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wco news

**A secure business environment
for economic development**



World Customs Organization



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Editorial note

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Save the date!

WCO Conference on Illicit Financial Flows and Trade Mis-invoicing

23 May 2018, Brussels, Belgium

THE CONFERENCE IS being organized by the WCO at its Headquarters, bringing together Members of the WCO and other relevant stakeholders to share their experiences and to discuss how they can cooperate and work in tandem to counter illicit financial flows (IFFs) and trade mis-invoicing.

The morning session will focus on the assessment of both phenomena and on methods of detection, with a particular focus on unit price analysis and mirror data analysis, while the afternoon session will be devoted to presentations by Customs administrations on their practical experiences in dealing with IFFs and trade mis-invoicing.

Potential areas for inter-agency collaboration among intergovernmental organizations, such as the WCO, the Financial Action Task Force (FATF), the Organisation for Economic Co-operation and Development (OECD) and the G20, will also be explored.

Financial support for the Conference is being provided by the Korea Customs Service.

More information

www.wcoomd.org/en/events.aspx

Latest accessions to WCO instruments

Revised Kyoto Convention



Republic of the Congo

Date of accession: 14 December 2017
113th Contracting Party

More information

communication@wcoomd.org



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2018 WCO IT Conference & Exhibition “Building a reliable digital landscape to boost cross-border trade”

6-8 June 2018, Lima, Peru

THE WCO THEME for 2018 calls on the Organization’s membership to explore how Customs can contribute to better securing the business environment and, in so doing, boost economic prosperity. This premier WCO IT event aims to explore how information technologies can support such a process by enhancing the capacity of Customs administrations to identify high-risk goods, and how border management may appear in the future.

There are various technologies – some emerging and some already well-established – that authorities can benefit from in performing their tasks. However, there are uncertainties regarding their capabilities and limitations in the border management environment, and anxieties around potential data security and protection issues. Cyber-attacks today are more frequent and more extensive, with hackers becoming increasingly skillful at intruding into IT systems.

Participants will look at lessons learnt from the latest pilot projects and initiatives deploying advanced technologies, including data analytics, artificial intelligence, and machine learning. They will also focus on the following questions: How can blockchain technology increase trust between the private sector and governments? What kinds of clouds do we know about and how much security do they provide? What is the Internet of Everything and how can it support both the private sector and governments? How can international standards such as the WCO Data Model help?

More information

www.wcoomd.org/en/events.aspx



International Conference “Respect for IP – Growing from the Tip of Africa”

23-25 October 2018, Sandton,
South Africa

THIS CONFERENCE IS being jointly organized by the Companies and Intellectual Property Commission of South Africa (CIPC), INTERPOL, the WCO, the World Intellectual Property Organization (WIPO) and the World Trade Organization (WTO) to foster a dialogue on building respect for intellectual property (IP).

It aims to strengthen international cooperation and build greater IP awareness while coming up with strategies for better IP enforcement in the region. Among the many topics to be discussed at the Conference will be the question of how to destroy IP-infringing seized goods and WIPO will present a report on the environmentally safe destruction of counterfeit goods.

More information

www.wipo.int



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WCO to launch an e-learning portal for the private sector

ON 1 MAY 2018, the WCO will launch the “WCO Academy,” an online platform where representatives from the private sector will be able to access e-learning courses, webinars, books and news.

The WCO has already developed 23 Customs-focused e-learning courses covering more than 500 hours of e-training on major international instruments, topics and concepts that contribute to enhancing the work of Customs officers from across the globe, directly at their work place.

It is now making specific courses available to private sector professionals, which have been suitably adjusted to meet their needs.

Aimed at building the Customs skills of trade professionals as well as further enhancing their work performance, the WCO Academy will be the ideal platform for the private sector to gain in-depth knowledge and specialized information from the WCO.

More information

academy@wcoomd.org

Tel. +32 2 209 9392

WCO to place a spotlight on “disruptive technologies” in April 2018

A WHOLE DAY will be devoted to “disruptive technologies” at the meeting of the WCO’s Permanent Technical Committee (PTC) that is scheduled to take place from 16 to 20 April 2018. Delegates will discuss, in detail, the potential benefits, risks and impact of technologies such as blockchain, artificial intelligence, machine learning, virtual reality, the Internet of Things, robotics and biometrics, on the work of Customs.

Moreover, they will examine a Study Report compiling all relevant work already done on these topics under the auspices of the WCO Virtual Working Group on the Future of Customs. Created in 2015 following intense discussions by the PTC on the future of Customs, the Virtual Working

Group gathers representatives from Customs, the private sector, international organizations and academia, with a mandate to carry out exploratory work and research on disruptive technologies.

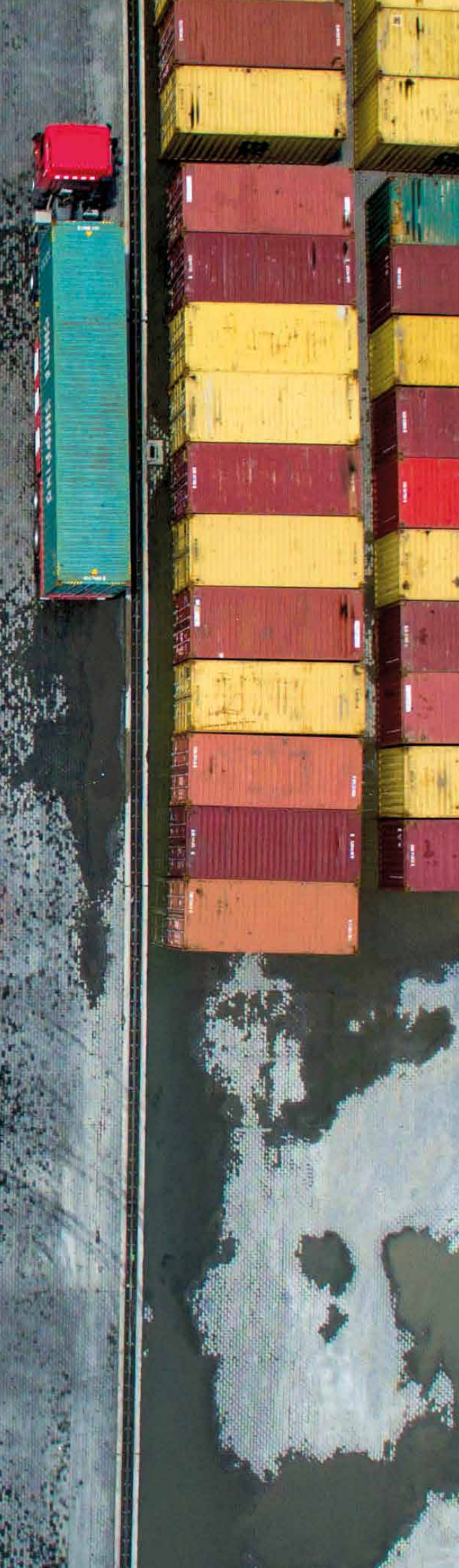
This is the first time that a whole day is being dedicated to this topic by the PTC, and discussions promise to be intense.

Mark the date in your calendar!

More information

www.wcoomd.org

Dossier: A secure business environment for economic development



A few words about the theme of the year

By Kunio Mikuriya,
SECRETARY GENERAL, WCO

EACH YEAR, THE WCO Secretariat chooses a theme that is relevant to the international Customs community. The slogan chosen for 2018 is “A secure business environment for economic development.” Under this banner, Members of the WCO are encouraged to look at how they can create an environment for businesses that will foster their participation in cross-border trade, and, ultimately, how they can best serve their people and empower their entrepreneurs.

Not only is it important for governments to support specific interventions for businesses to flourish, it is equally important to look at the external environment in which businesses operate. By “secure,” we mean an environment that is enabling, safe, fair and sustainable, all wrapped into one. Such an environment will help businesses, especially micro, small and medium-sized enterprises (MSMEs), to expand their activities, create incentives for them to participate more fully in international trade, and encourage them to innovate, generate employment and invest in human resources, thereby boosting economic growth and raising living standards.

Following my introduction, it would be opportune for me, at this juncture, to develop further the idea of a secure business environment, especially its key elements: “enabling,” “safe,” and “fair and sustainable.”

Evidence-based research, recognized internationally, clearly shows that Customs can contribute to making the business environment more “enabling,” or in other words, more stable and predictable by, for example, streamlining procedures, tackling corruption, enhancing integrity, and facilitating the cross-border movement of goods, conveyances and people in general.

Ensuring safety is also critical. Legitimate businesses require a secure supply chain to prosper, but some threats come from within the trade itself, such as the shipment of illicit goods that could endanger peoples' health, safety and security. Combating cross-border crime, including the illicit funding of international terrorism through trade activities, is our responsibility, and one that Customs takes seriously in its efforts to ensure a "safe" environment.

Last, but not least, Customs must strive to build an environment that is "fair and sustainable." The importation of illegal goods, such as goods that infringe intellectual property rights (IPR), or legal goods which, for example, are smuggled into a country to avoid the payment of duty or whose value has been misreported, can do immense harm to a country's economy. It is not only a question of financial losses for both legitimate traders and governments, such activities can also affect governance, the economy, development and human security across the globe.

To take our annual theme forward, for the dossier of this edition, we invited various people to share information on initiatives and related projects that contribute to creating a secure environment for businesses. The idea is, as always, to highlight any challenges faced, to showcase those projects that will inspire others, and, of course, to communicate best practices.

The dossier starts with an article by China Customs on a pan-governmental initiative called the AEO Joint Incentive programme under which Chinese authorized economic operators will be entitled to enjoy as many as 49 facilitation measures provided by Customs and other government departments in China.

This year's theme also echoes the current Customs focus on trade facilitation, created by the entry into force of the World Trade Organization's Trade Facilitation Agreement (TFA). In this edition of the magazine, India Customs explains how it handled one of the TFA's provisions, namely the establishment of a National Committee on Trade Facilitation (NCTF), and how it has structured its NCTF, all guided by a vision to transform India's trade ecosystem by reducing the time and cost of doing business.

Inter-agency cooperation, both at the international and national levels, to ensure mutual understanding and coordinated actions, is, of course, key to facilitating trade. Peru and Chile recently opened their first joint integrated border control centres, and Peru Customs kindly agreed to explain how the centres work to facilitate the movement of people, baggage and motor vehicles, which is a good example of the practical implementation of the WCO's coordinated border management (CBM) concept.

The question of how to measure our performance is also addressed in the magazine. Procomex, an alliance of Brazilian companies and private sector organizations which support Customs modernization, explains why it decided to replicate the survey used by the World Bank to evaluate the performance of the country when it comes to the ease of trading across borders, and what the exercise revealed. In another article, researchers Andrew Grainger and Duncan R. Shaw suggest a method for measuring the quality of trade facilitation, as it is the quality of implementation that will deliver economic benefits.

Several articles touch on how to manage the growth in international mail due, in particular, to the exponential growth in e-commerce transactions. The Universal Postal Union introduces the work done to speed up the clearance of postal items being transported by rail between China and Europe, while Australia and New Zealand Customs explain how they try to leverage the use of mail data for risk assessment, targeting and border clearance purposes, and what they would need to do to redesign their operational processes in their international mail facilities to integrate the use of mail data.

On this very topic, I would like to remind readers that the WCO is currently developing a "Framework of Standards on Cross-Border E-Commerce," which should be ready in the coming months for adoption by the WCO Council in June 2018. This new WCO tool is aimed at assisting Customs in developing strategic and operational e-commerce frameworks. It will be equally useful for those who are seeking to enhance existing frameworks in order to effectively meet the requirements of new and evolving business models. The Framework of Standards will be supported by an implementation strategy and an action plan, as well as a robust capacity building mechanism to ensure its harmonized and expeditious implementation.

Data analysis is another topic of great importance to the WCO. Two articles in this dossier deal with the collection and analysis of data to fight fraud. Malawi Customs highlights its efforts to combat illicit financial flows out of Malawi through the undervaluation of exports and the overvaluation of imports, while Customs researchers explain how they have been leveraging data analysis to identify irregularities at the border between Peru and Ecuador.



An example of the use of data mining tools and technologies is provided by Brazil Customs. The administration explains how it managed to achieve vital leaps in efficiencies when it came to the processing of international travellers through the use, firstly, of a risk assessment system that enables advanced passenger information (API) and passenger name records (PNR) to be processed, and the use, secondly, of a passenger facial recognition system.

Engaging with stakeholders, including the implementation of open communication, effective collaboration and meaningful consultation, with the goal of promoting compliance as well as effective and efficient implementation of change, is another policy advocated by the WCO. To illustrate this aspect, the dossier includes an article by the Secretary General of TIACA, who explains how similar the concerns and objectives of the air cargo industry and Customs administrations are, and how important it is not to operate in isolation.

The dossier ends with an article which questions the way we link security and development. Inspired by experience gained in field studies undertaken in

sub-Saharan Africa since 2000 and anthropological research conducted in seven border areas that can be considered as “fragile,” the article argues that the development of a strategy focusing on borderlands should also look at how to support cross-border trade activities.

This last article and the others remind us that building a secure business environment is an ambitious project, and that even with the best intentions, we can sometimes easily fail to understand all the subtleties of how this complex reality works. But through the sharing of knowledge and information, supported by in-depth research and good communication, we can hopefully achieve our aim: a secure business environment for economic development.

In wrapping up, I would like to sincerely thank all the contributors to this dossier, as well as all the other contributors to the magazine who took the time to share with us their experiences on various Customs and trade related issues. It has been our pleasure to produce another edition of the WCO’s magazine, and we trust that you will enjoy reading all the insightful articles.

The WCO is currently developing a “Framework of Standards on Cross-Border E-Commerce,” which will be supported by an implementation strategy and an action plan, as well as a robust capacity building mechanism to ensure its harmonized and expeditious implementation.



Chinese Customs officers check the operations of an AEO company in Guangdong

China's AEO Joint Incentive Programme

By CHEN Jianping,

AEO PROGRAMME, GENERAL ADMINISTRATION OF CHINA CUSTOMS

IN OCTOBER 2016, a pan-governmental initiative called the AEO Joint Incentive (AJI) Programme was launched in China. Under the new scheme, companies which have met pre-determined standards under the existing AEO programme and have been certified by China Customs as "Advanced Certified Enterprises" (ACE) will be entitled to enjoy as many as 49 facilitation measures provided by China Customs and other government departments. At present, there are about 3,000 ACEs, accounting for about 33.1% of national import and export volumes in China.

The AJI Programme involves some 40 government departments. These include border agencies such as Customs, quarantine, civil aviation and port authorities, and non-border agencies such as the National Development

and Reform Commission (NDRC) and the Council for the Promotion of International Trade (CCPIT), as well as agencies in charge of taxation, finance, environmental protection, market supervision and banking supervision.

Facilitation measures

The AJI Programme comprises 49 facilitation measures, which can be divided into six major categories:

- Category 1 - "Green Lane" (includes measures for expedited licensing, registration, and release of goods: for example, the tax authority has set up a green channel for AEOs to expedite formalities such as duty declaration);
- Category 2 - "Less Inspection" (includes provisions to carry out fewer inspections at ports);
- Category 3 - "Priority Treatment" (includes measures giving priority to companies requiring intellectual property protection related services, such as patent application, trademark registration and litigation rights protection);
- Category 4 - "Simplified Procedure" (comprises measures reducing the number of documents required by participating agencies to the minimum);
- Category 5 - "Major Reference Benchmark" (includes measures aimed at ensuring that the accredited AEO status of a company is taken into account when inspected by other participating AJI agencies);
- Category 6 - "Pilot Reform Project" (includes measures giving priority rights to AJI companies to participate in pilot projects implemented by Customs and other government departments).

Social Credit System

The AJI Programme is an important part of the Chinese government's Social Credit System that is planned to be launched in 2020, and which aims at rating and ranking the behaviour of citizens and legal persons (which includes every company or other entity) in China as part of a wider vision to build a secure, compliant and credible society.

China's State Council has established an inter-departmental joint conference mechanism to carry out research on crucial issues in constructing the Social Credit System, and to organize joint certification and monitoring programmes such as the AJI Programme. The mechanism includes almost all government departments. It is under this umbrella that the 40 government departments collectively designed the AJI Programme, specifying its main features and the benefits to be provided to participants.

Information-sharing and exchange

At the heart of the Social Credit System lies massive data collection on company activities by government agencies and authorized rating entities. China Customs exchanges and shares information on AEOs with other government departments by connecting its AEO management system to a national platform for credit information-sharing established by the State Council as part of the System. China Customs sends real-time data on about 3,000 AEOs a day on average. Other government departments also share and exchange information on the platform, and this contributes to the elimination of credit information silos, while making supervision more intelligent and efficient.

