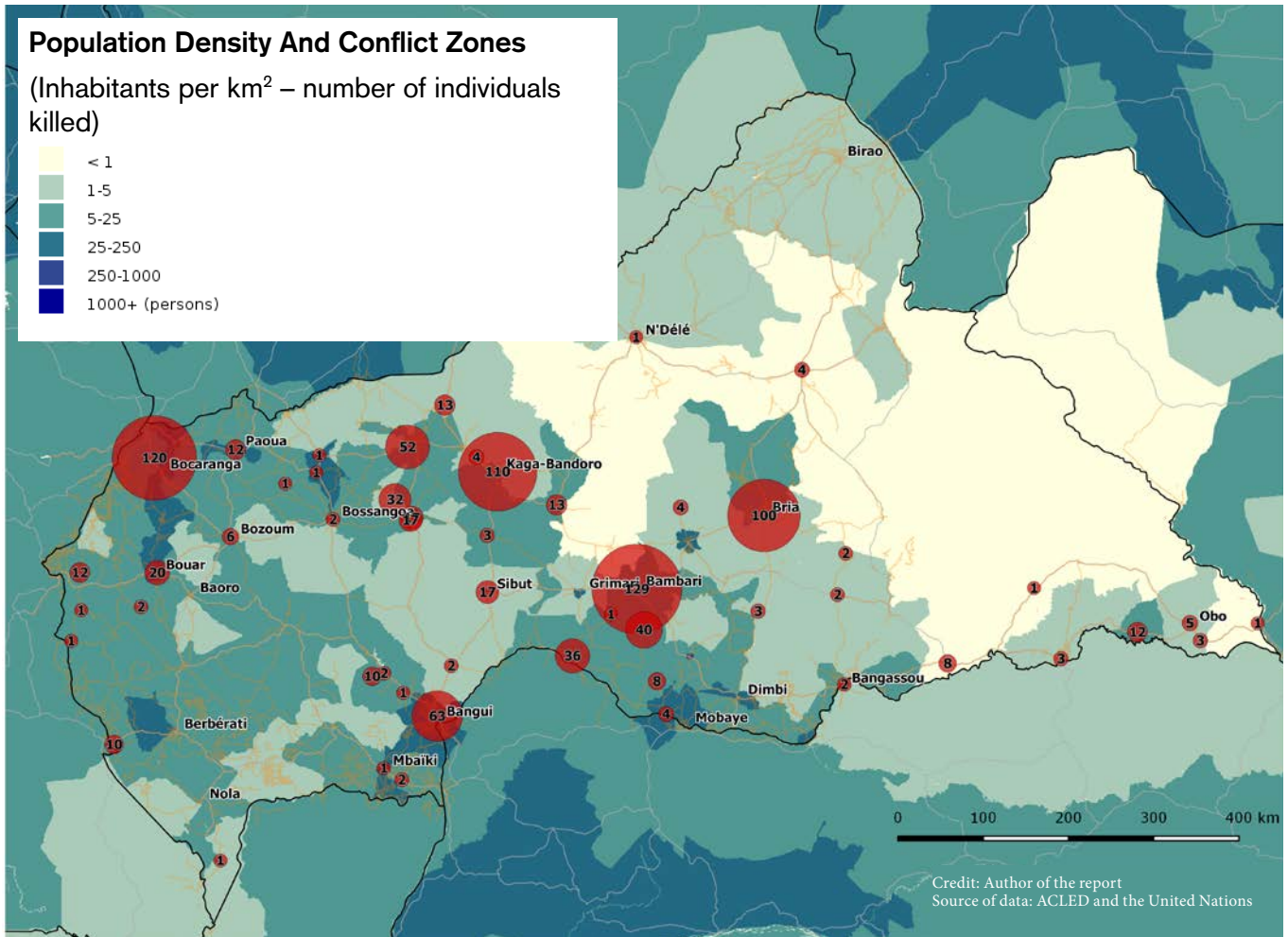
Multidimensional Integrated Stabilization Mission in the Central African Republic (MINUSCA).

This division of the country on the basis of security constraints poses a major organizational challenge for the CAR Customs authority, forcing it to operate in radically different contexts and to facilitate trade along a major economic corridor not only in the “traditional”

sense, but also in a “political” sense by contributing to the restoration of the State and economic resilience in fragile border regions.

The Douala-Béloko-Bangui corridor

Maps of the region reveal the high density of transit routes crossing the border between Cameroon and the Central African Republic and the many



villages, in particular to the north of the Béloko transit point.

This transit point is where goods travelling from the Cameroonian port of Douala to Bangui, the CAR’s official capital, cross the border. The taxes levied on these goods account for the vast majority of the revenues currently collected by the CAR Customs authority, and safeguarding this stream of funding is, therefore, a crucial challenge for the State.

The Customs officers working at the Béloko post have carried out clearance procedures manually ever since their offices were destroyed in 2012. Concerns over security and the high risk of looting mean that lorries have to travel in convoys of around 100 from Béloko to Bangui and vice versa, accompanied by representatives of MINUSCA and the Economic Customs Brigade. The journey takes around two to three days and covers a distance of 740 km on tarred roads.

Customs administrative activities along the Douala-Béloko-Bangui corridor consist primarily of restoring the flow of revenues from Béloko, with a focus on the Customs clearance procedure for goods from Douala. The project currently under way involves:

- renovation of the Customs buildings in Béloko, some of which will be used as accommodation for Customs officers;
- installation of ASYCUDA software in the office responsible for Béloko revenues in order to automate checking, registration, settlement and payment procedures in relation to duties and taxes on declared goods;
- establishment of a Customs facility in Béloko, in particular an in-bond area for 500 lorries;
- introduction of an option for operators identified as “reliable” to complete the Customs clearance procedure in Bangui rather than Béloko;

- once the Béloko post is operational, dismantling of the CAR Single Window in Douala and the fixed checkpoints along the route within the borders of Cameroon and along the Béloko-Bangui corridor;
- maintenance of a satellite Customs office and an in-bond area for goods in transit to the CAR at the port of Douala.

The CAR Customs authority plans to use its own funds to purchase equipment for the office in Béloko, including computer hardware, network cabling, solar energy devices and satellite communications equipment (VSAT). Most of the funding for the renovation of the office will be supplied by the World Bank under the aegis of its FASTRAC (Facility for Advisory Support for Transition Capacities) Project launched in 2008.

In addition, the Customs authority plans to introduce a performance measurement system to back up these modernization measures. In late 2016, CAR Customs

officers visited Douala in order to learn more about Cameroon's experience of "performance contracts," with a view to replicating this approach at home. Technical support for this project may be provided by the Cameroon Customs administration, the World Bank and the WCO.

It will be important to ensure that the installation of computer systems at the border post is leveraged as an opportunity to carry out procedural reforms, with due consideration being given to the expectations of private stakeholders (hauliers, freight forwarders, banks and importers). The choice of "reliable" operators is also fraught with difficulties: this process requires solid statistical data on past operations, in the absence of which the State's decisions will lack impartiality, and be liable to legal challenges, irrespective of the objective criteria upon which they are based. It may prove useful to establish an expert platform where the Customs authorities and local businesses can exchange ideas and discuss related practical issues.

Security constraints represent a further key factor, but are still a relatively unknown quantity for both the Customs authority and the funding bodies. Unofficial hauliers/importers will be keen to bypass a modern Customs office which carries out stricter checks and applies the tax rules more rigorously, but the Customs authority must not forget the risks associated with any coercive measures in a border environment which is both remote and sparsely populated, and thus a fertile breeding ground for protests against state representatives, in particular officials working for the tax and Customs administrations.

The modernization plan for Békoko must, therefore, incorporate measures to ensure the safety of staff and infrastructure, in particular the following: (i) security features to protect the office (boundary walls, cameras, barriers and building security); (ii) arms for Customs officers working in Békoko (including training, drills and an

armoury); and (iii) an emergency plan coordinated between the CAR Customs authorities and the country's army, aimed at protecting Customs officers in the event of riots or attacks on the office.

As far as performance contracts are concerned, there is a risk of underestimating the shift in attitudes that will be required for the initiative to succeed and the workload to be shouldered by the project team responsible for the software. Any miscalculation of an official's performance would have serious personal consequences for the individual concerned, and undermine the credibility of the system. Time must, therefore, be allowed for the Customs officers to acclimatize to a new working culture and for the programmers to test the performance measurement software.

The centre and east of the country

This area is under the control of armed political groups linked by a variety of alliances. Some of the more politically motivated of these groups are in favour of partitioning the country along religious lines, officially enshrining the de facto situation which exists today, with the self-proclaimed "Republic of Logone" having its capital in Biraou. Other groups are more likely to condone the laying down of arms and participation in a programme of disarmament, demobilization and reintegration (DDR) or a community violence reduction programme aimed at rehabilitating ex-combatants. Finally, certain groups do not pursue any particular political objectives, making a living from the violent extortion of levies on flows of goods and people.