Dynamic regulatory mechanism

All the authorities conduct dynamic supervision and monitoring of AEOs to ensure that supply chain security rules are respected. Inspection results are shared, which decreases the duplication

of supervision and saves administrative resources. If an enterprise is found to have engaged in illegal or dishonest activities, or not to have respected its security and compliance obligations, the information is immediately sent to China Customs, which will suspend or revoke the AEO status of the enterprise.

The Social Credit System allows for close collaboration between agencies. The AJI Programme removes many of the administrative barriers which previously existed among China's government departments, thereby creating a more unified approach.

Border authorities' control is more harmonized. Based on the mutual recognition of different security and compliance programmes, such as mutual recognition of credit certificates, the AJI Programme reflects mutual trust among border authorities, and enables the different programmes and control measures to be coordinated, thereby making border clearance more streamlined and efficient.

Increased attractiveness

As the AJI Programme is rather new, it is still being perfected. But companies are already getting benefits. For example, some have reduced transaction operating times and saved trading costs. The overall time for export tax rebates in the tax department has decreased from 15 days to five days, which cuts about 70% of the time for a tax refund. Moreover, because of enhanced credit ratings, an AEO's proportion of direct financing based on the line of credit from banks increased from 60% in 2015 to 90% in 2017.

As more benefits are offered to Advanced Certified Enterprises, more and more companies are applying for AEO certification and strengthening their security standards and compliance management.

More information

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All the authorities conduct dynamic supervision and monitoring of AEOs to ensure that supply chain security rules are respected. Inspection results are shared, which decreases the duplication of supervision and saves administrative resources. If an enterprise is found to have engaged in illegal or dishonest activities, or not to have respected its security and compliance obligations, the information is immediately sent to China Customs, which will suspend or revoke the AEO status of the enterprise.



India pursues a broader trade facilitation agenda

By Hardeep Batra,

ADDITIONAL COMMISSIONER, WCO CELL, CENTRAL
BOARD OF EXCISE AND CUSTOMS, INDIA

Countries have to establish a National Committee on Trade Facilitation (NCTF) in terms of their commitment to implementing the Trade Facilitation Agreement (TFA) that was concluded by the members of the World Trade Organization (WTO). In this article, India explains its NCTF implementation journey and how it has structured its NCTF, all guided by its vision to transform India's trade ecosystem by reducing the time and cost of doing business.

THE TFA CAME into force on 22 February 2017 after having been ratified by two-thirds of the WTO's membership. One of

its provisions deals with the creation in each WTO member country of a NCTF. More precisely, Article 23.2 of the TFA

Agreement reads: "Each Member shall establish and/or maintain a national committee on trade facilitation or designate an existing mechanism to facilitate both domestic coordination and implementation of the provisions of this Agreement."

Some countries had already gone ahead and established such committees or similar ones, often with mandates going beyond the requirements of the TFA, prior to ratifying the Agreement. But others still had to establish one. India is one such country, establishing its NCTF on 11 August 2016, soon after ratifying the TFA.

India committed to applying portions of the TFA from the date it took effect, reporting these provisions under "Category A," and has listed a number of provisions under "Category B," meaning that it will implement them after a transitional period following the entry into force of the TFA. But the country



does not intend to limit itself to the implementation of the TFA. It is pursuing a broader trade facilitation agenda that exceeds the TFA's requirements.

Working principles

While working on the NCTF constitution and the definition of its terms of reference, India took into account the "three P" approach adopted by the WCO when it comes to reform and modernization, wherein political will, partnerships and people play a crucial role in the successful working of an NCTF.

Partnership is of course central here. The cross sectoral nature of trade facilitation calls for close co-ordination between trade operators, service providers and government agencies including Customs. Therefore, the composition of India's NCTF draws on the active participation of all these stakeholders, with successful engagement among all of them being the fundamental approach. The following

principles underpin the design of India's NCTF structure:

- Wide representation, as effective implementation of the TFA requires multiple stakeholders to come together, for example, to build and implement a national trade facilitation plan;
- Coordination among various agencies to achieve these goals;
- Flow of information for effective knowledge-sharing and smooth inter-agency functioning;
- Decision-making authority that will enable the structure to facilitate the process;
- Public and private "ownership," which encourages stakeholder buy-in.

Three tier structure

Guided by its five working principles, India established an NCTF with a three tier structure consisting of the NCTF (tier 1), a Steering Committee (tier 2) and Working Groups (tier 3), to meet its needs and take its broader trade facilitation agenda forward.

National Committee on Trade Facilitation

All stakeholders have a seat on the NCTF. It is the policy making body that ensures all projects adopted by the NCTF receive political support. The NCTF is chaired by the Cabinet Secretary, the Government's most senior civil servant and the head of the civil service.

Among government representatives are the "Secretaries" (administrative heads) of all key departments involved in trade issues such as Revenue, Commerce,

Agriculture, Home Affairs, Shipping, Health, the Chairman of the Central Board of Excise and Customs, the Chairman of the Railway Board, and the Director General of Foreign Trade.

Private sector delegates include representatives from major trade associations such as the Confederation of Indian Industries, the Federation of Indian Chambers of Commerce and Industry, and the Federation of Indian Exporters Organization.

The total membership of the NCTF stands at 22 and it can co-opt any government representatives on relevant issues as it goes about its work monitoring TFA implementation progress, ensuring actions are coordinated, and, when required, proposing corrective measures based on internal deliberations and feedback received through various outreach programmes.

The technical provisions of the TFA – in particular, Section I (Articles 1 to 12) – are substantially Customs-related, with 98% of the provisions fully or partially to be implemented by Customs, placing it at the centre of national implementation efforts.

Consequently, Customs has a prominent role to play in the NCTF, where it can share its vast experience in interacting with multiple government and business stakeholders, including promoting coordinated border management (CBM), inter-agency cooperation, and Customs-business partnerships.

The Secretariat of the NCTF is housed at Indian Customs' headquarters, and the National Committee is also responsible for monitoring the work of the Steering Committee (tier 2) and the activities of the Working Groups (tier 3).

Steering Committee

The Steering Committee is made up of a core group of 16 public and private representatives. Together, they compile the action plan, monitor its implementation, and report the results to the NCTF to which they can turn to when seeking guidance. They also undertake gap analyses to assess the degree of compliance of concerned departments and agencies with regard to the implementation of each provision of the TFA.

The Committee identifies the nature of change required for achieving full compliance with the TFA, and keeps a watch on the estimated time required to carry out the changes. It receives periodic inputs from all concerned departments and agencies, deliberates on them, and accordingly provides the NCTF with recommendations.

Working Groups

These small groups of experts from relevant institutions work on a specific trade facilitation measure or project. As of now, four working groups have been set up:

1. The Working Group on Outreach, which organizes sensitization workshops and information campaigns that target Customs officers at all levels as well as other partner government agencies and various stakeholders in the supply chain. Some of its activities have been organized in collaboration with international organizations like the World Bank.
2. The Working Group on Legislative Changes, which conducts gap analyses and develops concrete proposals for changes to primary legislation as well as to procedural instructions. It has already done extensive work in identifying gaps in all relevant acts, rules and procedures, and recommended appropriate changes.
3. The Working Group on Time Release Study (TRS), which aims to identify bottlenecks, take steps to reduce dwell times, and measure and publish the average release time of

goods. A TRS is being undertaken for both import and export cargo at all ports, air cargo complexes, inland container depots and land Customs stations in a time-bound manner, with a view to fixing well-defined timelines for each involved stakeholder.

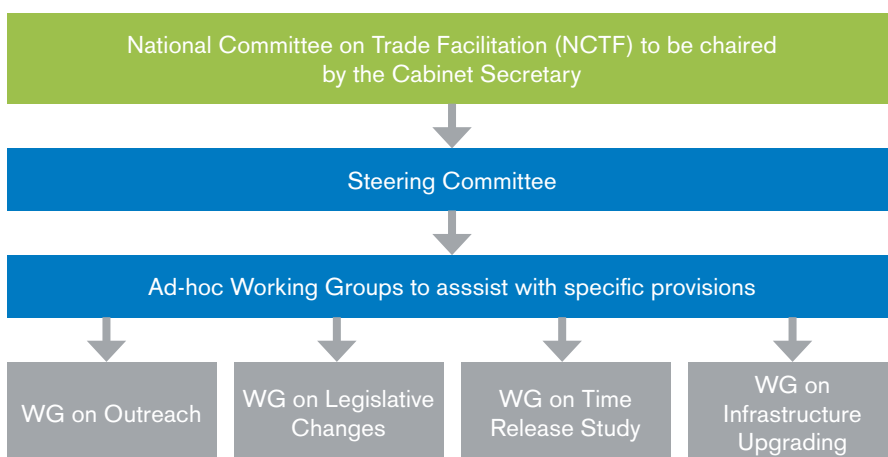
4. The Working Group on Infrastructure Upgrading, which looks at the needs pertaining to infrastructure expansion and renewal at land borders, sea ports and airports, as well as the rail network. A first analysis of the needs of major ports has already been done, and areas which require immediate action have been identified.

Two meetings of the NCTF and three meetings of the Steering Committee have taken place so far. Policy directions were given, various initiatives were monitored and, most importantly, coordination among all players in the supply chain was achieved.

Road map

The NCTF has drawn up a National Trade Facilitation Action Plan (2017-2020), which was released by India's Hon. Minister of Finance on 20 July 2017. It is a road map that aims to facilitate trade by transforming the cross-border clearance ecosystem through efficient, transparent, digital, and technology driven procedures, which are supported by state-of-the-art sea ports, airports, rail, road and other logistics infrastructure. The Plan was conceived after considering recommendations from the Working Groups as well as inputs from the private sector.

NCTF Structure



The Action Plan lists 76 goals divided according to the timeframe associated with their development (short term, medium term and long term), and identifies the lead agency responsible for delivering each of those goals. Activities in the Plan have been mapped with TFA articles. Some refer to TFA articles that India notified under “Category A,” i.e., provisions that India would have already implemented by the time the TFA entered into force. The idea here was to improve existing procedures and mechanisms related to those “Category A” standards.

India aims not only to meet the requirements of the TFA, but also to become a global manufacturing hub by improving the ease of doing business. Many of the goals listed in the Action Plan go beyond the TFA provisions, and are known as “TFA plus.” The idea is to bring down the overall cargo release time for imports and exports as follows:

- For imports – within three days for sea cargo, within two days for air cargo and inland container depots, and on the same day for land Customs stations.
- For exports – within two days for sea cargo, and on the same day for air cargo, inland container depots, and land Customs stations.

Since infrastructure and technology are prime enablers for trade facilitation, and more so in India, many activities listed in the Action Plan directly relate to these fields. One of its objectives is to develop a world class infrastructure at ports, airports and dry ports as well as for roads. Ongoing projects include:

- the development of a RFID system by the Ministry of Shipping to enable container tracking;
- the installation of weighbridges and cranes at all ports;
- the construction of road networks around the ports to reduce congestion;
- the issuing of electronic delivery orders by shipping lines;
- the setting up of laboratories at all major ports;
- the improvement of rail networks at important locations to enhance connectivity;
- the deployment of a direct port delivery (DPD) scheme that allows importers/consignees to take delivery of containers directly from port terminals and haul them to factories without first having to take them to container freight stations.

India's vision is to transform the trade ecosystem by reducing the time and cost of doing business. Traditionally, government bodies in the country are seen as regulators, but now the need at the moment is for them to act as facilitators. Meaningful engagement with the private sector, and a structured and comprehensive approach to trade facilitation is being adopted to realize India's vision.

More information

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India aims not only to meet the requirements of the TFA, but also to become a global manufacturing hub by improving the ease of doing business. Many of the goals listed in the Action Plan go beyond the TFA provisions, and are known as "TFA plus."



Efficient management of supplier declarations and correct use of free trade agreements – globally

There are already more than 400 ratified free trade agreements (FTAs) around the world to ease trade among the involved countries and offering savings potentials to companies with respect to customs duties, which results in competitive advantages.

However, companies can leverage such savings potentials and competitive advantages only by mandatory fulfilment of several complex rules of origin of goods as well as their detailed documentation.

This requires to establish a process for the calculation of the origin of goods which conforms to the law and auditing requirements to avoid possible fines and unplanned costs in advance.

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Integrated border control between Peru and Chile

By **Jesus Cordova Cruzada,**

GENERAL DIRECTORATE OF THE CUSTOMS AND TAX
ADMINISTRATION OF PERU

After six years of intensive efforts, on 16 August 2017, Peru and Chile opened their first joint integrated border control centres. This new system aims to facilitate the movement of people, baggage and motor vehicles, and is an example of the practical implementation of the coordinated border management concept promoted by the WCO and other international organizations such as the World Bank and the Inter-American Development Bank.

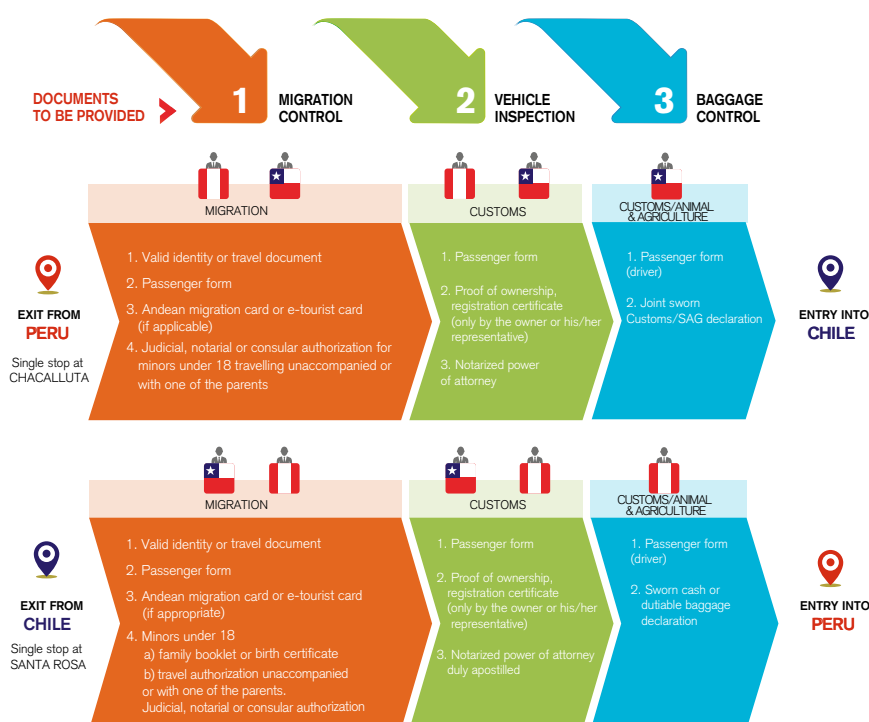
ON 19 JANUARY 2011, a “Framework Agreement for the Implementation of Integrated Control and Cooperation Systems for the Facilitation of Movement at Operational Border Crossings between the Republic of Chile and the Republic

of Peru” was signed. The Agreement sets the standards for the operation of these Integrated Border Control Centres (IBCC) at the border posts of Santa Rosa in Peru and Chacalluta in Chile, and includes legal provisions

covering issues such as jurisdiction and competence, or the operational aspects that are necessary for the good functioning of the Centres, not covered by other agreements or conventions in force between the two countries.

In the six years that have elapsed since the framework agreement was signed, several bilateral coordination meetings have been held in order to examine legal and technical issues as well as questions related to infrastructure and logistics, with the aim of widening the scope of the competences of each authority in the other country, and in order to carry out pilots and practical exercises, allowing both parties to finalize the operational details and guarantee effective coordination between all governmental agencies at the border, once the Centres become fully functional.

The set-up of a Bilateral Coordination Committee (BCC) played a key role in this respect. Mandated to be the supreme decision-making body and chaired by the authorities present at the border





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posts of Santa Rosa and Chacalluta, with the support of their respective foreign affairs ministries, the BCC met once a month alternately in Peru and in Chile. The agreements reached during the course of these meetings have legal status according to international law. This methodology aimed to create a cooperation and coordination mechanism between Customs and the migration agencies from both countries, ensuring that progress was made in the shortest time possible.

Integrated border control

Integrated border control is a type of control involving the migration services (Peru's Superintendencia Nacional de Migraciones and Chile's Policía de Investigaciones or PDI), the Customs administrations (Peru's Superintendencia Nacional de Aduanas y de Administración Tributaria or SUNAT and Chile's Servicio Nacional de Aduanas), and the animal and agricultural health agencies (Peru's SENASA and Chile's SAG) of both countries in the framework of a juxtaposed border post.

These different bodies carry out joint controls, in pairs, some of which involve both countries, on a one-stop border post basis. Users need only stop once, at the centre in the territory they are entering. In other words, each country carries out controls upon entry into its territory following a joint control model between the competent authorities of both countries.

At present, inspections only focus on private motor vehicles as well as vehicles used for the transport of passengers (cars and public service buses for cross-border transport by road). In 2017, some six million people and more than a million cars crossed the border. In the future, the integrated border control system between Peru and Chile will also process cargo – a feasibility study is being carried out by both countries to this effect.

Results

The implementation of an integrated border control system between Peru and Chile has reduced the crossing time for tourists and visitors at the border by more than 50%, as they only need to stop once. The project has also facilitated the movement of vehicles and people in the region, contributing to trade facilitation, especially in the cities of Tacna in Peru and Arica in Chile, and, more generally, to an increase in tourism between the two countries.

Outstanding issues

Some issues are still pending, among which are the implementation of a paperless environment and the dematerialization of required documents. The ability to submit an electronic passenger list will need to be further explored. Technologies will have to be deployed for automated number plate recognition, for example, or for a risk-based selection of motor vehicles for inspection, according to the WCO SAFE Framework of Standards, in order to

facilitate flows at the border and promote a secure, expedited and transparent commercial/business environment.

Other centres could be set up in the future. Peru Customs' approach is to use integrated border control as a tool to streamline the flow of goods and people at all its border posts, and in this regard, contact has been taken up with Bolivia, Ecuador and Brazil in order to discuss the implementation of this new mode of operation with them as well.

Conclusion

The successful implementation of the first IBCCs at the borders between Chile and Peru is first and foremost the result of a political agreement between the Presidents of both countries, whose enlightened decision has benefited travellers and passenger transportation companies alike, but which will also benefit cross-border traders in the future.

It is also the result of an unprecedented collaboration effort between the Peruvian and Chilean Customs authorities. More generally, it is a concrete example of the commitment taken by Latin American Customs administrations in favour of two of the WCO's top priority areas, namely the integration of borders and trade facilitation.

More information

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Revisiting the “Trading Across Borders” category of the World Bank’s Doing Business index

By John Edwin Mein,

EXECUTIVE COORDINATOR OF THE PROCOMEX ALLIANCE INSTITUTE, AND CURRENT CHAIR OF THE WCO PRIVATE SECTOR CONSULTATIVE GROUP

Procomex is an alliance of Brazilian companies and private sector organizations which aims to support the Customs modernization process. In this article, Procomex explains why it decided to replicate the survey used by the World Bank to evaluate the performance of the country when it comes to ease of trading across borders, and what the exercise revealed.

WHAT MAKES AN economy internationally competitive? There are a number of responses out there. The World Economic Forum, for example, defines competitiveness as the institutions, policies and factors that determine a country’s level of productivity – productivity which is supposed to impact on the well-being of its people.

Competitiveness can be evaluated by comparing how different countries handle identical processes, or put in place measures that are seen as critical factors for companies to start operating or to grow, the objective being to know what countries do best and how efficient they are in comparison with one another. In the trading environment, the Doing

Business index, promoted by the World Bank, is considered a reference on such matters by policymakers and investors from around the world.

The Doing Business project, which has wide international credibility and serves as a marker for governments to attract foreign investment and business opportunities, gauges 190 countries on 10 topics, each consisting of several indicators. Under the “Trading Across Borders” category, the indicator registers, among others, the time and costs associated with the logistics processes for exporting and importing goods. The data on trading across borders is gathered by way of a questionnaire administered by trade service providers.

In the 2017 edition of the index, Brazil ranked 149th in the “Trading Across Borders” category among the 190 countries surveyed. Despite efforts to modernize its foreign trade, the country has not managed to improve its ranking over the last few years. Was the world moving faster than Brazil or was the information used on Brazil “noisy”? To answer that question, Procomex took up the challenge, in 2016, to replicate the World Bank survey when it comes to Brazil’s foreign trade, and then investigate whether the Bank was measuring indicators correctly and if those responding to the questionnaire were the best positioned to do so, i.e., whether they had the practical knowledge to provide the correct answers.

Doing Business methodology

To evaluate the capacity of a country to process international trade operations efficiently, Doing Business records the time and cost associated with the logistics process of exporting and importing goods. Since 2016, it has evaluated “the accumulated time and cost (excluding tariffs) associated with the three procedures – document compliance, border compliance and domestic transport – within the total

process of exporting or importing a shipment of goods” (Doing Business 2017).

The import and export case studies use different products as a reference. For the evaluation of export procedures, Doing Business considers the product of greatest comparative advantage in each country, and in the case of evaluating import procedures, a single very common manufactured product, automotive parts, is used as a reference for all countries. The most frequent modes of transport, as well as the port, airport, or land border used to trade those goods, and the most important trading partner for the products being studied are identified for each country.

The assumption is that a shipment travels from a warehouse in the largest “export business” city to a warehouse in the largest importing economy. In the Brazilian case, as in 10 other economies, data is also collected on the second largest city of business. Thus, the samples from São Paulo (61%) and Rio de Janeiro (39%) are both evaluated and weighted.

In the evaluation of Brazil’s import processes, the World Bank identified Argentina as the economy from which the country imports the highest value (defined by the price multiplied by the quantity) of automotive parts. To assess exports, the Bank identified soya beans, classified within Chapter 12 of the Harmonized System (HS) international goods nomenclature, as the product with the largest comparative advantage (defined by the highest export income), and China as the largest purchasing economy of the product.

First exercise

Procomex first replicated the survey in 2016. Actual traders that import or export the products targeted in the World Bank survey were asked to fill in the questionnaire used by the Bank. Based on the responses, Procomex set

out to analyse foreign trade processes in detail, and identified a significant number of issues regarding the methodology, the questionnaire, and the selection of sectors (products) and trading partners made by the Bank.

It is worth mentioning that obtaining the information was a challenge. Since 2004, Procomex has been working with companies and private sector organizations on the modernization of Customs processes, making proposals for changes in procedures to the government that resulted in substantially improving the “lead time” of Brazilian companies.

Over the years, Procomex has built up a network of companies with whom it works closely and with whom it has built a significant level of trust. However, many of the companies that were approached during the survey refused to respond to the questionnaire, considering the information commercially sensitive, even though the confidentiality of the data was assured. It took many calls to convince them to participate in the survey, and lots of time clarifying the questions asked in order to obtain a significant level of response.

Second exercise

In 2017, Procomex repeated the exercise with two of its top professionals working part-time over three months. Instead of focusing only on the products, sectors and regions selected by the World Bank, Procomex decided to introduce new ones which were considered more meaningful in evaluating Brazil's ease of doing business in the trade facilitation area. The survey methodology proposed by the Bank was strictly followed, but with a new set of data.

For exports, the Procomex survey results suggest that the choice of reference sectors (products) has a significant impact on countries' final scores. In the case of Argentina, for instance, the World Bank chose to use the country's

second-largest export product, namely automobiles (HS 87) – an industrial product, instead of the country's largest export product, namely residues and waste from food industries (HS 23) – an agricultural product. This choice alone improves Argentina's position in the ranking.

With respect to imports, although Argentina is used in the World Bank study as Brazil's main country of origin for goods of HS 87.08, over the last few years, Germany has been the main exporter of automotive parts to Brazil, representing about 11% of the parts imported into Brazil and surpassing by a considerable margin Argentina, which is the fifth largest economy of

origin for goods of HS 87.08 (8% of Brazilian imports). Another issue is that relating to the means of transport used as a reference in the survey; the study focused on the Port of Santos, although only 1% of imports of automotive parts from Argentina were made through this port. To obtain an accurate picture of the import process of automotive parts, the study should have focused on road transportation through the São Borja border with Argentina.

Countries of origin and means of transport used are two important factors that should be taken into account when trying to accurately calculate the time and costs associated with imports of automotive parts into Brazil. The choice



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of reference countries used in the analysis of imports is also important as they define the modalities, boundaries, and differentiated practices of Customs clearance, including required documentation. Moreover, depending on the means of transport and the place of entry, different border agencies are involved and different controls are applied to a shipment. In all the tests performed, the results obtained in this study suggest that Brazil's international position is underestimated in the World Bank's calculations.

Other lessons learned

The answers obtained by Procomex demonstrated that companies face different realities, which are dependent on their location, the most used border post, their commercial partner, and the transacted product. Participants in the Procomex survey gave very different answers and the level of inconsistencies suggests that attention needs to be given

to the clarity of the questions presented by the World Bank in its questionnaire.

Applying the same questionnaire on a global scale raises a number of challenges, among them is the issue of language, and how to guarantee the comparability of responses. Generic questions, not specifically adapted to the Brazilian reality, generated ambiguous interpretations. Many survey participants corrected their answers as soon as the questions were clarified. Deciding when an activity began and ended is, for example, not very clear, and some respondents had doubts about how to calculate the time spent on each activity. What about calculating the time spent on performing activities that occur simultaneously? The preparation of documentation and border procedures are accounted for separately, although they may occur simultaneously, thus increasing the total time used for the operation as a whole.

Moreover, directly asking importing and exporting companies to answer the survey, instead of surveying only trade service providers, enabled Procomex to get better information about the operations, problems, times and costs relating to Brazilian imports and exports. In fact, direct communication with companies leads to information of a better quality.

Based on the experience gained during both exercises, the Procomex Alliance Institute would strongly recommend that Customs authorities identify an independent organization in their country, such as a university or a research institute, and undertake a similar study. Should they decide to do so, they can count on the assistance of the Institute.

More information

http://www.procomex.org.br/relatorios_procomex

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Knowledge Beyond Borders

Charles Sturt University

A method for measuring trade facilitation

By Dr Andrew Grainger
and Dr Duncan R. Shaw

WITH ITS RECENT ratification in February 2017, the World Trade Organization's (WTO) Trade Facilitation Agreement¹ is now in force. This is fantastic news for making trade simpler, and for taking advantage of the subsequent economic rewards. However, the question of how to hold countries, administrations and operators accountable to making things simpler, is still open. We argue that although making sure that trade facilitation measures are in place is good, it is the quality of implementation that will deliver the economic benefits. What is now needed is a method for measuring the quality of trade facilitation, and for acting on what has been measured.

Without a robust approach to measuring trade facilitation there is a real risk that:

- reform will predominantly focus on the obligations set out in the WTO Trade Facilitation Agreement (see Table 1 page 23), while other opportunities to make significant improvements are overlooked (e.g. the operational interactions between shipping lines, port stevedores and Customs, the practicalities of making payments for inspection related services, or the ease of use of supporting electronic systems);
- the wrong reform priorities are made, and scarce resources are not put to best use;
- a lack of ownership, especially where trade facilitation measures cut across administrative and organizational boundaries, will make excuses easy.
- the agency specific perspective, such as the WCO's time release studies for Customs administrations.

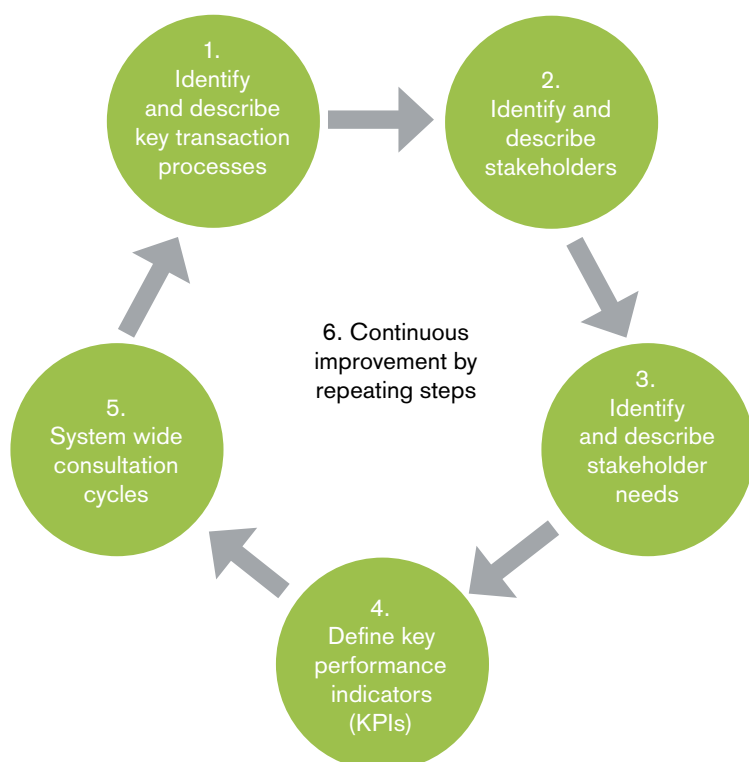
What do we know so far?

Luckily, we do not need to start from scratch. In trade facilitation, several standard performance measurement methods have already been developed with different levels of focus. They include:

- the country level macro-perspective, such as the World Bank's Logistics Performance Index and Doing Business datasets, or the Organisation for Economic Co-operation and Development's (OECD) trade facilitation indicators;
- the country level micro-perspective, such as the United Nations Economic and Social Commission for Asia and the Pacific's (UN ESCAP) approach to business process analysis in specific industry sectors;
- outward looking, such as when reporting to investors;
- inward looking, such as when looking at operations;
- customer orientated, such as when trying to assess market opportunities;
- focused on innovation and learning, such as by learning best practices from others, or by developing and investing in new technologies.

1 WTO, *WTO's Trade Facilitation Agreement enters into force*, 22 February 2017 [cited 2017 3rd March]; www.wto.org/english/news_e/news17_e/fac_31jan17_e.htm.

2 Kaplan, R.S. and David P Norton, *The Balanced Scorecard-Measures That Drive Performance*, Harvard Business Review, 1992, 70(1): p. 71-79.

Figure 1: The steps towards measuring trade facilitation

Each of these perspectives draws on qualitative and quantitative measures – so called “key performance indicators” (KPIs). These have two principal purposes. The first is to monitor performance and hold someone accountable. The second is to communicate targets and aspirations. In the context of trade facilitation there is scope to develop and agree KPIs, too – preferably across the international trade system, as opposed to just the internal KPIs that some Customs administrations and others already use³.

Measuring trade facilitation

We suggest six steps (see Figure 1) based on what different stakeholders in the key transaction processes linking business and government consider to be important. If the key stakeholders are happy then the processes will run smoothly.

Step one: To identify and describe key processes. Fortunately, much of the work has already been done. Notable work includes the United Nations Economic Commission for Europe’s (UNECE) supply chain reference model⁴, but there are many other models, too.

Step two: To describe the various stakeholders and their operations along the supply chain – from buy, to ship, to pay. Private sector stakeholders include: traders, such as importers, exporters, and their agents (they may be big or small, experienced or inexperienced); intermediaries, those that offer transport and transport related services, ranging from shipping to finance and insurance; and owners and operators of trade facilities and infrastructure, ranging from ports to trade-related information technology (IT) services. Government stakeholders include: Customs and non-Customs agencies; policy holders and

executive agencies; and agencies at home and in partnering countries.

Step three: To capture stakeholders’ needs. Needs are subjective, so they will be different for each type of stakeholder. For example, “just-in-time” may be about speed for some, but for many it is more about reliability (i.e. not too late).

Step four: To define appropriate KPIs, recognizing that they, too will be diverse and dependent on the specific requirements of the company or organization, the sector they are in, the supply chain arrangements, and the capabilities of the various stakeholders.

Step five: To consult and share experiences, including KPI data, and then analyse that data for policy making purposes. This also provides opportunities to review the preceding steps, to identify inefficiencies that undermine their performance, and to identify scope for making improvements.

Step six: A commitment to continuous improvement, which provides an opportunity to review the usefulness of KPIs, and perhaps make adjustments.

A new world of sensible data sharing

One further driver for the above approach is to take advantage of new technologies and data that is already being collected. Indeed, Customs agencies and the trade facilitation community are increasingly aware of the modern data pipeline. They recognize that all data for regulatory purposes has already been captured within commercial systems well before being formally submitted to government agencies⁵.

But there is more. Nearly everything we do produces an electronic shadow. The challenge is to work out when and under what conditions it is right to draw upon it. When and under what conditions will owners of such data be willing to share? And how to work out who has what information. There are many

³ Cantens, T., R. Ireland, and G. Raball, *Reform by Numbers*, 2012, Washington: World Bank.

⁴ UNECE, *International supply chain reference model (ISCRM)*, 2012 [cited 2017 20 Dec]; <http://tfig.unece.org/contents/ISCRM.htm>.

⁵ Hesketh, D., *Seamless electronic data and logistics pipelines shift focus from import declarations to start of commercial transaction*, *World Customs Journal*, 2009, 3(1): p. 27-32.

Table 1: Trade facilitation measures in the WTO Trade Facilitation Agreement, listed by Article

Art. 1	Publication and Availability of Information
Art. 2	Opportunity to Comment, Information Before Entry Into Force, and Consultations
Art. 3	Advance Rulings
Art. 4	Procedures for Appeal or Review
Art. 5	Other Measures to Enhance Impartiality, Non-Discrimination and Transparency
Art. 6	Disciplines on Fees and Charges Imposed on or in Connection with Importation and Exportation
Art. 7	Release and Clearance of Goods
Art. 8	Border Agency Cooperation
Art. 9	Movement of Goods Intended for Importation Under Customs Control
Art. 10	Formalities Connected with Importation and Exportation and Transit
Art. 11	Freedom of Transit
Art. 12	Customs Cooperation
Art. 23	Institutional Arrangements

opportunities to use data that is the by-product of other activities to measure performance. We just need to start a conversation about what is available, and who may find the data useful.