MINUSCA forces are chiefly responsible for providing security in a small number of towns, together with the few members of the police and gendarmes present in the same towns. No other state services are present: delegations were recently sent by the administration (in particular Customs) to local commanders, but the latter refused to countenance the presence of fiscal authorities.

The area presents major challenges, particularly in terms of tax revenues: for example, goods from Sudan, which had probably transited through the area were observed during a visit to Market PK5 in Bangui. The shortfalls are difficult to estimate, but the taxes levied on legitimate commercial transactions in this area fund armed groups in just the same way as the illegal trade in gold and diamonds.

The very existence of this large area furthermore poses a threat to the economic fabric of Bangui and the area under governmental control, since the tax burden imposed by the armed groups on traders who import products via neighbouring countries is potentially less than that imposed by the State on traders who import their goods via the Douala-Békoko-Bangui corridor, making the former more competitive than the latter. This gap between these two groups is likely only to widen when the CAR Customs authority "secures" its revenues from the Douala-Békoko-Bangui corridor.

Data analysis is an essential prerequisite for political debate in this context, and the Customs authority will have a vital role to play in this regard. Useful information can be obtained by means of the following measures:

- an estimation of the flow of goods between the Séléka area (areas controlled by armed groups which belonged to Séléka and who continue to exert a presence on the ground) and the government-controlled area by way of, for example, anonymous surveys at Market PK5, fact-finding missions at border points in cooperation with the Customs administrations of neighbouring countries, and on the basis of data supplied by local telecommunications operators;
- an estimation of the tax revenues collected by armed groups at the Government's expense,
- an analysis of trade flows in order to optimize the deployment of

surveillance units, with the aim of protecting the official economy in the area under state control.

The west of the country outside the Béloko-Bangui corridor

The main transportation routes in this area are controlled by “auxiliaries” (generally armed groups such as the “anti-balaka” and “self-defence groups”) rather than the security forces.

Cross-border trade in the area provides funding for armed groups, which levy charges known as “formalities” on every vehicle. Although the Customs authority collects duties and taxes on certain routes, the level of insecurity in the area prevents any real deployment. The risk here is that local governments will be established in opposition to the central State: the political representatives of the State, lacking the financial backing to demonstrate the clout of the State, would rely on “economic elites” who would provide them with their means of livelihood, and on armed self-defence groups who offer security to all who supply financial or in-kind support.

The CAR Customs authority has collected data on revenues and passages of vehicles and goods, and also holds information on the trading environment gathered in the course of interactions with hauliers and traders. The main challenge in this area is to structure the information which currently exists in the form of disparate knowledge held intuitively by Customs officers, and to plan the deployment of units on the ground on the basis of trade flows and security considerations.

Support from security partners (MINUSCA and the national security and defence forces) is vital, particularly in this area. It is also important to

One of the features shared by all fragile borders is that the State is relatively unaware of the local situation: since Customs officers on the ground are familiar with the environment in which they work, it is vitally important to gather and structure the knowledge they hold with a view to analysing local situations and facilitating decision-making processes.

understand the position of local economic elites in order to forestall any involvement with local armed groups.

Conclusion

The CAR Customs authority requires support from the international community in respect of three key challenges.

The first is the adoption of a global strategy for the territory of the CAR, or in other words a strategy which covers the problems examined above on an area-by-area basis. The lack of human and financial resources means that it is very tempting to focus on the Béloko-Bangui corridor, but in the short term, the economy of Bangui itself risks destabilization as a result of the shadow economy throughout the country.

The second is corruption, which angers local populations and discourages cooperation with state services, and in the long term promotes the establishment of local armed groups, which supply “security” services directly to residents. Customs officers must, therefore, on the one hand, be encouraged to prioritize data analysis activities, which are particularly important at a time when

some of the country’s borders are fragile and the Government needs not only Customs revenues, but also data on the economic impacts of insecurity.

On the other hand, Customs officers must be discouraged from favouring posts in the “safe” area, and the working conditions of those working in “unsafe” areas must be improved to ensure that their personal safety does not depend on the good will of local militia. Senior Customs management is fully aware of this risk, and has taken steps to prevent it by stepping up internal inspections and awarding bonuses to a larger number of employees. Performance contracts will also play a key role in the fight against corruption.

Finally, the CAR Customs authority requires data as a basis for decisions. One of the features shared by all fragile borders is that the State is relatively unaware of the local situation: since Customs officers on the ground are familiar with the environment in which they work, it is vitally important to gather and structure the knowledge they hold with a view to analysing local situations and facilitating decision-making processes.

Priority should, therefore, be given to the introduction of appropriate statistical procedures by the Customs authority and the gathering and structuring of information and intelligence gained from revenues, both in order to plan reforms and monitor their implementation on the ground, and to provide the CAR Government and society with a better insight into the “economy of violence” in the border areas.

More information
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Saudi Customs

By Abdulrahman Althukair,

DIRECTOR OF RISK MANAGEMENT AND HEAD OF AEO,
SAUDI CUSTOMS

SAUDI CUSTOMS IS the latest Customs administration to implement an authorized economic operator (AEO) programme. In doing so, its objective is to modernize border processing and support the trade facilitation objectives outlined in “Vision 2030,” a national blueprint for the Kingdom of Saudi Arabia to achieve its long-term goals and expectations that was announced in April 2016.

Vision 2030

Vision 2030 outlines a new national direction for Saudi Arabia, and relies on the following three pillars to achieve its goals:

- 1) A vibrant nation;
- 2) A thriving economy;
- 3) An ambitious nation.

The objective of the “thriving economy” pillar is for Saudi Arabia to become a leading regional logistics hub by partnering with the private sector to maximize investments in infrastructure and modernize government trade promotion programmes.

Crown Prince Mohammad bin Salman bin Abdulaziz Al-Saud enunciated the strategy as follows: “We will strive to facilitate the movement of people and goods, and to simplify Customs procedures at our ports. As a result, we will create an environment attractive to both local and foreign investors.”

One of the driving forces behind this move is the desire to take full advantage of the Kingdom’s unique strategic geographical position – connecting Asia, Europe and Africa. Another driver is the aim to become a global investment powerhouse, which will, as a consequence, stimulate the economy and diversify sources of revenue.

launches an AEO programme

In addition, Vision 2030 is encouraging major domestic corporations to expand across borders into the global marketplace. The modernization of processes that meet the needs of the private sector, while also ensuring compliance and security, is an important part of the plan set out in the Vision.

Role for Saudi Customs

Obviously, Saudi Customs plays a critical role in supporting Vision 2030, which highlights trade facilitation as a key deliverable. The agency is a modern organization that operates at 14 international airports, 15 land border ports, 11 marine ports and one rail site, and keeps evolving to ensure maximum efficiency.

One of the most important initiatives under the Vision's framework is the development and implementation of an AEO programme, which will offer beneficial facilities to compliant and low-risk companies trading internationally.

A modern and holistic AEO programme

The Saudi AEO programme is a Customs led, government wide priority that takes a holistic approach to modern border management, not only supporting the Kingdom's broader international economic objectives, but also enabling Customs to focus its efforts on higher risk areas.

Saudi Customs formally kicked-off its AEO project in the spring of 2017. Benefiting from high-level support from within the Kingdom, a project team is currently working on building "a trade facilitation programme that offers simple border processing for companies that meet specific compliance and security standards."

Based on a previous facilitation scheme called ILTIZAM, the AEO programme

is open to all companies irrespective of their roles in the international supply chain, the mode of transport they use or the Customs procedures their activities require.

While directly supporting Vision 2030, implementing an AEO programme also brings Saudi Arabia in line with the Gulf Cooperation Council (GCC) objective of having AEO programmes implemented in all GCC countries. The programme will also ensure that the Kingdom meets the requirement of Article 7 of the World Trade Organization's Trade Facilitation Agreement related to "Trade Facilitation Measures for Authorized Operators."

Project status

Several companies have participated in the pilot project during which the certification process was tested. The project involved not only the development of a new certification process, but also a stakeholder engagement strategy, media and public relation activities, training for private and public sector parties, and key performance measurement indicators. The AEO programme will officially open at the end of 2017.

All-round benefits

Saudi Customs has developed a comprehensive benefits package for AEO certified companies to provide a valuable return on investment (ROI) for them. Some of these benefits include:

- simplified border processes;
- reduced document requirements to obtain a Customs release;
- dedicated fast lanes at certain ports of entry;
- greater levels of speed and predictability for import and export processes;

- dedicated Customs key account managers;
- lower inspection rates;
- "front-of-the-line" and priority service for a variety of government processes, such as permit and licence applications;
- recognition of the status in other countries, once mutual recognition agreements (MRAs) are signed.

With regards to the last point above on the "recognition of the status," it should be highlighted that the negotiation of MRAs with other Customs administrations is considered as key, as it will provide a greater incentive for companies to participate in the programme.

There are, of course, also benefits for Saudi Customs. The programme will enable it to enhance its risk management policy, and better protect and secure its borders by ensuring the systematic assessment of companies and their capabilities to meet the high standards of compliance and security.

As H.E. Ahmed A. Alhakbani, the Director General of Saudi Customs, said, "Implementing an AEO programme is allowing us to focus our frontline resources away from known operators representing a low risk, towards unknown operators more likely to take a risk or less experienced with Customs procedures."

More information

www.customs.gov.sa/sites/sc/en/AEO/Pages/Pages/SaudiAEO.aspx

Transit

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A truck driving along the China-Pakistan Friendship Highway on 27 June 2017 with the Karakorum mountain range ahead, near Tashkurgan in China's far western province of Xinjiang: The Highway runs over 1,300 km (800 miles) from the Chinese city of Kashgar through the world's highest mountain pass and across the border into Pakistan. Photo: Johannes Eisele / AFP



Highlights of the WCO Global Transit Conference

THE WCO ORGANIZED the first edition of its Global Transit Conference from 10 to 11 July 2017 with the double objective of stimulating discussions on how to improve transit regimes and to promote the Organization's newly published 'Transit Guidelines.'

Many speakers and participants highlighted the value of an effective transit system. Representatives from landlocked countries described how their economies were stifled by unfairly high import and export costs, with higher transport costs in particular more than doubling the cost of trade transactions in terms of price and time. In general, a landlocked country's level of development was 20% lower than what it would be if it were not landlocked, explained an expert.

Other statistics were brought to the fore. For example, the African continent has the highest transport costs in the world: in 12 sub-Saharan countries, transport accounts for 7% of the value of an export. If long distances contribute to the situation, difficulties and delays at borders are also to be blamed. Moreover, Intra-regional trade in the African continent is low, at 10 percent of total trade, and, there is a general consensus on the need for efficient transit processing in order to fast track regional integration.

Guidelines

The conference provided the WCO with an opportunity to introduce its Transit Guidelines, which offer Customs administrations clear principles and recommended practices for the establishment of effective transit regimes. Development of the 150 guidelines was a collective effort involving experts from Customs administrations as well as from many other organizations. The guidelines touch on all the pillars for transit effectiveness:

- effective information sharing internally and with neighbouring countries, based on a cohesive legal framework (Guidelines 1-35);
- a well-functioning guarantee system (Guidelines 36-66);
- fees and charges should be reasonable, and refer to the actual cost of the services rendered (Guidelines 67-72);
- the simplification of Customs formalities (Guidelines 73-88);
- the use of risk management to identify cargo presenting a risk, and the establishment of a compliance programme, such as the authorized economic operator (AEO), to identify compliant traders (Guidelines 89-92);
- the use of Customs seals and other security measures to ensure goods reach the other end of the transit untouched (Guidelines 93-119);
- ensuring coordinated border management (Guidelines 120-131);
- improving physical infrastructure (Guidelines 132-135);
- improving transparency and integrity (Guidelines 136-141);
- improving the consultative process with industry (Guidelines 142-146);
- measuring performance through regular auditing (Guidelines 147-150).

Each of these aspects was addressed during the event. Some regional and national experiences were shared by participants, and their reflections on the challenges related to transit operations as well as the way forward are reported below.

Regionally integrated transit systems

Unlike clearance, which happens in one place, transit requires an exchange of information from at least three places: that of the transit initiation; that of transit termination; and that of the guarantor (to validate and discharge the bonds). There are obvious advantages to integrating transit across borders in a region or along a trade corridor into a single, seamless procedure, and several examples of these integrated systems were presented during the conference.

The European Union shared its experience in building the New Computerised Transit System (NCTS) that replaced a paper based system, which was prone to fraud. The system, which allows for real-time messages to be exchanged between countries, the tracking of goods and the management of guarantees, from one end to the other, is a stand-alone application which has to be implemented by all parties. Under the scheme, the information technology (IT) systems of the different parties are connected to the NCTS, but linking up different transit systems is another way to achieve the same objective.

The Eurasian Economic Commission explained that the regional community, which comprises five States and covers over two million square kilometers, was on track to also develop a computerized transit system. Development of the IT system to minimize the use of paper at borders and allow for pre-declaration had been undertaken together with the development of a new Customs code aimed at modifying transit procedures, among other things. Today, operators may decide what is more convenient to them: the paper or the electronic procedure. Future developments will include the linking of the system to countries in Europe and Asia.

The Asian Development Bank gave an overview of the different projects aimed at improving the procedures between the 11 countries that are part of the Central Asia Regional Economic Cooperation Program (CAREC), of which eight are landlocked. The projects include building physical infrastructure, six transport corridors and a single electronic transit system as a stand-alone information system similar to the NCTS. A prototype of the system has been designed to test the system between pilot countries and, more specifically, the use of a single transit declaration and comprehensive guarantee mechanisms. In developing the system, the real challenge is ensuring cooperation among the involved countries to simplify procedures, enhance coordination at borders, and implement risk management schemes and AEO programmes as the electronic transit system provides a guarantee mechanism that rewards compliant economic operators.



The Economic Community of West African States (ECOWAS) is also moving from manual and paper based procedures to an automated regional transit system that will connect all ECOWAS countries' IT systems. As ECOWAS countries use three different types of automated systems, an interface had to be built to allow the exchange of information and communication, based on standardized messages in terms of structure and data format. The system is currently being piloted in four countries.

In countries having ratified the Customs Convention on the International Transport of Goods under Cover of TIR Carnets (TIR Convention) and which had to adapt their legislation accordingly, operators can use the TIR carnet to move goods across borders by road vehicles and containers. The carnet is a single document that accompanies the shipment along the transit chain, and allows officials to verify the shipment's compliance. The TIR system is the only global transit system, and was designed to help connect national transit systems across the world without the precondition of harmonization and integration. It can coexist with other regional transit regimes, as an additional option. Operators may choose between the TIR and the NCTS when moving goods from Turkey to Europe for example. Figures show that operators prefer to use a computerized environment, and the computerization of the TIR is, therefore, a priority. An eTIR system has been developed and is being piloted for this purpose (see article in the WCO News' February 2017 edition).

A private sector service provider also explained how logistics sector operators can delegate the management of their transit operations by road, rail and waterway, to his company in countries where it acts as a principal (the person who places goods under a transit procedure, even where this is done by an authorized representative) for Customs purposes – mainly under the framework of a common transit procedure, including the NCTS. Through a web-based application, clients can create transit declarations and submit them to any of the Customs systems, and track

them online. The company arranges and lodges the required guarantee – issued by approved banks – in favour of Customs. Bank guarantees are lodged in each country involved in the transit operation, in order to avoid issues that can arise when a country's Customs calls for a guarantee issued in another country. Another advantage for Customs is that it only has to deal with one reliable, experienced and national service provider with an international presence.

Hard and soft infrastructure

As a representative from the road transport industry pointed out, infrastructure is a great asset, but without proper practices and policies in place, it won't help to reduce difficulties at the border. Transit flows should be separated from the flows cleared at the border, and infrastructure also has to take into account procedures such as pre-declaration, or a specific status such as an AEO for which special lanes should be planned.

The African Development Bank (AfDB) explained that transport represents 30% of the Bank's investment, the idea being to build a highway network that would boost regional trade and integrate African economies. About 47 countries are currently involved in a project funded by the AfDB related to infrastructure development, including port and airport extension, border post facilities and "one stop border posts (OSBPs)." Some are multinational projects that are cross-border in nature, and others are national projects that contribute to transit, especially along main highways. But, the AfDB pointed out that they had introduced a rule that 10% of the budget allocated to a project should be spent on activities that aim to change or improve the regulatory environment. If a country is borrowing for a road construction project, then it must dedicate money to the reform of its transport policy environment for example.

The Japan International Cooperation Agency (JICA) also highlighted the need to work on "soft infrastructure" that includes: the harmonization of documentation; the provision for a

transit manifest different in form and substance from a Customs clearance declaration; capacities in terms of risk management; and the implementation of AEO programmes with benefits such as simplified procedures and simplification related to bank guarantees or a waiver when appropriate.

Another initiative discussed was the OSBP, the installation of which is supported by many donors, including the JICA. A representative from Zambia, the first African country to create such a border post back in 2009 at its border with Zimbabwe, explained that such a mechanism helps overcome logistical challenges at the border, such as working hours for example. Some countries, such as Laos and Vietnam, have established a single border post at their shared border – a common control area enables border authorities from both countries to better coordinate their controls.