Stepping stones

Before we can use all the data that different stakeholders produce, to improve trade facilitation we also have to learn how to share data between stakeholders. One first step might be to start building a directory of trade facilitation related datasets. A bit like the “yellow pages” – somewhere where people can look-up who has performance related information about what. Who has the information which can help you run operations more smoothly, telling you where things are not performing?

There are plenty of anecdotes, for example, where freight forwarders can give a clearer picture about an administration’s performance than the administration itself. We ask, what would it take to sensibly share that information on a day-to-day basis?

Supporting institutions will be necessary, such as National Trade Facilitation Committees (NTFCs), Customs consultative groups, and port user groups. By drawing on the information they have, KPI’s can be identified and monitored.

Nothing needs to be perfect from day one, but we sense that there is a good research opportunity. And as researchers, we would be keen to develop funded pilot studies, perhaps with a specific sector focus, or along a specific trade lane. Volunteers are always welcome!

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About the Authors

Dr Andrew Grainger is an experienced trade facilitation expert with a keen academic interest. Dr Duncan R Shaw is a qualitative data scientist with many years of experience in the private and academic sectors. Much of their published work is freely accessible via google scholar at <https://scholar.google.co.uk>. The ideas in this article were first presented in 2017 at the WCO Picard Conference in Tunisia. The authors welcome comments and further suggestions, which can be sent to their email addresses at the end of this article.



UPU postal-rail project: establishing an international postal rail transport service

By Bilal Ahmad Khan,

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Although the carriage of freight by rail can provide a cheaper and faster alternative to sea and air transport, it is still very low. In order to develop the transport of postal items by rail, the Universal Postal Union (UPU) has set up a task force and undertaken several pilots in order to better understand how the performance of rail transport between China and Europe can be improved and how its use by shippers can be enhanced.

CHINA IS THE most important country of origin for the import of goods into the European Union (EU) and is now developing into one of its most rapidly growing export markets. Some 90% of freight shipments between China and Europe today are transported by sea, with each shipment taking approximately 40 days to complete the journey. Around 9% of the shipments are transported by airfreight and are delivered within a day. Although it could potentially offer great benefits, the share of rail freight is just under 1% in terms of total volume and transport takes about 15 days.

The main factors taken into account by shippers when choosing between the different modes of transport available is reliability, frequency, flexibility,

customer orientation, transport time and price. Given the growth in postal items being transported between China and Europe, due in particular to e-commerce transactions, and given the potential benefits which the carriage of postal items by rail offers, the UPU has set up a task force to better understand how the performance of rail transport between China and Europe can be improved and how its use by shippers can be enhanced.

Task force

The mandate of the UPU is more precisely defined in the Istanbul World Postal Strategy, the Union's strategic plan for the period 2017-2020: to develop detailed procedures for exchanging international mail by rail. This involves working with relevant international rail organizations, and with the WCO to jointly study and develop appropriate regulations related to the rail transportation of mail items, while jointly organizing seminars or workshops with these organizations and the WCO with a view to developing and disseminating best practices. Among the relevant rail organizations are:

- the International Rail Transport Committee (CIT), an association of some 216 railway undertakings and shipping companies which provide international passenger and/or freight services;
- the Coordinating Council on Trans-Siberian Transportation (CCTT), an association whose main objective is to promote the use of the Trans-Siberian route;
- the Intergovernmental Organisation for International Carriage by Rail (OTIF) that developed the Convention concerning International Carriage by Rail (COTIF), which includes the Uniform Rules concerning the Contract of International Carriage of Goods by Rail (CIM) and whose membership is mainly made up of European countries;
- 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;

Work on the "postal-rail project" started in July 2015. Initially, a project team was constituted to study the issues involved. In March 2017, a task force for the transportation of postal items by rail was set up. It consisted of the following members:

- Postal operators of the UPU Postal Operations Council (POC), which is the technical and operational mind of the UPU – China, France, Germany, Poland and the Russian Federation;
- Postal operators having observer status at the POC – Belarus and Kazakhstan;
- National Customs administrations – China, Germany and Poland;
- External stakeholders – the WCO, the EU and the above mentioned rail organizations.

The task force's role is to examine ways to harmonize and simplify postal, Customs and rail regulations, standards and formalities. This includes looking at ways to increase the exchange of electronic advance data and to enhance security and safety measures through effective risk management.

Work done to date

To date, the task force has organized 35 pilots for the transportation of postal items by rail that have been carried out along different routes from China to Europe under two Customs regimes: the Eurasian Customs Union and the EU's Union Customs Code.

The majority of the pilots were conducted on container trains, but some were also conducted on passenger trains. In addition, some of the pilots featured multimodal transportation (e.g. rail, air, sea and truck). China was the origin country of the goods being transported for the majority of the pilots. In the near future, China Post, in consultation with China Customs, will be organizing

return pilots from Western European countries to China.

During the pilots, UPU electronic data interchange (EDI) messages were exchanged between designated operators (referred to also as postal operators) in order to keep track of the mail, and China Customs applied electronic seals to the container trains transporting international mail from China to destination countries. The possibility of exchanging UPU EDI messages with Customs is still being explored.

For postal operator purposes, mail transported by surface (i.e. by ship, road or rail) was handed over electronically to the transport company using the required UPU CN 37 delivery bill for surface mail and the CN 34 receptacle label, when letter mail was involved. Parcels require the use of the CP 83 receptacle label for surface mail. The delivery bill and receptacle labels are very important as they define a shipment as being mail, rather than cargo or freight.

Moreover, for Customs purposes, the two common consignment notes for international rail transport, designed under the COTIF Uniform Rules concerning the Contract of International Carriage of Goods by Rail (CIM) and the OSJD Agreement on International Railway Goods Transport (SMGS), were used. The exchange of these documents is still paper based.

For pilots conducted on passenger trains, a rail document entitled "Luggage ticket for passenger train/international passenger transport shipment" was used.

Way forward

The task force is currently working on possible solutions to transit issues encountered during the pilots. There were cases when the postal operator of an EU country did not present the CN 37 delivery bill to the Customs administration, which resulted in the shipment being treated as general cargo. The T1 external transit procedure was subsequently applied.

Moreover, in the EU, where non-Union goods are carried by post (including

parcel post) from one point to another in the Customs territory of the Union, the packaging and any accompanying documents must bear a yellow label. The postal operator in the transit country affixing these stickers remains liable for the goods up until they reach another office of exchange or the office of destination. The issue of whether the postal operator of origin should be required to pay the postal operator of transit for affixing these stickers is still being examined.

Task force members are also preparing guidelines for establishing a postal rail transport service, spelling out all procedures from origin to destination, including transit. The guidelines will be non-mandatory in nature and could serve as a model for designated operators and rail companies in other parts of the world.

The postal rail project will help to develop universal processes for rail. Designated operators will be able to use multimodal transport – rail, truck or air – to expedite the conveyance of international mail. In addition, the cost of operational procedures will be kept to a minimum to ensure viability.

Potential benefits

The transportation of postal items by rail carries many potential benefits.

Sending postal items by rail could be economical. Postal operators would have at their disposal a cheaper transport mode, and will be able to send and return merchandise more economically (by rail rather than by air). Reduced transport costs will also benefit companies, especially micro, small and medium-sized enterprises (MSMEs). For example, one of China Post's big customers would like to deliver its product "end-to-end" within 25 to 28 days, which will be

possible by rail if the rail transportation process becomes smooth and stable.

Moreover, rail transport has the potential to be faster and more reliable than other means of transport (e.g. sea transport). It offers the possibility to transport large volumes of postal items which are difficult to transport by air, as well as items which are forbidden from being transported by air for security and safety reasons, such as items containing lead-zinc batteries. In terms of security, radio-frequency identification (RFID) solutions will be applied to items, enabling tracking and tracing from end-to-end, for the benefit of all stakeholders.

In addition, sending postal items by rail is also sustainable for the environment and this aspect is very much at the heart of the UPU, and has been laid out in the Istanbul World Postal Strategy which was adopted in 2016. Transporting mail by rail produces less fuel and carbon emissions than by air, even when postal operators combine air and surface transport (Surface Air Lifted services: a combination of air and surface transport, where mail is transported by air from the country of origin to the country of destination, but is transported by surface within the country of origin up to the office of exchange and in the country of destination from the office of exchange to the point of delivery).

As such the UPU postal-rail project supports the adoption of the 2030 Agenda for Sustainable Development by the Heads of State and Government and High Representatives meeting at the United Nations' Headquarters in New York in September 2015 to decide on new global "sustainable development goals."

More information

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Australia and New Zealand trial a 'green lane' for international mail

By the Australian Department of Home Affairs and the New Zealand Customs Service

Australia and New Zealand have been working together to test a new border clearance process to help address the huge increase in e-commerce related international mail volumes between the two countries. Undertaken as a trial, this article explains its objectives, how it was conducted, the results, lessons learned, and the next steps.

Over the past few years, there has been significant global growth in international mail, with the worldwide boom in e-commerce driving a huge increase in the number of low value parcels. E-commerce mail volumes from Australia to New Zealand increased by 74% between 2015/16 and 2016/17, and mail volumes from New Zealand to Australia increased by 25% during the same period. Projections show that mail volumes will continue to increase over the next five years.

The most significant development in the international mail environment over the past few years is the emergence of electronic advance data for international mail. Australia and New Zealand recognize that the availability of mail data is a game changer for Customs administrations, and offers us the opportunity to significantly improve our approach to screening international mail.

Mail data availability supports the advancement of data analytics and profile building for international mail. Once Customs administrations build their information technology (IT) capability for mail data, 'real time' pre-arrival risk assessment and targeting is achievable, and specifically targeted mail items can be identified on arrival at international mail facilities.

The Australia-New Zealand eCommerce International Mail Green Lane Trial was a step toward testing how we can leverage the use of mail data for risk assessment, targeting and border clearance purposes, and what we would need to do to redesign our operational processes in our international mail facilities to integrate the use of mail data.

'Green lane' trial objectives

The objective of the trial was to test processes with a view to streamlining the movement of low-risk goods being





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sent by international mail between Australia and New Zealand, including testing the use of pre-arrival mail item data for risk assessment and targeting of mail.

As island nations, protecting our natural resources and agricultural sectors from biosecurity threats is important for both Australia and New Zealand. Every day we work closely with our government biosecurity colleagues in the international mail facilities. As such, we partnered with our biosecurity agencies, as well as with our postal administrations, to plan and conduct the trial.

The following agencies participated in the trial:

- Australian Department of Home Affairs, including the Australian Border Force (which carries out Australia's customs function);
- Australian Department of Agriculture and Water Resources;
- Australia Post;
- New Zealand Customs Service;
- New Zealand Ministry for Primary Industries;
- New Zealand Post.

The two-week 'live' proof of concept trial was conducted in September 2017 with IT support and processes developed especially for use during the trial. The trial, using mail data in 'real time' for border targeting purposes and for the identification of mail items of interest to border agencies, was a first for our two countries.

'Green lane' trial border clearance process

As this was the first time that Australia and New Zealand would have access to mail item data, and the first time using it in 'real time,' we deliberately kept it pretty simple when planning the trial.

We asked our postal administrations for suggestions on suitable eSellers to participate in the trial. What we needed were eSellers who would send adequate volumes of mail items during the period of the trial and retail low-risk goods. Customs and biosecurity checked the compliance records and intelligence holdings, to ensure that there were no adverse findings relating to any of the companies under consideration.

Simple border agency profiles were then developed, for Customs and biosecurity,

based on key words. We also included a revenue profile and a sampling profile to select every tenth mail item, in order to ensure enough matches for the purposes of the trial.

Standard Universal Postal Union (UPU) IT messaging formats were used, and our IT experts on both sides of the Tasman tested the sending and receipt of messages. In addition, two daily reports were designed and generated: a standard postal report, and a border agency report, which included the profile matches for targeted items.

Australia Post and New Zealand Post worked out how best to segregate the 'green lane' mail items from our selected eSellers at source, so that they could be easily identified at the destination mail facility. The new processes were tested in the Melbourne and Auckland international mail facilities, and officers involved in the live trial were briefed accordingly.

During the trial period, the border clearance process was, as follows:

1. UPU standard mail data was generated by the eSeller and the data was sent between postal operators through standard IT messaging formats, and then on to border agencies.
2. Border agencies ran simple key word profiles for Customs and biosecurity risk over the data, as well as a revenue profile, and in Australia, an automated sampling profile to select every tenth mail item.
3. A status message (hold/clear) for each mail item was sent back to postal operators.
4. Postal operators segregated the 'green lane' mail items at source, so that items could be easily identified at the destination postal facility.

5. At the receiving postal facility, barcode scanning raised status messages and enabled postal operators to identify mail items subject to a border 'hold'.
6. Border agency officers inspected the mail items that generated a 'hold' status and cross-checked them against the daily reports (standard border inspection processes applied from this point).

'Green lane' trial results

All agencies analysed the data, and gathered observations and feedback during the trial, which was shared amongst the participating agencies. All six agencies agreed that the trial met the success criteria!

The trial demonstrated that participant agencies could successfully move mail items through the full 'green lane' process and, at the destination mail facility, identify the mail items with a 'hold' status for border agency inspection.

Four key milestones were achieved:

- mail data was exchanged between postal administrations;
- data was made available to border agencies before the arrival of mail items in the destination country;
- mail items with data and a 'hold' status were identified and presented to border agencies;
- mail items without data were identified and a 'hold' applied during the 'green lane' process.

In all cases, mail data was made available to border agencies at least six hours prior to arrival in the destination country. Having six hours to undertake pre-arrival risk assessment and targeting will be extremely valuable in the future as our profiling capability becomes more sophisticated, enabling us to undertake complex intelligence cross-checking and match evaluation.

Overall, the trial was a success. It demonstrated that the use of electronic advance data for international mail is one of the key strategies that will assist us to tackle the increasing challenges in the mail environment, from both a trade facilitation and border protection perspective.

Participant agencies anticipated that a small portion of mail items would arrive without data. This situation did occur and the safeguards put in place in the postal system, to enable the identification of mail items with no data for border inspection, worked in all cases. This outcome was critical, to provide surety that mail items without data would be identified so that a 'manual' risk assessment could be made, and that mail items without data did not bypass border processing.

Lessons learned

Overall, the trial was a success. It demonstrated that the use of electronic advance data for international mail is one of the key strategies that will assist us to tackle the increasing challenges in the mail environment, from both a trade facilitation and border protection perspective.

The trial also provided an opportunity to extend participant agencies' understanding of the nature of e-commerce between the two countries, and the priorities and processes of the postal, Customs and biosecurity agencies in Australia and New Zealand.

It demonstrated that there would be benefits for both countries if a 'green lane' type model was further developed and implemented on an ongoing basis.

The benefits may include improved trade facilitation, resource savings for postal administrations, the potential for the reallocation of border agency resources to high-risk targets, and improved targeting of border risks for Customs and biosecurity agencies.

The trial was conducted in a specially created environment, and participants acknowledged that transferring the outcomes and learnings to 'real life' operational conditions will require further work. This includes building ongoing IT capability for mail data for both Australia and New Zealand. In addition, the trial highlighted the impact the use of mail data will have on Customs and biosecurity agencies' future operational processes, with both countries recognizing that Customs and biosecurity operational processes will need significant redesign to integrate the use of mail data.

Moreover, the trial showed that there is a benefit in using mail data to screen mail for Customs and biosecurity threats. Our current practice relies on the consideration of broad pre-arrival risk indicators, and, in the international mail facilities, our screening approach includes X-rays, detector dogs and trace detection technology, underpinned by officer experience and physical inspection. The use of pre-arrival mail data provides a valuable layer of screening previously not available in the international mail environment.

Next steps

Australia and New Zealand are building on the success of the trial and continuing to work in partnership to streamline trans-Tasman postal e-commerce. During 2018, both countries are working towards developing ongoing IT capability to receive and use mail data, as well as focusing on the redesign of operational processes to accommodate the integration of mail data.

More information

www.homeaffairs.gov.au
www.customs.govt.nz

Combating overvaluation: Malawi's experience

By Frank Kalizinje,

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TRADE-BASED MONEY LAUNDERING (TBML) is defined by the Financial Action Task Force (FATF) as the process of disguising the proceeds of crime, and moving the money into the formal economy through the use of trade transactions in an attempt to legitimize its illicit origins. In practice, this can be achieved notably through the misrepresentation of the price, as well as the quantity or quality of imports and/or exports.

In Malawi, the Financial Intelligence Agency (FIA) cites TBML as the main source of Illicit Financial Flows (IFFs) out of the country. Malawi Customs has, therefore, an important role to play in the fight against IFFs, as it can identify trade anomalies, which may cover financial flows out of Malawi to a foreign country through the undervaluation of exports and the overvaluation of imports.