Here again, if there is a lot of experience in building infrastructure, work has to be done to ensure cooperation and communication in order to streamline procedures and implement joint inspections. In many cases, IT communication tools are missing or electricity cuts can make them useless, so some countries have to retain paper based procedures. Regional bonds are also not common, so operators still need to lodge guarantees in every country they pass through and wait to get the guarantee discharged. In addition, some administrations require documents in local languages or extra certificates. These are just a few issues that operators have to face.

The World Bank explained that one of the lessons learned, during the implementation of the many projects funded by the Bank aiming to improve trade corridors, is the need to focus more on the enabling side of things: processes, procedures, legal framework, investment in people and their capacity to manage, and IT. This involves analysing, spending time thinking about what really needs to be fixed, using the WCO Time Release Study to identify bottlenecks, mapping business processes, and undertaking detailed work that drills down to the details of operating procedures, in



order to get a clear, precise idea of the new model, which should be robust and reward good behaviour. Identification and quantification of the risk are also obviously necessary. During the conference, some participants remarked that they do not see major risk in terms of revenue leakage, while others stated that they still encounter massive transit fraud.

Security measures

Participants also discussed actions to ensure the integrity of the consignment during the transit operation, and, more specifically, the use of seals, including electronic seals based on radio frequency identification (RFID) or global positioning system (GPS) technology, as well as the use of prescribed time limits and itineraries. The experience of Jordan Customs, with the use of an electronic seal system to track goods transported in transit and of mobile intervention teams when something suspicious is detected, was also mentioned.

The acceptance of foreign seals, which remains a challenge in some regions with operators having to buy different seals along the transit route as a consequence, was also brought to the fore. A representative from Uganda introduced the Regional Electronic Cargo Tracking System that was implemented with Kenya and Rwanda along the East African Community (EAC) Northern Corridor. Only one type of seal is used here, which removes the need for arming and disarming the electronic seals at

Partner States' territorial borders, and enables the end-to-end monitoring of transits along the Northern Corridor. The tracking system also relies on automatic number plate recognition (ANPR) facilities that have been installed at port gates and borders.

Railways

The particularities of transit goods being transported by rail were also presented. There is no globally unified regime to cover rail transport in the same way as for air and maritime transport, and countries wishing to allow trains to cross borders have to sign bilateral agreements. There are, however, two organizations dealing with the development and unification of rail transport law:

- on the one hand, there is the Intergovernmental Organization for International Carriage by Rail (OTIF) that developed the Convention concerning International Carriage by Rail (COTIF) and whose membership is mainly made up of European countries;
- on the other hand, there is the Organization for Cooperation of Railways (OSJD) that conceived the Agreement on International Railway Goods Transport (SMGS) and the Agreement on International Passenger Transport (SMPS) gathering countries from Eastern Europe.

Experts reported that, in order to facilitate the development of international rail transport, Customs

administrations should focus on the harmonization of transport documents and technical standards, the use of electronic records and pre-electronic declaration, and the simplification of Customs procedures. There is also a need for a comprehensive approach to national and regional rail infrastructure development.

Cooperation

The fact that implementing an effective transit regime requires collaboration at many levels was highlighted on many occasions. Internally, there is a need to ensure that all relevant actors are involved in transit related projects. On this point and as an example, the AfDB pointed out that infrastructure projects are usually driven by the Ministry of Transport in most countries, and that a dialogue should be established with other agencies on what else is required to make sure that infrastructure, such as an OSBP, is functional.

Between neighbouring countries, there must also be a willingness to collaborate, and an acknowledgement by each party of their responsibilities and duties in terms of the modernization of Customs operations, the implementation of effective anti-corruption measures, and the digitalization of procedures based on a robust computer and back-up system, including a reliable electricity supply system.

"We have at our disposal the new WCO Transit Guidelines and many models, but what is holding us back?" asked a participant, adding that "to jump from good ideas to actions, you need leadership, an ability to motivate people and lead, and the need to create an appetite for change."

The WCO hopes that the discussions inspired participants to move forward in their effort to put in place effective transit regimes, and that the Transit Guidelines will be of help when designing transit related projects.

More information

www.wcoomd.org



Electronic transit system boosts Central American trade

By Christian Volpe Martinus,

INTER-AMERICAN DEVELOPMENT BANK

A DECADE AGO, transit of goods in Central America suffered from lack of coordination of border agencies, cumbersome and slow Customs and administrative procedures, and limited use of information technologies.

More precisely, exporters with shipments in transit had to clear Customs at each side of countries' bilateral borders and sequentially submit multiple paper documents to the various intervening agencies, including printed copies of international transit declarations, country-specific sanitary and phytosanitary certificates, and migration arrival and departure cards.

In response to this situation and with the support of the Inter-American Development Bank (IDB), Central American countries adopted the TIM,

an electronic transit system to manage and control the movement of goods in transit that is partially based on the European Union's New Computerised Transit System (NCTS).

The system is based on three main pillars:

- Process reengineering – TIM harmonizes multiple paper-based declarations into a unique and comprehensive electronic document that gathers all data needed by Customs, immigration, and phytosanitary agencies;
- Information technology – TIM connects the intranet systems of all agencies in all countries participating in the project, thus enabling the management and tracking of the international transit process as well as risk analysis;

- Cooperation – TIM improves cooperation between the different agencies operating at border crossings in the Mesoamerican region, both within and across countries.

The new electronic transit system reduced trade costs and facilitated shipment flows in at least three ways. First, instead of repetitive paper-based procedures initiated at the border, firms can now complete a single electronic document – called the Documento Único de Transporte (DUT) in Spanish. As a result, the time and costs of document preparation experienced a substantial reduction.

Second, firms can now manage their entire transit procedure via an electronic process. At border crossings, controls on shipments are carried out only at the Customs offices of the exit country under the logic of a “one stop border post.”

Transporters interact simultaneously and at the same physical place with all border agencies – Customs, migration, and quarantine – without using printed copies of documents. As a consequence, border crossings have been significantly expedited.

Third, the information system introduced with the TIM provides trading and transport companies with real-time data on their shipments. This makes it easier for these firms to control orders and manage their servicing and inventories.

The TIM was gradually implemented across trade corridors. For instance, in El Salvador, the TIM was first applied to transit operations originating at internal, “non-border” Customs offices, the Free Trade Zones, and coastal Customs offices, as well as transit operations having specific locations in the neighbouring countries of Guatemala, Honduras and Mexico as a destination.

In the second phase, the use of the TIM in El Salvador was extended to manage transit operations with Costa Rica and Panama, as these countries had adopted the system. It was also extended to transit operations whose destinations were additional regions in Guatemala, Honduras and Nicaragua, as these countries had decided to incorporate new trade routes into the list of corridors working with the TIM.

While in the third phase, further corridors joined the system throughout 2013, as the TIM was being phased-in in neighbouring countries (See Figure 1).

Believing in the importance of measuring the performance of the new transit system, the IDB conducted an econometric study on the impact of the TIM on cross-border trade. Using

Figure 1: El Salvador – Gradual phase-in of TIM across trade corridors



Source: Carballo et al. (2016). Trade corridors that started to operate with the TIM in 2011 are coloured in black, whereas those that started to operate with the TIM in 2012 and 2013 are coloured in red.

a unique dataset that consisted of all firms’ export transactions originating in El Salvador over the period 2007 to 2013 and which included information on the transactions processed under the new regional transit system, researchers exploited information on the sequential implementation of the TIM across trade corridors – i.e. origin Customs-specific destination combinations – and carried out “difference-in-differences” estimations to identify its impact on Salvadoran firms’ exports and associated channels.

The findings suggested that the average growth rate of exports channelled through this simplified transit regime was 2.7 percentage points higher than their counterparts subject to standard transit procedures. Moreover, the TIM’s positive effect on firms’ exports could mainly be traced back to their increased number of shipments. In terms of the latter, the differential growth rate associated with the TIM has been 1.2 percentage points.

Furthermore, estimates reveal that trade impacts have been heterogeneous across products. More specifically, transit facilitation appears to have had larger effects on exports of time-sensitive goods such as those subject to short selling seasons, fast depreciation due to changing tastes, or products for which demand is difficult to predict and shippers need flexibility to be able to respond faster to changing market conditions.

Given the additional exports that the TIM allowed for, and its prorated development and implementation costs, including its annual operational costs, calculations indicate that the system had a cost-benefit ratio of at least 40 US dollars per dollar invested in it.

Summing up, the results reveal that border administrative requirements and processing are an important obstacle to trade, and that reducing these obstacles has immediate and significant effects on exports.