In this article, I will focus on overvaluation of imports as this type of fraud receives less attention than the undervaluation of exports, which often has a greater impact on the controls of Customs and financial institutions in developing countries owing to its implications on state revenue and on foreign exchange reserves, although overvaluation of imports also has an effect on the latter – a country's ability to import is limited by the foreign exchange it earns from its exports, or from what is called the "current account," unless it chooses, as some often do, to finance its deficit through borrowings.

The little prominence on overvaluation is due to the fact that Malawi, as a least developed country (LDC), relies heavily

on Customs revenue as a source of state revenue and it accounts for about a third of total tax revenues. When goods are overvalued, the tax burden on the importer is high, and so is the amount of duties and taxes that are collected and thereafter paid into the fund for state revenue.

In a study which I conducted, I used the mirror analysis method to identify potential fraud and offences in the transactions of various commodities that Malawi traded with its major trading partners in East and Southern African in the year 2015. I discovered several overvaluation cases, which shows that through such practices unscrupulous traders may be sending capital outside the country, taking advantage of the laxity in controls.

Overvaluation

By definition, overvaluation or over-invoicing consists of deliberately and fraudulently inflating the price of goods, and involves collusion between the importer and exporter. Once the goods have been successfully imported, the exporter/supplier then returns the overpayment to an accomplice in some other form that could include cash or other benefits. The ultimate motivation of overvaluing imports is to shift funds from the importing country, otherwise known as capital flight, which may result in three crimes: Customs and tax fraud (export subsidies), income tax evasion, and money laundering.

Let's take a simple example: supplier X from country A spends 1 million US dollars to purchase razor blades at five cents each and exports 20 million razor blades to importer Y in Malawi for 30 cents per unit. The total cost of the consignment is six million US dollars,

which the importer pays, thereby shifting about five million US dollars out of Malawi in a single transaction.

Identifying, tracing and prosecuting overvaluation is difficult as it requires access to complex trade documents, and is made even more difficult due to the collusion between traders. However, there are a number of ways of flagging risky transactions, such as:

- conducting a mirror analysis, i.e., comparing domestic and foreign import/export data to detect discrepancies in unit prices, trade values, and weights;
- undertaking a unit price analysis to compare the average unit price for a particular commodity, and identifying traders who are importing commodities at a substantially higher or lower price than the world market;
- analysing financial information to identify the parties to these





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transactions, as well as potential third parties;

- looking for inconsistencies in trade transactions, for example between the type and size of the commodity being imported and the usual business of the importer.

Efforts done

Malawi's FIA admits that the country is at the risk of overvaluation fraud, which bleeds the country of significant capital and potential revenue in the sense that the externalized capital could have generated profits that could have been taxed in Malawi. As a result, Malawi Customs has been implementing various measures to fight fraud and IFFs through overvaluation.

Valuation Control

In line with the Practical Guidelines for Valuation Control, a tool contained in the WCO Revenue Package, Malawi Customs' Valuation Unit developed a valuation control module for its Customs system in order to identify

transactions where the declared value may be in doubt. The Automated System for Customs Data (ASYCUDA World) software was enhanced and a valuation database functionality integrated into it, which allows for the automatic and post-clearance control of values during declaration processing.

The valuation database records a Tariff Specification Code (TSC) for every brand of product for which a maximum and minimum value are set. The database is used only as a risk assessment tool and is regularly updated. It is integrated into the risk management module that automatically flags problematic transactions during clearance processing.

In 2016, the valuation database was put into service and its deployment coincided with an unprecedented increase in revenue collection for the 2016/17 financial year, which exceeded targets by about 15%. In addition, using the database as a risk assessment tool has proved to be a success, evidenced

by the following example where the system flagged a case in which an exporter had presented forged Customs documents to a bank in order to externalize funds.

Inter-agency cooperation

In 2007, the Government of Malawi established the FIA, which is responsible for identifying illicit proceeds, and combating money laundering and terrorist financing activities. The FIA works with other agencies such as the Anti-Corruption Bureau (ACB), the Director of Public Prosecutions (DPP), the Fiscal and Fraud Police Unit (FFU), the National Intelligence Service (NIS) and, most importantly, the Malawi Revenue Authority (MRA).

For a while, investigations of suspected offences relating to TBML, like overvaluation, were difficult to initiate because the MRA lacked inter-agency backing and the legal muscle to prosecute such cases. Nowadays, although the MRA cannot directly investigate cases of overvaluation because the revenue

implications are not imminent, inter-agency coordination fills this gap.

In an effort to ensure coherency in the different entities' approach as well as more effective coordination when it comes to fighting IFFs, the MRA intends to conclude a Memorandum of Understanding (MoU) with the country's central bank, namely the Reserve Bank of Malawi (RBM), with the FIA, as well as with the ACB. The MoUs are expected to be ready and operational in 2018. Coordination will involve joint investigations and prosecutions, as well as seamless exchange of information and intelligence among the agencies.

Mirror analysis and data analytics

Risk management is at the centre of all Customs' activities. It is, therefore, imperative for Customs to strengthen its capacity to use the huge chunks of data that it collects on a daily basis. The Malawian study using mirror analysis that I conducted is a very good start towards ensuring that Customs operations are risk based and intelligence driven, and that Malawi Customs leverages the power of data in its operations. One key deliverable of the study is a fraud control plan, which will significantly help in reducing revenue fraud, and most importantly, capital flight through overvaluation.

According to the plan, Malawi Customs' Business Analysis Department in conjunction with its Risk Management Unit will have to routinely conduct fraud analyses using the mirror analysis technique. A Customs officer will be appointed at head office to audit the declarations entered in the Customs automated system and to analyse the mirror analysis results as a means of identifying potential revenue fraud, including possible cases of overvaluation. This officer will also be trained to conduct joint audits and investigations with colleagues from the MRA's investigative body as well as with staff from external agencies such as those working for the FIA. The

plan aims at ensuring that Customs is proactive and goes beyond traditional revenue collection activities to play a part in the fight against other types of fraud that could result in revenue leakages.

Import Documents Verification Facility

The introduction of ASYCUDA World in 2016 enabled better control of import payments. An electronic interface called the "Import Document Verification Facility" connects ASYCUDA World to the computerized systems of commercial banks, allowing the banks to verify the authenticity of Customs documents that are presented to them when applications for foreign currency are submitted.

Before the banks make payments to foreign suppliers, they use the interface to check that the documents which have been presented to them are compliant. The verification and authentication of documents are done using a quick response (QR) code that is visible on MRA documents. After bank personnel scan the code, the QR application displays the URL where a document's details stored in the Customs system may be viewed. This new process helps in abating foreign currency externalization through overvaluation.

It is high time Customs realized that overvaluation fraud is as serious as other Customs offences like undervaluation, as it deprives countries of much needed capital and may result in money laundering. By virtue of its mission, Customs ought to play a significant role in pinning down and flagging TBML in cross-border transactions. To achieve this, providing Customs officers with tailored training programmes on financial and trade data analysis, promoting a culture of intelligence, as well as effective information exchange among all agencies involved at the national and international level is of paramount importance.

More Information

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Leveraging data analysis to identify irregularities at the border between Peru and Ecuador

**By Mary Isabel Delgado Cáceres
and Edwin Medina Ramirez,**

CUSTOMS SPECIALISTS, PERU CUSTOMS

OUR NAMES ARE Mary and Edwin, and we are Customs officers working in the city of Tumbes, located on the northern Peruvian coast, only 30 km from the Ecuadorian border. Despite the fact that we work in different sections of the Administration, we both have an interest in, and passion for, international commerce, particularly with regard to regional integration initiatives. In fact, we both believe that the development and performance of a Customs administration's capacity are fully contingent on its ability to establish high levels of cooperation and coordination with neighbouring Customs administrations.

Peru is part of the Andean Community, a trade bloc of four countries – Bolivia, Colombia, Ecuador and Peru – in which goods of Andean origin may circulate free of duty. However, value-added tax (VAT), amounting to 18% of the Customs value, is applied to goods. Consequently, although there are no Customs duty controls for community goods, VAT controls are imposed. In effect, the borders between the Member States are actually VAT borders, as duties are only collected at the Community's external borders. Moreover, consumer goods "imported" by Ecuador from Peru and Colombia are subject to some tariffs or "balance of payments safeguards" from January 2009 to 2017 as a way of compensating for the depreciation of the currencies of Colombia and Peru (Ecuador adopted the US dollar in 2000 and has no control over the currency's exchange rate).

As part of the Andean Community's effort towards further regional integration, Binational Centres of Compliance and Facilitation were set up in Tumbes, Peru, and in Huaquillas, Ecuador, with the objective of ensuring enhanced coordination in the migration, sanitary and Customs

control activities undertaken by each country (see video at www.youtube.com/watch?v=BxtFKv5boNk). However, since our appointment at the Tumbes Customs office, we have witnessed the unique difficulties and challenges faced by both Customs administrations in improving border-crossing processes through enhanced coordination, and, more especially, in effectively fighting fraud.

Beginning the research

Besides processing small traders' transactions, the main task of officials stationed at the Binational Centres at Tumbes and Huaquillas is to clear trucks transporting agricultural and aquatic products. One dominant feature of the border is the significant quantity of fraudulent commercial transactions as well as noticeable smuggling activities. Products that are smuggled from Ecuador to Peru include petrol for vehicles and domestic use. Fruit, vegetables, tyres and spare parts for cars are in turn smuggled from Peru to Ecuador. There are no records or official statistics of

such product flows between the two countries, although these types of goods cross the border regularly.

Fraud is facilitated by the fact that controls are carried out by each Customs administration independently of the other and at different times, and that there is no exchange of information between both services. Moreover, traders can still use other border-crossing points located between Huaquillas and Aguas Verdes, whose existence pre-dates the setting up of the Binational Centres. Although only pedestrian traffic is supposed to use these historical border posts nowadays, heavy load vehicles still transit via them.

So far, there have been very few investigations on informal or fraudulent trade in this border area. We therefore decided to conduct some research, hoping to shed light on irregular practices between the two countries. Having considered different methodologies, we agreed to use mirror analysis as a means of identifying trade discrepancies, major gaps and where



data “does not fit,” in order to unearth undetected fraud and prioritize in-depth risk analysis. Additionally, the mirror analysis technique would allow us to continue performing our daily tasks, something that would be impossible in a field investigation.

Methodology and difficulties

We chose to analyse trade statistics of at least three years, i.e., 2014 to 2016, in order to establish patterns and tendencies. We had initially planned to use domestic trade information sourced from the Customs offices at Tumbes and Huaquillas, but this proved impossible as none of these offices were able to provide “clean” data that was suitable for analysis purposes. In addition, trying to extract adequate data from the information technology (IT) platform used for Customs clearances at the Tumbes Customs office proved impossible too, as the platform differs from that used in Peru’s main Customs offices where a more developed platform was implemented many years ago.

With these hurdles in mind, we then decided to widen the scope of our analysis and instead look at all import and export data, using data provided by countries to the United Nations Commodity Trade Statistics Database (COMTRADE database). Export and import data is presented in terms of value (thousands of US dollars on a “free on board,” or FOB, basis), weight (in kilograms) and supplementary quantities. Only the gaps in value were calculated as it allowed us to analyse the volume of trade regardless of the unit of measure of different products, and to make general conclusions directly from the entire group of products under review.

The differences found in value do not always represent a revenue gap, and the information should undergo an initial analysis before the data is compiled. Among the difficulties we encountered during the mirror analysis process, the most important was arranging the statistics from Peru and Ecuador in a coherent way, in order to allow a

comparison without the help of any IT software. Another issue was the fact that the Peruvian and Ecuadorian administrations were classifying identical or similar products in different Harmonized System (HS) subheadings.

Research outcomes

Once we had cleaned the data, by comparing the value of importations of a given six-digit HS subheading made by one country against the value of exportations of the same subheading in the other country, we were able to detect gaps in the trade, which indicated potential fraudulent flows across the analysed subheadings.

Some of the gaps in commodities have decreased over the years due to the diminution and later elimination by Ecuador of the “balance of payments safeguards.” However, the most glaring value gaps that we identified were those relating to the trade in aquatic products. In both countries, imports of aquatic products in one country exceeded the volume declared at export in the other (see chart below).

Country	Value Gap: Importations of Aquatic Products (in thousands of US dollars)		
	2014	2015	2016
Peru	1,121	16,077	23,468
Ecuador	376	743	772

As one can see in the chart, the fraudulent flow is following an upward trajectory. As there are no Customs duties applied to goods of Andean origin moving among the Community’s Member States, the cause of this pattern remains unknown. One hypothesis is that companies may be trying to hide the scope of their activity to avoid income taxes.

Another commodity for which we identified a gap is that of shark fins. From 2014 to 2016, Peru imported shark fins at a value of 4,525 billion US dollars, while there were no corresponding exports registered by Ecuador during the same period. Shark fishing is prohibited

in Ecuador, however if a shark is caught while fishing for other aquatic species, it (or its body parts) may be exported for commercial purposes, but the volume of this “accidental fishing” is very low and could not account for the huge volume of outflows towards Peru. Shark fishing is also prohibited in Peru, but when they are caught in another country, their importation, or that of their body parts, is allowed.

It is obvious that existing trade regulations create conditions conducive to the fraudulent trade in shark fins. In addition, it is worth mentioning that trade in sharks is also regulated by the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) to which Peru and Ecuador are Contracting Parties.

Potential of the research

By using mirror analysis techniques, we were able to identify possible irregularities as well as to make recommendations on how to tackle some of the potential frauds. More importantly perhaps, our research has highlighted the difficulties that Customs officials face when they try to leverage data and conduct data analysis. Trade information extracted from the Customs clearance systems is not suitable, and both Peruvian and Ecuadorian Customs offices at the Binational Centres have very few skilled personnel to “work” data.

At the Tumbes Customs office more specifically, the Customs clearance system needs to be upgraded to allow for the publication of adequate and timely reports on trade. It would be beneficial if data analysts were recruited to work at the Centres and equipped with the right tools to perform data analysis. Last but not least, we are of the firm belief that information should be shared between countries in a timely and accurate manner.

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Air passenger control: how Brazil changed the game

By Felipe Mendes Moraes,

HEAD OF THE EXPORT AND SPECIAL CUSTOMS REGIMES DIVISION, CUSTOMS OFFICE, FEDERAL REVENUE SERVICE, BRAZIL

IN 2013, AS Brazil was preparing to host the 2014 World Cup and the 2016 Olympic Games, the Brazilian Customs administration started exploring ways to improve air passenger control in order to be able to effectively process the athletes and millions of tourists who were expected to attend or participate in these events. The remarkable growth of international air traffic in the last decade was already challenging the Customs service whose traditional targeting techniques were deemed inadequate to properly manage the security risk posed by travellers.

Two major investments were made by the Federal Revenue Service of Brazil (RFB): a risk assessment system that would enable Advanced Passenger Information (API) and Passenger Name Records (PNR) to be processed was developed, and a passenger Facial Recognition System (IRIS) was purchased. By combining the two technologies,

Brazilian Customs managed to achieve vital leaps in efficiencies when it came to the processing of international travellers.

The deployment of these tools was done in cooperation with the National Commission of Airport Authorities, generating an important spinoff: the various stakeholders in the airport environment, such as airline companies, airport operators, Customs and immigration services as well as other government agencies and policy regulators, entered into a constructive dialogue. This cooperation has been formalized through the creation of the National Committee of Airport Authorities (CONAERO) and its technical thematic subcommittees where representatives of all stakeholders that are active in the airport environment meet to discuss issues related to air transportation.

New analytical tools

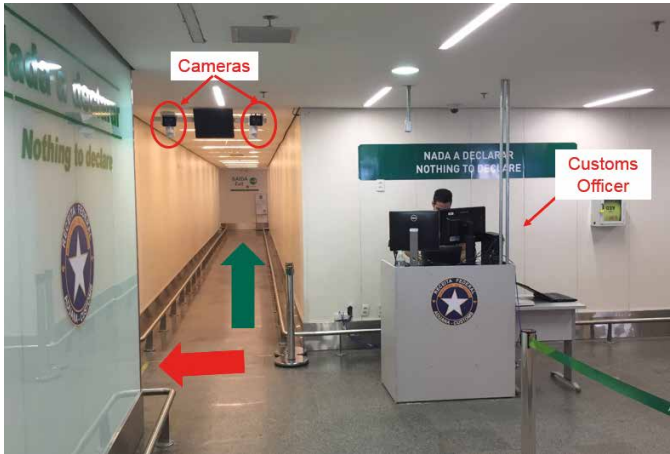
Until 2014, Customs officers posted at the airport based their decision on whether to select and control a passenger and his/her baggage on the results

of behavioural analysis, questioning, baggage surveillance, and on other random factors.

The implementation of new analytical tools to screen passengers in 2015 was a game changer, especially with regards to identifying travellers who fit drug smuggling profiles. There was an increase of more than 360% in drug seizures between 2014 and 2016, a record in the history of the Customs service (see figure 1). Other common crimes or offences include the transport of undeclared cash, the illicit acquisition of cultural objects, and the smuggling of guns.

Data collection challenges

The system in place can analyse both API and PNR data but, with strong privacy protection regulations in place within the European Union (EU) that prevent countries who do not negotiate a bilateral agreement with the EU from receiving PNR data from European airlines, it became clear that the Brazilian Customs administration should focus on how best it should use available API data.



Overview of the cameras and facial recognition system used by Brazilian Customs

API data is essentially collected at check-in. The best option, from a data quality perspective, is the collection of machine readable information present in many passports, via an automated process. But it is not unusual for API to be collected manually by check-in staff, with the risk that manually entered information could contain errors or even be incorrect.

After observing several intrinsic characteristics of API during the first two years of the system’s implementation, the RFB developed a brand new software for API data analysis. Using a broad range of

algorithms, the software is able to analyse received API messages, identify travellers, create a unique traveller archive, and store information on the border movements of every traveller in the archive. This functionality enables the system to automatically correct API that contains errors such as incorrect passport numbers, complete missing data, and solve other issues that could lead to flawed conclusions.

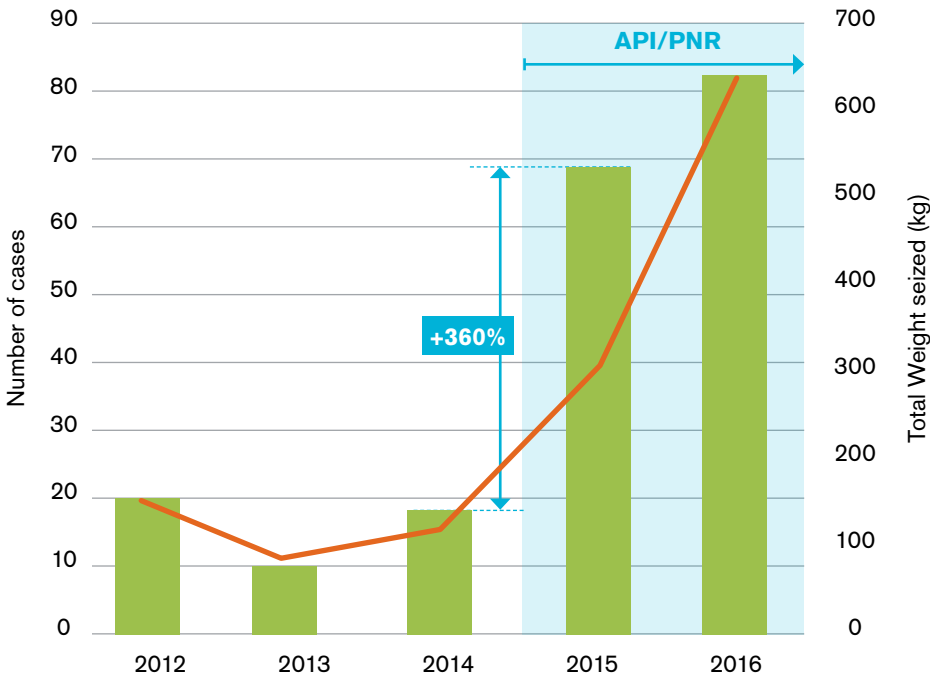
Identifying selected passengers

Once travellers are selected for control, one of the most challenging tasks for Customs officers is to identify and segregate them without disrupting the

flow of other travellers. In 2016, Brazilian Customs deployed a tailored solution that uses facial recognition technology at 14 international airports. Two high-resolution cameras have been installed in Customs’ “nothing to declare” line area at each airport. The images taken by the cameras are then processed using facial recognition software which scan a person’s face and analyses whether it matches against an image library of people considered as representing a risk and who must be controlled or prevented from entering Brazilian territory.

Biometric identification is carried out without human interference in the

Figure 1: Evolution of drug seizure cases and total weight



Results before and after the IRIS system was implemented at São Paulo International Airport

Workload	July/August 2016	July/August 2017	Variation (%)
Arriving passengers	900,917	926,407	2,83%
Passengers inspected	101,710	80,426	-20,93%
Declarations and seizures			
Spontaneous declaration (Qty)	800	1,225	53,13%
Declarations - total value (USD)	382,988	632,860	65,24%
Seizures (Qty)	358	665	85,75%
Seizures - total value (USD)	222,745	493,180	121,41%

passenger line as they are moving at a walking speed. When the system identifies a passenger whose face matches the face of a target, a signal is sent to the Customs officer on duty, who will then approach the target and begin an inspection.

The system enables Customs officers to easily identify the targets pinpointed by the API/PNR risk assessment system without disrupting the general flow of passengers. After the implementation of the IRIS system in September 2016, it became possible to reduce the number of passengers subjected to Customs inspection upon arrival while increasing the overall success rates.

The table above compares the results before and after the system was implemented at São Paulo International Airport (GRU), where 65% of all the flow of international passengers takes place. The implementation of the IRIS system enabled the airport terminal's overall arrival capacity to be increased as the lines at Customs were significantly reduced. While less people were inspected, the level of declarations increased as well as the quantity and value of seized goods.

Security threats

The intelligence-based and risk assessment approach allows Customs border control to identify air passengers which are on watch lists as well as suspicious passengers, and is as such

an effective measure to counter the movement of foreign terrorist fighters (FTFs) too.

To address security related risks, a special list of persons being targeted as a result of their association with a possible security threat was created. Customs, the Federal Police Department and the Brazilian Intelligence Agency are all responsible for the data included in the list. If the system identifies an individual, the Federal Police proceed to formally identify the suspect before taking appropriate measures.

The use of facial recognition tools is also particularly effective in cases involving fraudulent documents since the facial characteristics of the target remain mostly unchanged even if he/she travels on false documents. In a broader sense, Customs acts as a "second barrier" for national immigration control in order to further safeguard the country's security.

More information

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About the author

Felipe Mendes Moraes is currently responsible for the national coordination of all the IT systems that provide support to national passenger control activities, which include API/PNR data and passenger risk assessments for land, air and maritime borders, as well as all activities relating to Brazilian exports and special Customs regimes.

API/PNR

API data is produced during check-in, and includes all passport or identity card data necessary to identify the passenger or crew member, as well as general information on the flight.

PNR data refers to the records held by airlines for each flight booked by a passenger, and is used by the airline for its own operational purposes. This data makes it possible for all parties in the aviation sector (including travel agencies, air carriers and airport handling agents) to identify each passenger, and to access all information about his/her trip, return flights, any connections, and any special assistance requested on board.



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TIACA and WCO: logical partners for taking Customs and Industry modernization forward

By Vladimir D. Zubkov,

SECRETARY GENERAL, THE INTERNATIONAL AIR CARGO ASSOCIATION

Engaging with stakeholders and implementing open communication, effective collaboration and meaningful consultation is essential in building “a secure business environment for economic development.” In this article, the Secretary General of TIACA explains how similar the concerns of the air cargo industry and Customs administrations are, and shares his vision of a future where collaboration and the concept of “co-creation” achieve the recognition they deserve.

READING THE TITLE of this article one may ask “What does TIACA have to do with the WCO?” or even “What is TIACA?” TIACA is the acronym of The International Air Cargo Association, which represents all the major segments of the air cargo and air logistics industry, such as combination and all-cargo airlines, forwarders, airports, ground handlers, road carriers, Customs brokers, logistics companies, shippers, information technology (IT) companies, aircraft and equipment manufacturers, the trade press, and educational institutions. TIACA supports, informs, and connects all these stakeholders who together constitute the global air freight supply chain.

Customs is one of the authorities our members naturally engage with, and the partnership between TIACA and the WCO is very logical as we work on similar issues and share common objectives. Let’s take the example of e-commerce, a way of conducting business that has become the norm today, as well as one of the central topics of discussion for Customs, governments, the global air

freight supply chain, and many other stakeholders.

Those 550 people from more than 80 countries who attended the WCO IT Conference & Exhibition that was held in Tbilisi, Georgia in early June 2017 didn’t find it strange that the views presented by Kunio Mikuriya, the Secretary General of the WCO, and myself, Vladimir Zubkov, the Secretary General of TIACA, during the session devoted to e-commerce, proved to be heading towards similar conclusions.

Both of us acknowledged that the challenges surrounding e-commerce were common to the industry and Customs authorities alike. In addition, we identified other issues relating to e-commerce for further elaboration and action in the future, such as:

- the impact of the growth in e-commerce on industry, Customs and governments, and how it should be addressed;
- e-commerce platforms as a means of support to governments in performing their responsibilities,

both in terms of ensuring proper controls as well as in service delivery;

- the opportunities arising from e-commerce for developing countries.

Guiding principles for cross-border e-commerce

Why did I start with the Tbilisi conference? Because e-commerce was also on the agendas of two major recent events: the December 2017 WCO Policy Commission Meeting held in Luxor, Egypt, where WCO Members adopted a resolution outlining a set of guiding principles for cross-border e-commerce (the Luxor Resolution); and shortly after, the Eleventh World Trade Organization (WTO) Ministerial Conference held in Buenos Aires, Argentina – a purely landmark event.

It is worth highlighting that, in the WCO Luxor Resolution, Customs administrations are invited “to work in partnership with relevant stakeholders to apply the principles in a harmonized manner.” One of the relevant stakeholders is the air freight supply chain community. This is where the growing contacts between our communities can be of major benefit, enabling us to develop strategies and action plans in a coordinated manner.

I examined the key principles set out in the Luxor Resolution from the point of view of their relevance to TIACA’s objectives, and here are some of my thoughts.

Principle I - Advance Electronic Data and Risk Management

The timely and accurate exchange of advance electronic data between Customs and e-commerce operators has been on the agenda of every air cargo-related conference in recent years. Many of the options discussed come together in the concept of “Smart Borders,” a still vague concept, but one that clearly conveys the need to

use information based technologies in order to create a new border environment. Many WCO Members have already made considerable progress towards the realization of this concept, but there is still a lot to do.

At TIACA, we believe Smart Borders, and their corollaries (Single Window environments, harmonized data requirements across countries, harmonized compliance processes, etc.) can only be achieved through intense exchanges between the trade sector and governments, and in this respect, we believe there is an opportunity to go beyond collaboration to a spirit of “co-creation” of the Customs and border environment. This could mean ongoing collaboration rather than ad-hoc consultation, working jointly from the concept stage all the way to implementation. It could also mean collaborating on capacity building programmes across countries, thereby enhancing the capabilities of both the industry and Customs. In this fast paced modern economy, the winners will be air cargo industry actors who have adopted smart technology, and Customs authorities with efficient border security systems.

Principle II - Facilitation and Simplification

The WCO is definitely on track in suggesting that “simplified clearance procedures [...] are to be adopted for dealing with the increasing volumes of low-value and small shipments/ parcels.” There are clearly common goals and interests between the trade sector and Customs, including other government agencies: the former needs borders where procedures are clear and understood, costs of compliance are minimized, and transit is as easy and fast as possible, while the latter need to be able to enforce Customs and other national laws, ensure compliance, and facilitate trade in an efficient manner. These needs should be seen against an environment where trade volumes are increasing and supply chains becoming more globalized.

Facilitation and simplification were named as one of the key issues by TIACA members when we asked them to comment on the relationship between TIACA and governments. Customs was singled out as one of the crucial partners in establishing favourable working conditions for the whole air freight supply chain. TIACA

has been taking consecutive steps in strengthening its links with the WCO and the International Civil Aviation Organization (ICAO), especially on the work related to improving the Standards and Recommended Practices (regulatory material) laid out in ICAO’s Annex 9 dealing with traveller identification and border controls, and ICAO’s Annex 17 dealing with safeguarding international civil aviation against acts of unlawful interference.

Having mentioned the regulatory material, I couldn’t resist recalling the debate during the recent ICAO Remotely Piloted Aircraft Systems (RPAS) Symposium in September 2017, which was devoted to the regulatory frameworks that support the safe, secure, environmentally-friendly and economically sustainable development of these systems, more popularly known as drones in common parlance. The systems have the potential to considerably and cost-effectively enhance air cargo connectivity, in particular for remote destinations, like on the African continent. The “final sector,” which we often call “the last mile,” may well be efficiently covered by drones. Air navigation service providers,



industry partners, international and humanitarian organizations, and other stakeholders should support the development of RPAS operations and States' rulemaking efforts by sharing knowledge and experiences.

I often have to explain to audiences that connectivity is not the same as a convenient connection at the airport. It's a complex of procedures, consisting of well-developed air cargo connections combined with good quality Customs services and smart borders.

In a study, Value of Air Cargo: Air Transport and Global Value Chains¹, which was commissioned by the International Air Transport Association (IATA) and published at the end of 2016, a quantitative link has been identified between a country's air cargo connectivity, and its participation

in global trade: a 1% increase in connectivity was associated with a 6.3% increase in a country's total trade, thus increasing its competitiveness. The findings serve as evidence in support of policy deliberations on improving the trade facilitation environment and helping countries integrate into global value chains (GVCs), highlighting that countries with well-developed air cargo connections combined with good quality Customs services and smart borders, are better at integrating into GVCs.

Principle III - Safety and Security

There is a direct appeal to governments and industry to work collaboratively in using technology, intelligence, non-intrusive inspection (NII) equipment, and risk profiling based on advance electronic data (pre-loading/pre-arrival), to identify and intercept high-risk shipments. And all actors, whether

trade or government, have safety and security as their number one priority. There are already a number of initiatives on which the WCO, TIACA and other stakeholders work jointly, such as the development of "Pre-loading Advance Cargo Information (PLACI)" and its implementation guidelines, an initiative which I won't introduce here as it was well explained in a previous edition of WCO News (see October 2017 edition). However, the pace of development and testing of the standards, principles and mechanisms related to the use of PLACI is very slow. Momentum is lost, and it seems that soon the confidence in it will be lost as well.

There is also a need for better exchange of information about innovative technologies, which are often already used in other trade sectors, and have the potential to be applied for border

¹ www.iata.org/publications/economic-briefings/value-of-air-cargo-2016-report.pdf

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protection. Those who attended the WCO Working Group on E-Commerce held at the headquarters of the WCO in October 2017 will certainly remember the presentation by Amazon, which showed how a bad strawberry hiding in a box can be quickly spotted by digital technology. There was a direct analogy with the objectives of border protection. Several other technological innovations, in particular those demonstrated at the earlier mentioned ICAO Symposium, would deserve being shared with the WCO and other partners having similar safety and security objectives. A mechanism for this must exist.

Specific issues of the developing world

Having said all this about innovations and new methods of work, we have to admit that there are less fortunate countries and whole regions where assistance is an absolute necessity. I have read with great interest about the WCO Customs for Regionaw East African Trade (CREATe) Project, aimed at contributing to poverty eradication in East Africa by fostering a regional economic development agenda. It's interesting that just last June there was a joint ICAO/TIACA air cargo conference in Addis Ababa, Ethiopia also aimed at promoting sustainable development in the region. We developed an action plan, with some sections of relevance to the WCO.

The action plan encourages States to support the MoveAfrica Initiative launched by the New Partnership for Africa's Development (NEPAD), which aims to free the movement of peoples, goods and services in Africa, including through the reform of "soft infrastructure," such as cross-border transport laws, and the adoption of regulations related to electronic data submission for goods passing borders (e-freight), including documents such as the electronic air waybill (e-AWB). National Customs authorities have been invited to modernize their IT systems to accommodate e-freight/e-AWB initiatives.

It goes without saying that States should aim to enhance the effectiveness of their aviation security policies

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by implementing the actions, tasks and targets identified by the ICAO in its Global Aviation Security Plan (GASeP). They should also consider the introduction of authorized economic operator (AEO) programmes, and consistently encourage the signing of AEO mutual recognition agreements (MRAs) with other countries in order to add benefits to their compliance programmes.

There are several other concepts and programmes which are equally important to members of the ICAO, the WCO and TIACA, but the few examples I have given are sufficient enough to demonstrate that we do have common objectives. Very often, we work shoulder to shoulder in trying to attain certain achievements, but equally often we operate in isolation and don't obtain the results we could achieve if we managed to coordinate our efforts. This is, therefore, my clarion call for more cooperation!

Airports as the main platform for cooperation

While success depends on the level of harmony achieved in the overall air freight supply chain, most of the interaction between Customs and the industry take place at airports. Airport authorities can play the role of facilitators, bringing the industry and their stakeholders together to define well-structured solutions and better industry standards for the future. Such an approach requires the adoption of a new common mind-set, aimed at bringing improvements to the entire industry and individual stakeholders.

Several airports, in Brussels, London (Heathrow) and Vienna, just to name a few, have been working within the framework of what is called "The Airport Community," bringing together all airport stakeholders to rethink processes such as handling and Customs clearance.