More information

About the author: www.iadb.org/en/topics/trade/christian-volpe-martincus,20361.html

Video testimonials about the TIM: www.youtube.com/watch?v=7oxpjt0IaQ&feature=youtu.be&app=desktop

Transit Trade (IDB Working Paper Series N° IDB-WP-704) <https://publications.iadb.org/handle/11319/7688>

IDB Special Report on Integration and Trade - Out of the Border Labyrinth: An Assessment of Trade Facilitation Initiatives in Latin America and the Caribbean <https://publications.iadb.org/handle/11319/7994>

More integration needed to combat transit fraud

By Giovanni Kessler,
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WHEN IT COMES to Customs, Europe is at a turning point. In a globalized and fast-paced world, where trade is becoming increasingly liberalized, the role of Customs is changing. Governments around the world are increasingly emphasizing the removal of barriers and the creation of a seamless flow of goods, services and people. This is a key factor of economic growth, and leads to enhanced trade and more global investment.

At the same time, the increased pressure for more efficient, rapid and open movement of goods coincides with heightened demands for more secure passenger and cargo identification than ever before.

Just to give you an idea of the scale we are talking about, in the context of the European Customs Union, Customs officials are on duty at the 400 international airports in the European Union (EU), across its 10,000 kilometre-long eastern land border, and in many large ports. Overall, roughly 270 million Customs declarations are processed annually for more than 3,400 billion euro-worth of products that are imported into or exported from the EU.

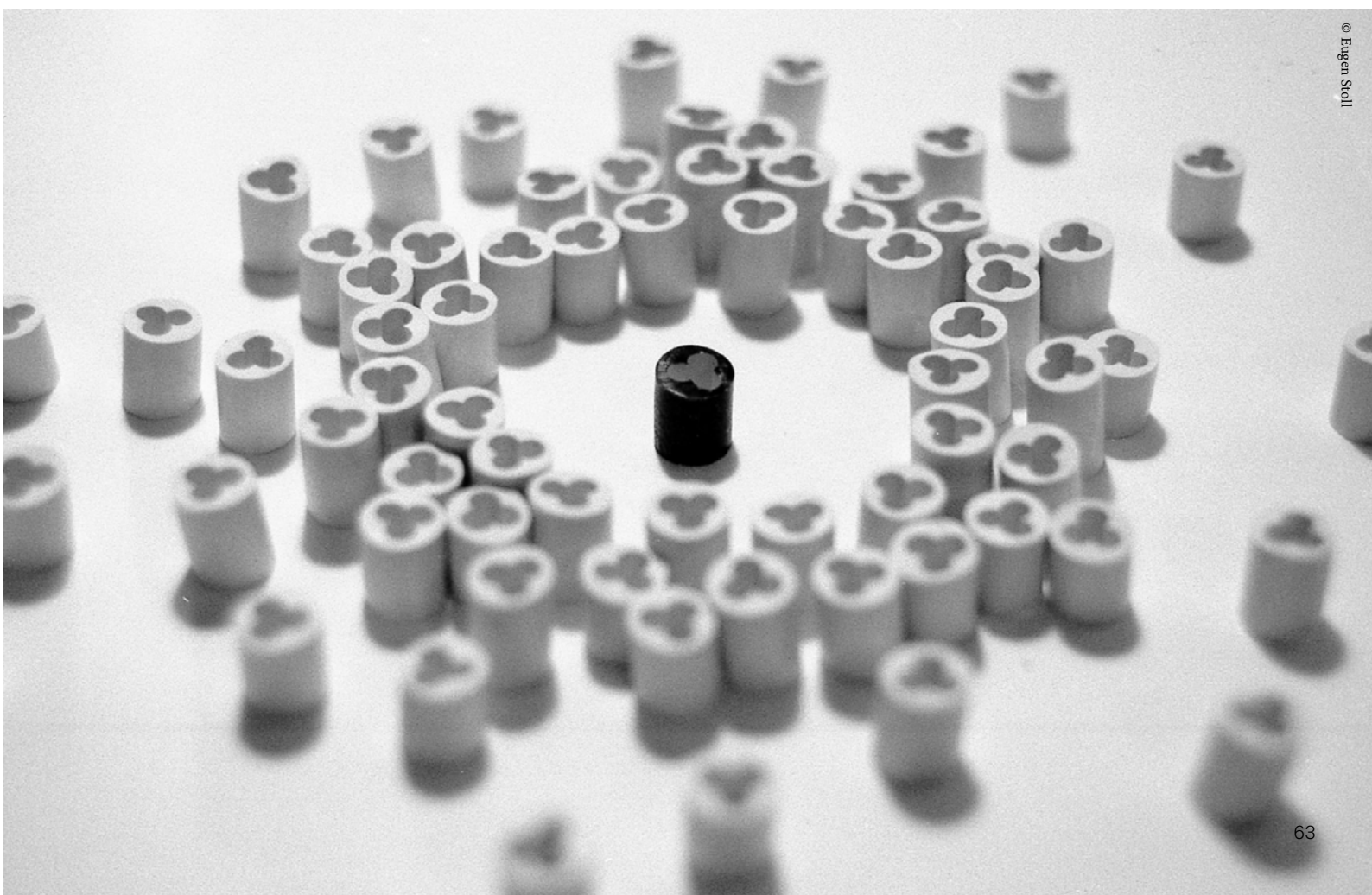
With such massive amounts of products entering and circulating the EU at every moment, several Customs procedures, such as transit procedures, for example, provide for the temporary suspension of duties and taxes, allowing importers to clear their goods at the Customs point of their choice, rather than at the point of entry into the Customs territory.

In effect, as Customs fees are set and there is no variation among EU Member States, what importers are actually choosing is which national Customs service they would like to deal with. However, the choice, in itself, is perfectly legal and valid.

Fraudsters hijack transit procedures

In its investigations, the European Anti-Fraud Office (OLAF) has uncovered that the transit procedure has been extensively utilized by fraudsters in order to get away with underdeclaring goods, thereby prejudicing the EU budget by billions of euros.

This was the focus of a large OLAF investigation concluded in 2016. OLAF investigators and analysts identified a fraud pattern employed by international organized crime groups who scouted



ports in the EU with the weakest controls, in order to get away with declaring falsely low values for textiles and footwear imported from China.

Our investigation revealed that the single most significant hub for this fraudulent traffic was in place in an EU Member State we will call Country Y. The goods, however, did not arrive directly at two of its busiest ports. Typically, they would arrive in containers on vessels, which would enter Europe through other European ports. The containers, considered in transit, would then be placed on lorries, and taken for Customs clearance in Country Y.

This actually makes no economic sense. Most EU countries have excellent port facilities, and there is no logistical reason for Chinese shippers to use a port in the UK rather than, for example, one in Germany. In fact, the investigations carried out by Member States revealed that even when the first port of entry is in another EU country, the goods are sent by road to Country Y solely for the purpose of Customs clearance, and then travel on to other Member States.

Country Y appears to be attracting far more of this fraudulent traffic than any other EU Member State, and increasingly so over time. In the last four years, the share of undervalued imports through Country Y, when compared to legitimate trade, steadily rose from 32% in 2013 to 40% in 2014, and from 44% in 2015 to 50% in 2016.

To understand the full extent of the phenomenon, OLAF carried out an extensive analysis of all Customs declarations for all imports of textiles and shoes from China between 2013 and 2016. A “cleaned average price” was calculated for each category of textiles and shoes imported from China, based on the value of all import declarations in the EU between 2013 and 2016.

A conservative 50% of that value was taken as the lowest acceptable price for import declarations into the EU, and all declarations below the lowest acceptable price were considered as undervalued, knowing that legitimate trade in that context would hardly be economically viable.

For example, OLAF found that women’s trousers imported from China were declared at Customs in Country Y at an average price of 91 euro cents per kg, although in the same period the world market price for the raw material alone was 1.44 euro per kg, and that the average value declared in the EU for the same products was 26.09 euro per kg. As a result, OLAF calculated a loss to the EU budget of almost 1,987 billion euro in Customs duties.

The investigation also revealed substantial evasion of value-added tax (VAT), cumulatively estimated at approximately 3.2 billion euro for the 2013 to 2016 period, in connection with imports through Country Y by abusing EU Customs procedure 42 (the regime an importer uses in order to obtain a VAT exemption when imported goods will be transported to another Member State). As the goods were largely destined for the markets of other Member States, the revenues of States such as France, Germany, Italy and Spain were mainly affected.

Moreover, OLAF’s investigation uncovered a direct correlation between diminishing traffic in the fraud hubs in other Member States where authorities took action, and an increase in fraudulent traffic through the hub in Country Y. In practice, this means fraudsters have, over time, been shifting their operations to Country Y, in order to benefit from a more lenient regime, or from lack of controls at the point of Customs clearance.

This happened despite OLAF having repeatedly drawn the attention of Country Y’s Customs authorities over a number of years to the scale of the phenomenon and to the ongoing revenue losses. OLAF also alerted Country Y’s authorities to the need to implement EU-wide risk profiles and to investigate the fraud networks active in Country Y.