I would also put this in the category of innovations. Even though they are not technological, but rather organizational innovations, the common goal is the same: increased efficiency, better coordination, and eventually higher customer satisfaction as well as contributing to the development of trade.

What distinguishes these airport communities is that stakeholders as different as freight forwarders, airlines, ground handlers and ground transportation companies, shippers, industry partners, and governmental authorities such as Customs or food & plant safety agencies share a common strategic plan aimed at improving standards and practices for the benefit of their customers and citizens.

Conclusion

I imagine a future where the concept of airport communities is gradually transformed into a global air cargo community. In this future, the terms and requirements of the programmes for ICAO's Regulated Agents and the WCO's AEOs are aligned, enabling all parties involved in air cargo operations to be able to submit information through a Single Window, and that these developments be promoted through joint training activities.

Industry players and Customs and aviation authorities are well informed about one another's work as well as each other's instruments and regulations, and help one another in their efforts to address deficiencies and provide timely facilitation. And, of course, we have found a common view on how to handle the phenomenon of e-commerce. We are on the right track, but just have to ensure that we stay on course.

More information

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Insecurity, development, trade and taxation

By Thomas Cantens,
HEAD OF THE WCO RESEARCH UNIT

This text is inspired by experience gained in field studies undertaken in Sub-Saharan Africa since 2000 and anthropological research conducted over a period of 18 months in seven border areas that can be considered “fragile,” namely in Tunisia, Libya, Jordan, Sudan (Darfur), northern Mali and the borderlands of Lake Chad (Chad, Niger and Nigeria), where religious armed groups are operating. It argues that development donors should look into how to support borderland economies and address wealth circulation rather than poverty.

THE QUESTION OF how to address insecurity, associated with that of how to fight terrorism, has become global, but the mechanisms behind the creation of insecurity are still very local: insecurity is often generated by armed groups that are locally rooted, and become transnational organizations by attracting foreigners to join them and by embodying an ideology that inspires militants around the world. Another concept that also has a very local dimension is that of development.

Both concepts, security and development, are inextricably linked, and since the end of the 1990s donors have dedicated an increasing amount of public money to supporting development

programmes related to conflicts¹. Since the 2000s, there has been a shift in the security-development nexus, towards protecting the societies of donors. The United Kingdom's (UK) public aid agency, for example, explains in its 2015 strategic document that its "aid budget will be restructured to ensure that it is spent on tackling the great global challenges from the root causes of mass migration and disease, to the threat of terrorism and global climate change, all of which also directly threaten British interests"². This is only one example among others.

This linkage between security and development has very gradually turned into a global doctrine connecting the global and the local, linking violence to migration and poverty, along the lines of the following three main assertions: (1) in less developed countries (LDCs), security, military and police policies are necessary, but are insufficient for eliminating insecurity; (2) underdevelopment leads young people to engage in violence, when armed religious groups turn to violence; (3) those who do not engage in violence at the local level head to the countries of the North, where they then represent a triple threat – an economic threat (informal competition on the labour market), a social threat (exclusion), and a security threat (certain migrants may be terrorists or may turn to violence because of the difficult living conditions they experience in Europe).

The second assumption is problematic. In viewing recruitment by armed religious groups first and foremost through the lens of an economic rationale, and seeing violence only in terms of the atrocity of the acts, we often overlook the ideological and emotional aspects bound up with the commitments individuals make to armed groups. We are wrong if we believe in an economic determinism of violence. We are wrong because this

Supporting cross-border trade is obviously part of crisis resolution in borderlands, under the condition that it is accompanied by taxation. What matters is not so much poverty, but wealth, and as such the question of wealth and its circulation should be at the heart of the political projects supported by development actors.

can only lead us to doubt the moral capacity of poor people to renounce violence and overestimate the political capacity of some of the 'non-poor,' those we describe as 'local elites' and in whom aid agencies currently invest.

We know that many insurgencies are not just revolts by the poor. If they were, these revolts would have led to the systematic pillaging of rich people's properties. Poor people die because of terrorism too. Boko Haram militants bomb rural markets and camps housing internally displaced people. The data available on the role of employment in conflict situations has not pointed to a decisive role played by employment policies in crisis resolution and prevention. As far as motivation is concerned, studies have been carried out on former members of armed religious groups in Afghanistan, Iraq, Kenya, Mali, the Philippines and Somalia, as well as on Boko Haram fighters. The results are similar: the crucial role of the family and close friends in recruitment, alongside feelings of vengeance and anger against the excesses of national army soldiers, injustice, the desire for radical political change and the sense of group belonging. In other words, ideology and political emotions – as

Martha Nussbaum recently maintained in her political theory – are the principal drivers that lead people to join and remain in these armed religious groups.

These studies can undoubtedly be criticized: the words of these former fighters are applicable to them alone, and it could be argued that it is tempting for them to explain their past actions by accounts that show them in a positive light rather than simply being motivated by gain. This is all highly possible, but the opposite, i.e., that they may be sincere, is also possible.

Borderlands

Many transnational armed groups occupy borderlands: Boko Haram militants are located in the borderlands of Lake Chad across four countries (Cameroon, Chad, Niger and Nigeria), while al-Qaeda in the Islamic Maghreb (AQIM) groups and others were originally operating in northern Mali, which forms a vast borderland with Algeria, Mauritania and Niger. Armed groups were also operating at the borders of Libya and Syria, crossing the borders to attack Jordanian and Tunisian cities or the infrastructure of their border agencies and their civil servants. In our research in Lake Chad, we evaluated borderlands as representing around 28% of the area, but accounting for 50-70% of incidents and deaths.

The cost of insurgency can be high for traders whose property, cargo and trucks are looted, and sometimes destroyed, with drivers kidnapped and their relatives held to ransom by insurgents, when insurgents do not simply tax trade flows. However, blocking the border is not a solution. All State responses to insurgency in borderlands entail a cost for traders, and sometimes this cost is not quantified and remains invisible to the central government and to donors.³ The risk, then, is that some military victories can become economic defeats.

1 According to OECD statistics, the United States devotes 3% of its aid to conflict programmes (4% to education), the United Kingdom invests 4% (compared to 6-7% for education and health), Denmark 2% (compared to 5% for education, 2% for health and 5% for the environment). See <http://stats.oecd.org/>

2 DFID & HM Treasury, "UK aid: tackling global challenges in the national interest" (2015)

3 This conclusion is driven by recent field observations and interviews conducted with traders operating in Lake Chad in the course of 2017, in cooperation with Chadian and Nigerian Customs. See T. Cantens & G. Raballand, "Fragile Borders: Rethinking Borders and Insecurity in Northern Mali (2016)". T. Cantens & G. Raballand, "Cross-Border Trade, Insecurity and the Role of Customs: Some Lessons from Six Field Studies in (Post-)Conflict Regions", ICTD Working Paper 67 (2017).

How to think about development in these regions

Development often offers a strange alternative to young citizens of LDCs: local development may offer the promise of being able to stay in their native countries, but some development projects and proposals – creating a pond for animals, for example – are not nearly as enticing as the idea of travelling to foreign countries, despite the high risks and dangers associated with the journey.

Developers usually intervene in traditional fields like education, agriculture and health facilities. These actions are necessary, but development strategy focusing on borderlands should also look at how to support cross-border trade activities. In borderlands, trade and movement are part of people's identity and activities. Supporting cross-border trade is obviously part of crisis resolution in borderlands, under the condition that it is accompanied by taxation. What matters is not so much poverty, but wealth, and as such the question of wealth and its circulation should be at the heart of the political projects supported by development actors.

This kind of project – governing wealth circulation – is more inspiring (particularly for the poor) than projects that address security only. The governance of wealth is a domain in which the State differentiates itself from armed groups (or, at least, should do so), through the principle of equality. Armed groups can provide security and development, in accordance with religious laws or rules that one can strongly dispute, but they are fundamentally unjust. In several areas, armed groups apply a harsher informal tax regime to economic operators who are unsympathetic toward their ideology or cause.

Literature is emerging on the positive role of the fiscal State in a crisis situation⁴,

but the question is more general than simply the 'creation' of taxpayers. First and foremost, it is a matter of the social legibility of wealth. A great deal is said about the poor, but there is a huge reluctance to identify the rich. We have maps of poverty, but land and property registers are not well developed, compromising the possibility of taxing property rents and inheritances. We encourage these countries to adopt value-added tax (VAT) or to introduce taxes based on new forms of consumption, such as mobile telephony, but personal income tax is hidden from view, and the quantifiable international face of wealth is not the individual, but the large corporation.

The International Monetary Fund (IMF) states this clearly: "the reforms undertaken most frequently with the assistance of the IMF up to 2005 focus on the introduction of VAT, the creation of a large corporation wservice and the tax registration of taxpayers"⁵. Individual wealth is invisible. Donors such as the IMF, the World Bank and the Organisation for Economic Co-operation and Development (OECD) do not have an indicator clearly dedicated to the taxation of individuals. The indicator dedicated to the taxation of profits – taxes on income, profits and capital gains – groups together personal income, corporate profits and capital gains. Consumption taxes, which represent around 30% of tax revenues in OECD countries, stand at 50% in less advanced countries⁶.

There are forms of wealth circulation that do not involve the creation of taxpayers. They appeal to the altruistic sense, which the first liberal thinkers argued, was shared by all, and which can be revived in the contemporary form of an ethic of "gifting." The elites in Bamako originating from northern Mali contribute to the development of their villages or areas of origin. The same phenomenon, or a more amplified

version, exists in Cameroon: the urban elites return very regularly to their villages to take part in local life, both politically and, especially, financially. Through city-based associations, the way they participate in rural life even provides a structure for their urban social life. In Mali again, Holder (2004)⁷ described processes for levying taxes and fines and awarding financial compensation in a district, independent of a tax administration.

It can be argued that taxation is a sovereign domain, but so is security, and in some countries populations have been asked to contribute to their own security by organizing militias or setting up a people's defence force, as is the case in Cameroon and Nigeria, for example.⁸ It is not a bad thing for security to be a common task shared between citizens and the State, but it should also lead to a reappraisal of forms of taxation, since tax underpins the financing of security.

Ensuring that external support gains pace and reinforces what has already been done by people to make wealth circulate within society, and ensuring that it also underpins that which is 'good' ('good' in terms of tangible results such as the provision of clean water or the building of a school and good ethically - how it is obtained) should be the political project that donors support, rather than encouraging populations to settle in territories delimited by identities and dominated by traditional authorities who are supported by donors, for lack of better ambition to address wealth circulation rather than poverty.

More information

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A more complete version of this article was published in Volume 1 (2018) of the Global Trade and Customs Journal. It is available at www.kluwerlawonline.com.

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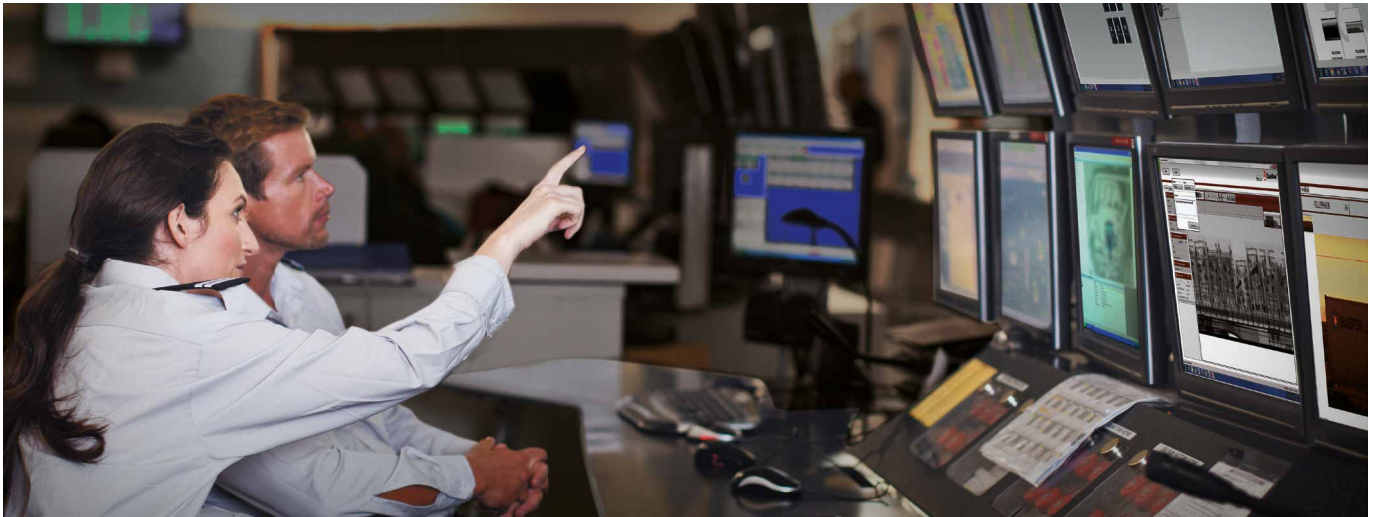
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Jordan Customs adopts renewable energy solutions



Inauguration of the solar PV system

SINCE DECIDING TO adopt renewable energy solutions in 2014, Jordan Customs has been installing solar photovoltaic (PV) systems in a number of its facilities around the Kingdom. The initiative is part of Jordan Customs' efforts to realize the Jordanian Government's objective to

reduce national consumption of fossil energy by turning to renewable energy sources.

Jordan is confronted with a significant increase in the demand for energy, reflecting both its population and

economic growth. As a result, energy management looms as one of the most significant challenges faced by the government, given that the Kingdom is a resource-poor nation.

Besides contributing to easing the country's energy burden, the installation of the new solar PV systems has resulted in major savings. The energy bill for Jordan Customs' facilities throughout the country was two million Jordanian dinars annually. However, installation of the first PV system at Wadi Al-Yutum alone yields an annual saving of 95,000 Jordanian dinars.

The successful execution of this first project triggered the deployment of more systems across the country, drawing the interest of the US Agency for International Development (USAID) which decided, in 2015, to fund the installation of a 100 KWp PV system on the rooftop of the Anti-Smuggling

France returns Egyptian antiquities

ON 26 OCTOBER 2017, French Customs handed over eight archaeological finds to the Egyptian authorities during the official visit to France by Egypt's President, H.E. Abdel Fattah al-Sisi.

These antiquities (two cat statuettes, one sculpted stone head and five painted wood tablets), which are more than 3,000 years old, were discovered in January 2010 by Customs officials from the Cross-Channel Customs Control Service at Paris' Gare du Nord train station, in the luggage of a British resident who was on his way back to London.

After an examination by the Louvre's Department of Egyptian Antiquities confirmed that the eight items were Egyptian cultural goods dating from the 1st Century B.C., the antiquities were seized, and the Paris Public Prosecutor initiated a criminal investigation, led by the French National Judicial Customs Department. This unit was set up in 2002 to step up the fight against major fraudulent trafficking, by granting Customs legal prerogatives.

Investigations revealed that the British resident had brought the antiquities from Egypt with the aim of taking them to the United Kingdom for sale

there, and that he had previously exported cultural goods from Egypt illegally. He was ordered to pay a Customs fine, and the items were confiscated.

The fight against trafficking in cultural goods, especially from conflict zones that are susceptible to plundering, is a fundamental mission of French Customs. 2018, the European Year of Cultural Heritage, will see further action being taken by Customs in this area.

More information

www.douane.gouv.fr/articles/a14519-restitution-de-8-pieces-archeologiques-saisies-par-la-douane

Division of Jordan Customs, where it now supplies all its electricity needs. As the savings in the energy bill reached 100%, the installation costs have been able to be fully recovered.

The initiative which reflects Jordan Customs' commitment towards renewable energy, benefited from the active engagement of Eng. Nawras Sa'id, a Senior Customs Officer who initiated the project and saw it through to its implementation stage. To successfully complete the project, Jordan Customs participated in a number of USAID-funded activities under its Energy Sector Capacity Building Project, where officers gained the knowledge and confidence needed to implement green solutions.

In recognition of its achievement, Jordan Customs received the Emirates Energy Award in the category "Energy Efficiency – Public Sector" on 24 October 2017. Improving energy efficiency and diversifying the energy mix is a challenge faced by all countries in the region, hence the award aims at encouraging the rationalized use of energy and resources while highlighting efforts by regional public and private actors in this regard.

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Kazungula Ferry: a pontoon ferry operating across a stretch of the Zambezi river, linking the border between Botswana and Zambia

Customs systems interconnectivity: the challenges and opportunities for Customs administrations in the SACU region

By Dalton Nxumalo,

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REVENUE AUTHORITY

A LACK OF Customs systems interconnectivity coupled with delays and inaccuracies in the paper based exchange of cross-border trade data between Customs administrations continues to negatively hamper trade facilitation and regional integration efforts in the Southern African Customs Union (SACU). The situation translates into unsatisfied traders, unreliable trade statistics, controversies around Member States' allocations from the common revenue pool, and high revenue leakage risks.