A “Single Market” requires quality controls

The well-functioning of the EU Single Market is based on controls taking place at its external border, and once cleared, products are generally no longer subject to subsequent checks. Therefore, the

poor quality of controls at the point of entry into the EU through Country Y has a direct impact on the revenues of other Member States. Moreover, undervaluation causes significant damage to Europe’s legitimate industry, as European producers simply cannot compete. This, naturally, results in job losses for EU citizens.

Customs control and enforcement are a responsibility of the Member States, and many of them take that responsibility extremely seriously. This means that the EU Customs Union has 28 guardians, and with trade facilitation procedures such as a transit regime in place, any loophole, any weakness and any gap in our Customs system will be exploited by well-organized criminal networks in order to generate illicit profits.

This can happen in cases of undervaluation fraud too, and OLAF has uncovered even more standard cases of transit fraud, such as the remote hacking of national transit systems, the bribing of Customs officers, or instances where sealed shipments were unlawfully discharged before they exited the EU. Currently, transit procedures can be used by any importer, indiscriminately, without any prior checks and with no conditionality.

While many Customs administrations work in an organized, fairly interconnected manner, the results of our investigation are clear proof that Customs officers should increasingly shift their work to risk assessment and to identifying potential problems from the outset.

Less fraud through more integration

Knowing that any slip of a national Customs authority, or any perceived leniency or neglect will lead to huge losses for European citizens, EU Member States should seriously start considering a move towards a single EU Customs Agency.

Working at OLAF, we often investigate across borders and, therefore, see matters outside of the confines of national Member States of the EU. Many times, our work has taught us that national

While free trade provides us with immense opportunities for growth and development, this cannot take place without a strong enforcement dimension, which ensures international trade is fair, clean and secure, and that Customs checks are uniformly conducted at all points of the EU external border. The European Customs Union should have no weak links, no loopholes, and no “less than.”

cooperation is simply not enough: to rise to the challenge of fighting highly organized, highly committed and extremely resourceful criminal networks, what is needed is more integration.

While free trade provides us with immense opportunities for growth and development, this cannot take place without a strong enforcement dimension, which ensures international trade is fair, clean and secure, and that Customs checks are uniformly conducted at all points of the EU external border. The European Customs Union should have no weak links, no loopholes, and no “less than.”

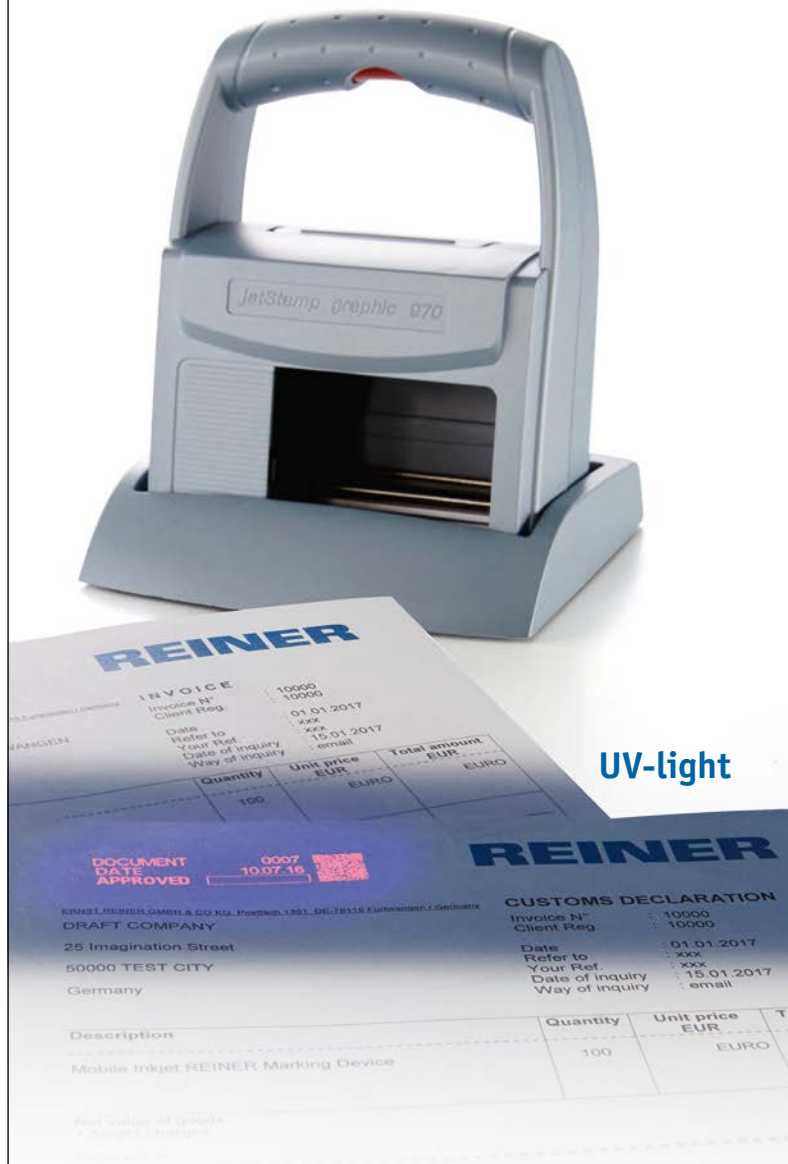
OLAF is the only EU body mandated to detect, investigate and stop fraud involving EU funds. While it has an individual independent status in its investigative function, it is also part of the European Commission, under the responsibility of Günther H. Oettinger, the Commissioner in charge of Budget and Human Resources.

In my view, with a single EU Customs Agency, European citizens, as well as criminal networks, will know what to expect – uniform checks, risk assessment, and harmonized enforcement. And ultimately, less fraud!

More information

<https://ec.europa.eu/anti-fraud>

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Mobilizing trade and transport operators in West Africa to break down non-tariff barriers

By Sarah Quainoo,

MEMBERSHIP COORDINATOR, BORDERLESS ALLIANCE

BORDERLESS ALLIANCE is a private sector-led initiative that was established in 2012 to promote free movement of goods in West Africa through the removal of trade and transport barriers, and the simplification and harmonization of procedures. Consequently, it envisions a West Africa, where a truck can move goods across the region quickly, efficiently and cheaply, whether from Abidjan to Lagos or from Cotonou to Timbuktu.

Boosting regional trade

Based on the assumption that streamlining procedures, tackling corruption and facilitating the movement of people and goods will reduce costs for traders, Borderless Alliance believes that such measures will help companies to grow, create jobs and generate more revenue for governments as well as income for people. More efficient transport means more trade, which in turn means stronger economic growth,

higher profits for companies, greater income for national governments, increased investment and more jobs.

Based on this reasoning, Borderless Alliance aims to foster change by exposing trade inefficiencies throughout the region. From an initial group of six, it now has more than 90 members from the private sector, across West Africa. With the premise that by working together, businesses and traders can advocate effectively for change, the Alliance's membership base draws from a broad range of organizations involved in the trade supply chain, such as port authorities, freight forwarders, logistics operators, manufacturers, and traders.

Key functions and activities

Borderless Alliance's structure comprises a General Assembly, an Executive Committee, a Secretariat, and National Committees in nine countries across the West African region. One of its key functions is evidence-based

advocacy, which entails working with its key partners and stakeholders to collect, process and analyse statistical data on trade and transport at the borders as well as documenting key concerns, such as road governance issues (checkpoints, bribery and delays along major regional transit corridors), border crossing times and port dwell times.

In addition, Borderless Alliance undertakes specific studies and surveys related to trade corridors, transport infrastructure and logistics to ensure that credible data on the true state of intra-regional trade is regularly collected and disseminated to decision-makers. These actions facilitate any necessary government policy changes that could stimulate the development of economies and improve trade corridors, while enabling users of these corridors to make informed choices about which corridors to use in transporting their cargo.

Other activities of the Alliance include:

- organizing high level meetings with national governments to drive the implementation of regional regulations at a national level;
- facilitating bilateral cross-border meetings to address issues related to border crossing;
- providing feedback from the private sector and business community to Regional Economic Communities to guide policy formulation;
- engaging with uniformed services, such as the Customs, Police and Gendarmerie, in various countries to address road governance challenges and other non-tariff barriers (NTBs) to trade.

Besides advocacy, Borderless Alliance also runs a network of Border Information Centres (BICs) at border crossings along highly-trafficked trade corridors in the region, where transporters and traders can get immediate help with cargo clearance problems, as well as information and training. At present, six BICs are operating, including the first one built at the Ghana-Togo border, and the newest one at the Ghana-Cote d'Ivoire border. Average clearance times at borders where BICs operate has decreased by 27%.

Furthermore, Borderless Alliance also sensitizes and trains stakeholders on transport policies and regulations by conducting workshops and roadshows for example. The Alliance also publishes and disseminates guides on Customs clearance procedures and transport regulations covering West Africa's most important trade routes. Additionally, its members receive regular updates on regional policy changes and how they affect their businesses.

Last but not least, Borderless Alliance has developed a specific tool, which enables NTBs encountered to be reported and monitored, with a view to resolving them. Known as the Borderless E-Platform (www.tradebarrierswa.org), it allows for the continuous collation and collection of constraints faced by stakeholders in the trade and transport

industry, and generates statistics on the issues and locations of barriers reported.

Success stories

Below are some of Borderless Alliance's success stories, which validate the importance and efficacy of using advocacy and the consultative approach to achieve prime outcomes:

- In Togo, joint advocacy with the West African Economic and Monetary Union (UEMOA) led to the removal of all police and gendarme checkpoints along Togo's coastal corridor in 2011.
- In Cote d'Ivoire, joint advocacy with the UEMOA led to a ministerial decree limiting the total number of checkpoints in the country to 33.
- In Niger, joint advocacy with the UEMOA led to a ministerial decree reducing the number of checkpoints in the country.
- In 2013, advocacy efforts with the Ministry of Finance, Police and Customs in Benin led to the adoption of a presidential decree in December of that year, limiting the number of checkpoints on Benin's corridors and mandating all uniformed services to wear name-tags while on duty.
- In response to a high level meeting that took place during September 2014 with the Ministry of Economy and Finance in Benin on high transit fees laid down in the Finance Act of 2015, the Ministry decided to exempt products manufactured in any of the member states of the Economic Community of West African States (ECOWAS) from the 5% ad valorem statistical tax, as well as all other raw materials believed to be of ECOWAS origin.
- Various consultations with Côte d'Ivoire Customs, which were aimed at resolving some of the inefficiencies that had been identified with Customs formalities that led to delays in crossing the border, resulted in the decentralization of the process of validating the ECOWAS Certificate of Origin (COO) to various Côte d'Ivoire border offices in November 2014.

- Consultative meetings with the Ghana Police Service, in collaboration with other partners, during March and April 2015, resulted in a directive prohibiting the police from stopping transit vehicles on Ghana's corridors.

- Withdrawal of the Special Re-exportation Tax – called the Taxe Special de re-exportation in French – in December 2016, as one of the suggestions made by the Alliance to Benin's Ministry of Economy and Finance in September 2014, following reports by the country's private sector that the tax at the ad valorem rate of 8% on certain products was affecting the competitiveness of their products on the regional market.

- Removal in 2016 of the requirement to produce a COO in Benin for agricultural products and handmade goods in accordance with the ECOWAS Trade Liberalisation Scheme (ETLS) regulation, following which a circular was issued to all Heads of Customs, Security Checkpoints, Border Security, Institutions and Trade and Transport Unions as well as their relevant senior managers informing them that the COO was no longer a Customs requirement for transporting agricultural products and livestock.

Planned activities

Borderless Alliance plans to conduct a study to determine a baseline analysis of transaction times and costs, current clearance procedures and causes of delays at Niangoloko border post, located on Burkina Faso's south-western border with Cote d'Ivoire, where a BIC, sponsored by the African Development Bank (AfDB), will soon be opened.

Additionally, discussions are already underway with Mali's Minister of Transport, Mali Customs and other key stakeholders involved in trade facilitation, regarding the establishment of BICs at Kidira and Diboli, located on the Mali-Senegal border, also under the sponsorship of the AfDB.

More information

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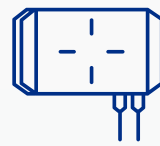
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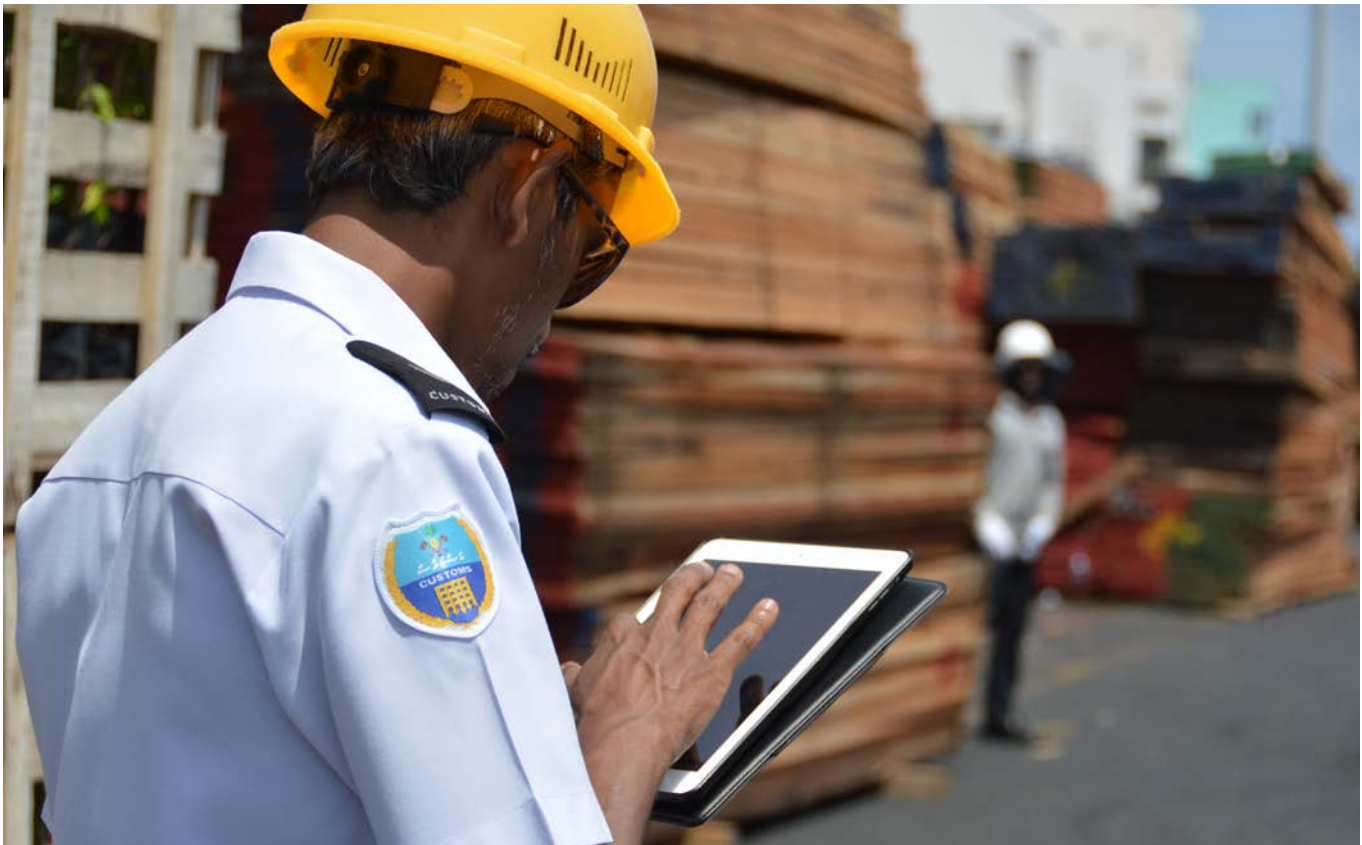
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Better data for better border protection

By Inna Kuznetsova,
PRESIDENT AND COO, INTTRA

OCEAN SHIPPING HAS a history of slow adoption of information technology (IT), which means it is also an industry that can benefit significantly from technology-driven innovation. That is one reason INTTRA was formed in 2001 to bring digitization to the container booking process. More than 15 years on, INTTRA is now the largest neutral digital transaction network and software platform in the ocean shipping industry, empowering customers to trade with multiple parties and leverage information to improve their businesses. We are bringing technology to the shipping industry; helping organizations to reduce costs through innovation and to generate higher revenues.

It is working. More than 700,000 container orders are initiated over our platform weekly through more than 50 carriers. We manage over one quarter of global container volume, with additional visibility into nearly 40% of global container trade. INTTRA processes a large amounts of data, including tracing

containers from the first terminal entry to delivery, Harmonized System (HS) codes and bills of lading. So, we recognize the value that data-driven insights present both for operational optimization and border protection.

We're at a tipping point

The shipping industry today is experiencing a visible acceleration of IT adoption. A long period of overcapacity and volatile prices led to reviews of business models for many of the maritime trade participants. Many of them resulted in a higher focus on digitization as the means to reduce costs and improve service. Digital booking and tracking of containers quickly become a competitive necessity rather than optional service, bringing the shipping industry to the tipping point when IT becomes an important driver in long-term profitability.

Here is a good illustration. It took the industry 15 years to digitize half of all container bookings: according to a recent study by American Shipper, 51% of shippers are still processing

orders manually. Yet, for a new process – the Safety of Life at Sea Convention (SOLAS) compliance – it went digital. The Convention required that from 1 July 2016 a shipper must verify the full weight of a packed container – the Verified Gross Mass (VGM) – with a certified signature as a condition for loading onto a ship for export.

At the end of 2015, INTTRA announced the eVGM initiative – a non-commercial collaboration with leading carriers and freight forwarders to state their preferences for electronic submissions of VGMs and to develop common business standards for the process. This year, as a direct result of that collaboration, the vast majority of VGMs are transmitted electronically.

INTTRA sees several trends that will shape ocean shipping moving forward. While the strength of the players is often defined by the size of their physical networks, it means more one-on-one connections to digitize, which is a very expensive approach. Thus, in the supply chain industry, digitization elevates

platforms and marketplaces connecting ‘many-to-many’ while bearing the costs of multiple electronic data interchange (EDI) links.

Having all data on a single cloud will lead to better integration of operational, financial and informational workstreams within shipping that traditionally uses different systems and, therefore, misses the opportunity for more complex analysis and optimization. We expect to see further convergence in tracking and optimization of ocean and land container movement for these same reasons. New technologies will be used to accelerate the process.

Blockchain, for example, will simplify transaction processes and reduce costs, providing secure transactions with information only going to the parties that need to be involved. This has the potential to break down silos, allowing for the integration of operational, financial and informational workstreams, and helping customers by taking an enormous amount of cost out of the industry while increasing overall efficiency.

The real-time tracking and status of containers supported by the ‘Internet of Things’ (IoT) will be a significant driver in improving security. Shipments monitored with tracking devices will increase the timeliness and quality of data, with an immutable record of container or cargo events. This will drive greater efficiencies. The real-time collection of data about temperature, humidity and tilting is already being used in a limited fashion on selected temperature-controlled and monitored containers. As the ocean shipping industry moves across the digital divide, we anticipate an expansion of real-time tracking as the technology becomes more robust and related costs decrease.

Predictive analytics, ‘big data’ and artificial intelligence (AI) will allow companies to transition to more accessible business analytics that will automate business processes and operations. Some of the pilots in the industry today include such projects

as the Korean blockchain consortium for trade compliance and the European Commission’s Taxation and Customs Union Directorate-General (DG TAXUD) – for effective information sharing between Customs, ports and law enforcement.

Looking forward, there are many opportunities and uses of data analytics related to border security. They include commodity risk profiling for Customs screening; data analytics for security risk assessment and systematic operational planning, and data addressing unsystematic risk with disaster relief, such as alternative security and screening protocols. Customs and government agencies may access the data the same way as INTTRA’s shipping partners, through a secure network conduit and portal providing customized data feeds based on the requirements and authorizations for each party.

Taking a deeper look, with commodity risk profiling, data can greatly improve screening and tracking processes. For example, the shipping of high-security threats, such as fertilizer and household chemicals, can be tracked through a combination of a container’s history and global HS codes. More granular and comprehensive tracking information promises to increase security by showing who touched and handled containers along their many stops in transit. Mapping that data against other information will improve risk profiling on future shipments.

Theft is another area of concern throughout the ocean shipping industry and all areas of logistics. The tracking and monitoring of high-value commodities, such as consumer electronics, in an effort to prevent and reduce theft, is a focus area. Multiple sources of security data help to identify ports and container yards with higher security by, for example, using data from firms such as CargoNet and Sensitech. At the same time, INTTRA has good insights into ports with longer dwell times (how long containers wait at ports before moving to their next destinations), which increases opportunities for theft. Mapping these

two sources offers great promise in reducing pilferage.

Data analytics can also be used effectively to address unsystematic risk, an uncertainty that exists within every business and industry, and certainly within shipping and logistics. The right data will allow shippers to measure the impact of port events, such as strikes, to prepare for security risks, resource utilization and capacity predictions, while also managing the flow of containers and prioritizing screening processes during these events.

Preparing for the future

We are entering a new and important phase in ocean shipping, empowered more by networks and increasing interconnectivity. Those who fully embrace technology and select strong partners to drive innovation will occupy the winning side of the digital divide.

Indeed, INTTRA believes that over the next 15 years IT will further transform ocean shipping, changing industry processes, driving down costs, and improving security. INTTRA will be a part of that, helping our customers through advancements in digitization that will enable new business models.

We are looking forward to partnering with the Customs community, providing data and analytical insights to enhance security at the borders. Today, our current data analytics combined with historical shipment data helps customers make cost- and time-saving decisions for future shipments. Thus, we offer insight on how many times the estimated time of arrival (ETA) has changed since the first booking and what ports experience the highest dwell times to avoid cost and future delays.

INTTRA can offer similar data services based on the needs of Customs and government agencies with the goal of enhancing border security.

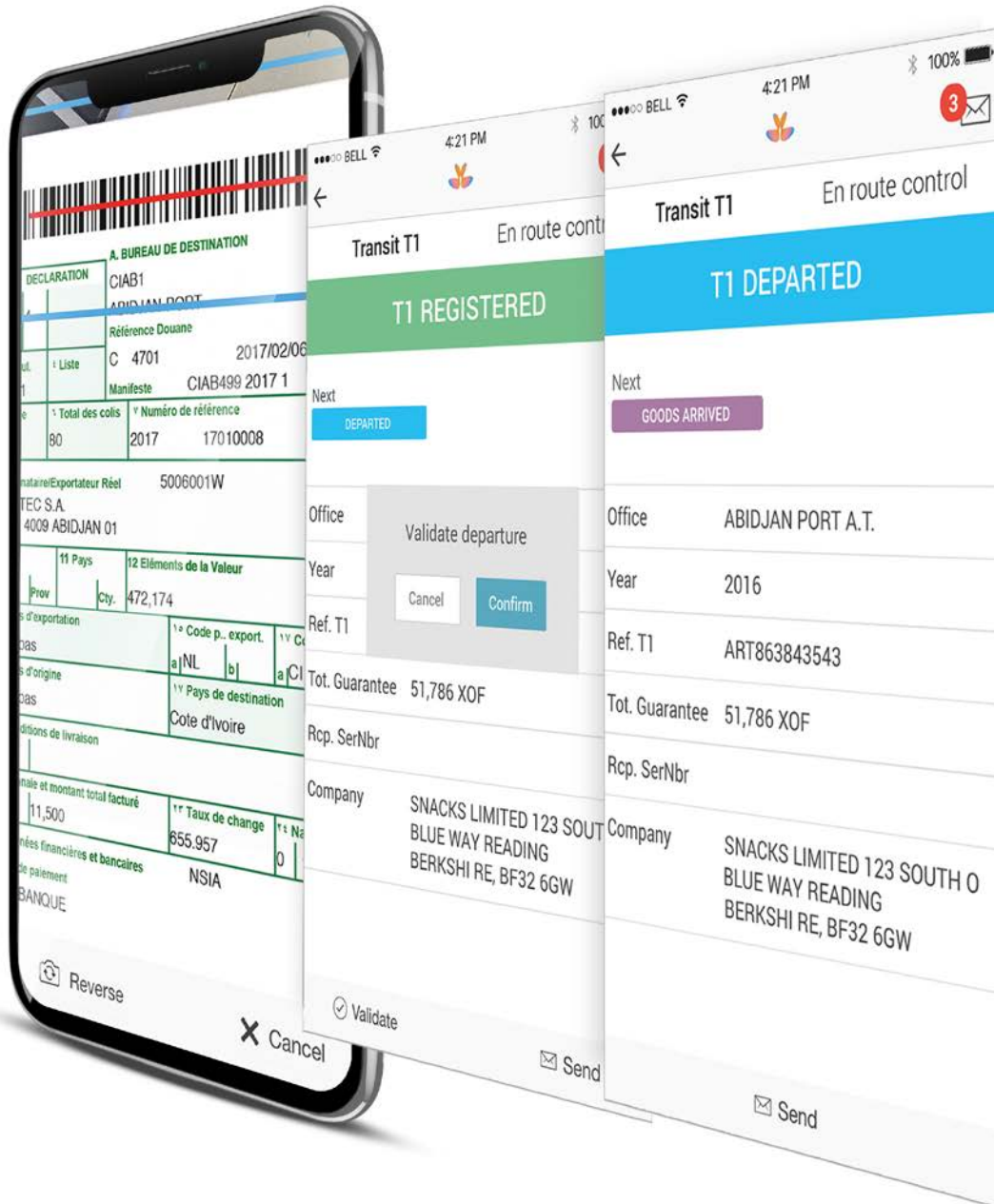
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