The stakes are high. A common information technology (IT) system would address issues related to trade data used to determine the revenue share of each SACU Member State. The SACU

common revenue pool consists not only of Customs duties, but also excise duties. Customs duties are shared on the basis of intra-SACU trade (imports), while excise duties are shared on the basis of a Member State's gross domestic product (GDP) as a percentage of SACU's total GDP. Obviously, this requires reliable trade statistics, especially on goods moved between Member States.

Moreover, the SACU revenue sharing formula also provides for a development component into which a fixed percentage of excise duties that have been collected across the Common Customs Area is paid. Member States' shares from this component are based on a number of developmental indicators.

Exchange of information among SACU Member States is also critical to the fight against commercial fraud and to creating a level playing field for companies in the region. It also supports a wider vision where deeper regional integration is seen as a tool to promote development and

create an ever closer community among the peoples of Southern Africa, including moving towards the establishment of an economic community in the future.

Tools

The efforts of the SACU region in establishing Customs systems interconnectivity and real-time electronic/automated exchange of trade data can be traced back as far as 2005. To date, the region is still pacing towards achieving this long awaited objective.

Over the years, under the framework of the WCO-SACU Connect Project funded by the Government of Sweden, SACU Member States have successfully developed a standard framework for Customs systems interconnectivity and the electronic exchange of trade data, based on the WCO's "Globally Networked Customs" concept that was adopted by the region in 2015. As a result, the following tools have been developed:

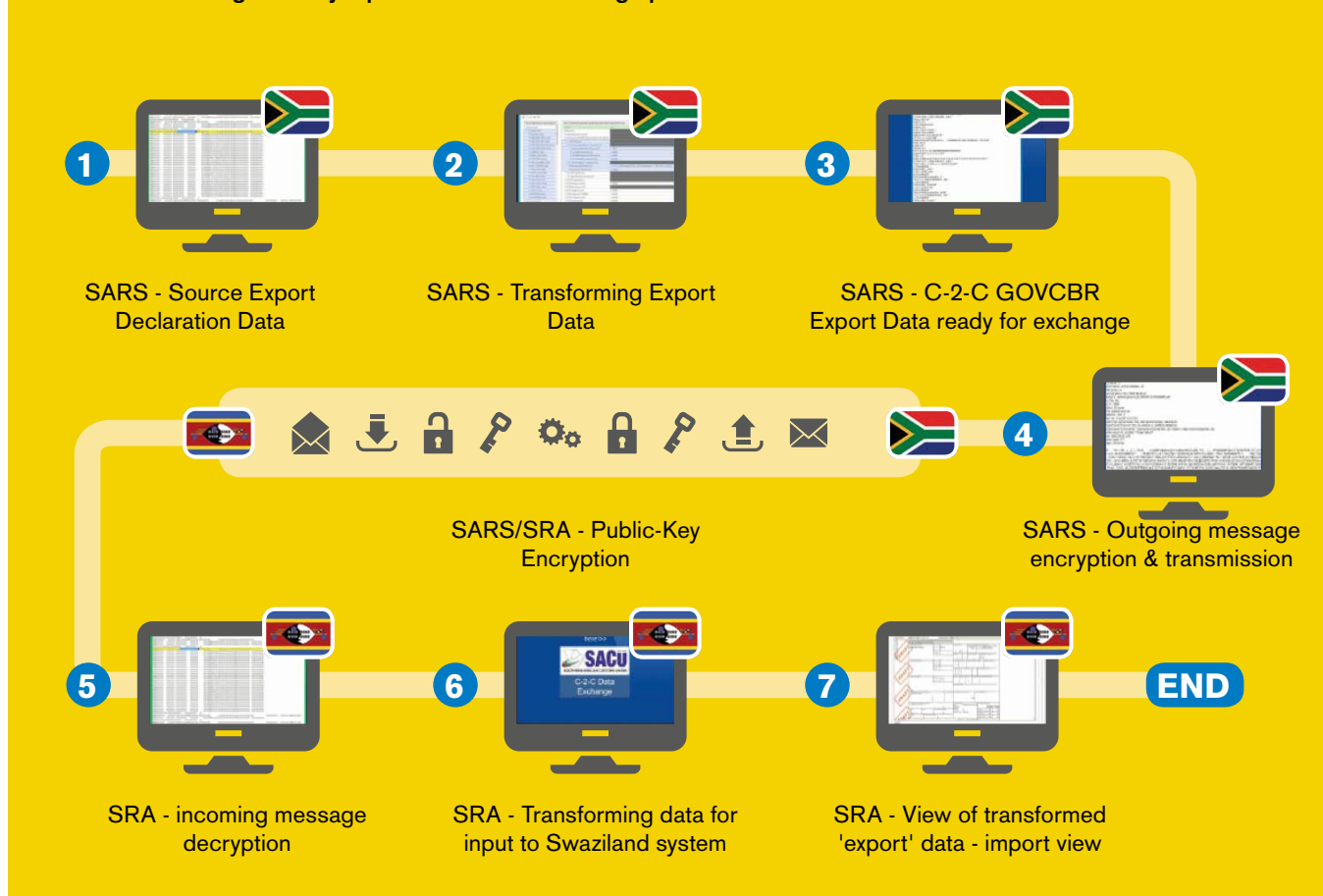


- two data sets, known as “Utility Blocks” in WCO jargon – the SACU Utility Block, which contains data required by Customs for the clearance process, and the SACU Preferred Trader Utility Block, which contains data on the companies participating in the SACU Preferred Trader Programme;
- a regional Unique Consignment Reference (UCR), a structured reference number which will be used by SACU Customs administrations to “link up” or match import declaration data with the corresponding export declaration data electronically exchanged by the export country;
- an IT Connectivity Blueprint for Customs systems interconnectivity, which defines a technical standard for the actual transmission of declaration data between SACU Member States.

Moreover, a critical mass of IT and operational officers has been trained on how to develop message specifications based on the WCO Data Model. The objective is, among other things, to enable SACU Customs administrations to develop harmonized and standardized electronic messages, and to enable them to achieve their goals when it comes to the interconnection of Member States’ Customs computer systems.

At present, Lesotho, Namibia and Swaziland use UNCTAD’s Automated System for Customs Data (ASYCUDA World), South Africa uses Interfront Customs and Border Management Solution (iCBS), and Botswana uses Crimson Logic. A pilot involving data exchange was conducted between South Africa and Swaziland, to look into systems interconnectivity between the iCBS and ASYCUDA World systems (see figure 1 for a synopsis of the data exchange process).

Figure 1: Synopsis of the data exchange process between South Africa and Swaziland



The pilot confirmed the feasibility of exchanging import/export information on a daily basis between the two Customs administrations: real-time exchange capability exists between the two administrations with minor systems development required by South Africa. During the pilot, as an example, Swaziland Customs used export information from the South African Revenue Service's (SARS) Customs administration to frame a Swaziland import declaration for VAT collection purposes.

Obstacles

However, legislative issues and data protection concerns coupled with misaligned prioritization and timing of Customs Systems modernization has continued to delay the achievement of SACU's regional ambitions when it comes to IT connectivity.

In March 2017, SACU celebrated the coming into force of the Mutual Administrative Assistance legal instrument, Annex E of the SACU Agreement of 2002. However, Annex E itself requires further implementation arrangements at the bilateral or multilateral level, which the Union is currently battling with.

The critical issues of concern require bilateral/multilateral implementation arrangements that include data protection, especially of personal information, i.e., any information relating to an identified or identifiable natural person. Personal data requires a special level of protection to ensure the fundamental right to privacy of individuals, particularly relevant when large-scale automatic exchange of information (AEoI) will occur.

In addition, SACU Member States' national legislation is not necessarily similar and mutually compatible, and based on past experience, national legislation processes normally take extended periods of time to reach enactment or ratification. However, it should be mentioned that in terms of the current SACU Agreement, as amended, Member States shall apply similar legislation with regard to Customs

and excise duties, except as otherwise provided in the Agreement.

As a result of these challenges, the region now realizes the need for a "single Customs legislation" to govern SACU as a whole. The current arrangement, where each Member State has its own legislation, is yielding minimal benefits toward efficient trade facilitation and regional integration. Thus, it is high time that SACU Member States' policy makers urgently consider developing a single Customs legislation, which will bring tangible trade facilitation benefits to traders, while promoting further regional integration.

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The Southern African Customs Union (SACU) consists of five Member States – Botswana, Lesotho, Namibia, South Africa and Swaziland – with a combined population of over 61 million people and a combined GDP in excess of 500 billion US dollars. The history of SACU dates back to 1910, making it the world's oldest Customs Union. In 2002, a new SACU Agreement was negotiated to take into account regional political and global economic developments. Having entered into force on 15 July 2004, it introduced a number of new provisions, which did not exist in the previous arrangement, and transformed the Customs Union into a new organization with a strong emphasis on common institutions and common policies. To further deepen SACU's integration, the current SACU Agreement provides for the development of a common industrial policy, and a policy for regulating unfair trade practices. It also provides for cooperation in agriculture policies and competition policies. In addition, it provides for a common negotiating mechanism for trade negotiations with third parties. The Agreement was amended on 12 April 2013.

A pilot involving data exchange was conducted between South Africa and Swaziland, to look into systems interconnectivity between the iCBS and ASYCUDA World systems. The pilot confirmed the feasibility of exchanging import/export information on a daily basis between the two Customs administrations: real-time exchange capability exists between the two administrations.



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An enriching and remarkable journey on the “SMIPRP train” in Japan

By Awa Nnenna Ugo,

NIGERIA CUSTOMS SERVICE

HIGH RISE BUILDINGS with beautiful lighting, fascinating road layouts and curves cutting deftly and sometimes complicatedly across each other, signalled my arrival in Japan. Almost every wall and sign post from the airport to the city was dotted with an intriguing mix of Katakana, Hiragana and Kanji, which beautifully spelt out Japanese words in a manner only the initiated could decipher.

I came to Japan to attend the 2016/2017 Strategic Management and Intellectual Property Rights Programme (SMIPRP) at Tokyo's Aoyama Gakuin University (AGU) as part of the Japan-WCO Human Resource Development Programme, which targets young Customs officials and contributes to the WCO's efforts to build the capacity of Customs administrations across the globe.

The SMIPRP allows participants over the course of a year to pursue master's level studies in Customs related fields, leading to a Master of Business Administration degree being awarded to successful students.

Upon my arrival in the “land of the rising sun,” staff of the Japan International Cooperation Center and graduating students from the SMIPRP welcomed me at the airport. Their exceptional politeness was the window through which I could foresee a very enriching and remarkable journey on the “SMIPRP train.”

Besides my coming from Nigeria, other foreign participants came from Azerbaijan, Bhutan, Ecuador, Indonesia, Kenya, Lesotho, Papua New Guinea, Tanzania and Vietnam. What a rich mix this was. Although we had lots of differences, we had two common features, namely: we were all in Japan

for the very first time and we could all speak English, making communication between us easy.

With these two common features, we stood in awe of the sights and sounds of Tokyo and of each other's culture. We became immersed in Japanese culture with its attendant valuable lessons, comforted each other during earthquakes, and built formidable relationships among one another. Several months after graduation, we can hardly go a day without checking up on each other through social media.

I had the honour of being the first Nigerian to participate in this very immersive 12-month course. It was a perfect mix of academic, professional and social endeavours. The programme agenda included study visits to various seaports, airports and postal offices, as well as to the National IPR Centre. We also met with representatives of brand owners such as Sony, Honda, Toshiba and Samsung. Moreover, we had the opportunity to attend training sessions and workshops at the WCO's Regional Training Centre and Regional Customs Laboratory in Japan.

The academic programme entailed very well-articulated courses in intellectual property rights (IPR), multi-lateral trading systems, management, international development strategy, competitive strategy, statistics, organizational behaviour, Customs practicum, and Customs reform and modernization. The Customs instructors were excellent practising and retired Customs officers, most of whom are WCO accredited experts in various fields and seasoned WTO trade negotiators. We also had astute professionals who were successful business management experts, in addition to having public administration and international Customs expertise.

From classrooms to the streets, to the train station and after the train station; in between my chopstick and tea drinking sessions, which happened to be my favourite moments, I learnt huge pleasant lessons. Every sense organ I deployed brought back a bountiful harvest of life shaping lessons touching upon nationalism, resilience, disaster readiness, restraint, strong sense of ownership to assignments, passion, hard work, precision, beauty, harmony, punctuality, cleanliness, excellence, creativity, politeness, kindness, compassion, humility, integrity, and the list goes on and on.

I often remember sitting in class with other students, where, except for me, everyone seemed to understand the lectures. As my demeanour made the lecturer aware of my unease, after a few enquiries, he placed me on what could be called “private catch-up lessons” to make up for the challenges I was experiencing. This was quite a pleasant, but unusual move, which demonstrated the commitment of the lecturers to assist students in all possible ways to ensure that they remained on track. It was pleasantly surprising to me, yet very typical of the top-notch quality of the University's professors: their goal being to impact knowledge, not merely read out lecture notes.

The journey was not without challenges too. The language barrier made everyday life overwhelming in the beginning. In fact, as I could not read Japanese, shopping and eating out at restaurants seemed daunting at first, but then I learnt to ask for help and to use the translator application. This makes an internet-enabled Japanese SIM card or “pocket wifi” a necessity. Access to a map application also helped me to get acquainted with Japan's public transport system.



The huge impact of this course cannot be over-emphasized. My productivity and efficiency at work has been greatly heightened since I returned to Nigeria. Given my current assignment as a technical officer in the IPR Unit, responsible for promoting Customs/right holder relations and the drafting of IPR training modules for frontline officers, I have had to make reference to my SMIPRP courses over and over again. This has further fine-tuned my work.

It is also important to mention that the SMIPRP enabled me to participate effectively in the drawing up of the 2018-2021 Strategic Plan for the Nigeria Customs Service. I am still often referred to by my superiors as the “Japanese lady,” due to my ability to deliver my assignments in a fuss free, high quality and timely manner – traits that are respected and admired in Japan and which were reinforced during my time in the country.

On my last morning in Tokyo, on 28 March 2017, a few days after I had received my Master of Business Administration degree, at the end of a trip which had broadened my horizon and further developed my emotional intelligence; I embarked on a solo adventure to Ueno Park to catch a glimpse of the sparsely bloomed Sakura trees, as the spring season had just begun. On the way, I took a detour from my usual route to the park and found restaurants and shops I had never quite noticed before. Indeed, there can be no such thing as seeing all of Tokyo, as so much is tucked out of view. With eyes brimming with nostalgic tears, I realized, I just might have some unfinished business with Tokyo.

Long Live Japan!
Ichi-go Ichi-e!

More information
scholarship@wcoomd.org

About the Scholarship Programme

Two types of master level studies are proposed under the Japan-WCO Human Resource Development Programme:

- the Public Finance Programme at the National Graduate Institute for Policy Studies (GRIPS) - www.grips.ac.jp/en/education/inter_programs/finance;
- the Strategic Management and Intellectual Property Rights Programme (SMIPRP) at Aoyama Gakuin University - www.aoyamasmiprp.jp



Using data to monitor Customs modernization: the experience of the WCO West and Central Africa region

By Bonguin Ferdinand Dezai,

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THE WCO'S WEST and Central Africa (WCA) region is one of the six regions of the WCO. It is made up of 23 countries, including 14 that are French-speaking, five that are English-speaking, three that are Portuguese-speaking and one that is bilingual (English and French). Since 2016, this region has been run by the Ivorian Customs administration, whose vision is to make the WCA region a reference region.

To implement this vision, the WCO Vice-Chair of the region has defined three strategic axes: a better organized and more dynamic region; efficient regional structures; and modern and efficient Customs administrations. One of the objectives under the last axis is to ensure the implementation of the recommendations developed during regional and international meetings in

order to dynamize the modernization process of Customs administrations in the region.

To do so, a process was set up to monitor and evaluate the implementation of the recommendations, piloted by the Office of the WCO Vice-Chair. There are three components to this process: (i) data collection, (ii) data processing, and (iii) presentation of results. To collect the data, a survey is sent to the region's 23 Customs administrations, where after the responses are then analysed. First of all, the information provided by the countries must be verified: the Office of the WCO Vice-Chair maintains a constant dialogue with contact points in each country who are responsible for keeping them informed. Where it is difficult to assess the effective implementation of certain

recommendations, the experts ask for detailed evidence. A statistical method is then selected. Finally, statistics are produced to identify trends in implementing the recommendations.

At the region's 21st Conference of Customs Directors General, which was held in Abidjan, Côte d'Ivoire, in April 2016, 24 recommendations were drawn up to improve the efficiency of the region's Customs administrations.¹ They fall under three main headings, as follows:

- Intelligence – 10 recommendations;
- Information and Communication Technology – 7 recommendations;
- Capacity Building – 7 recommendations.

The evaluation of the implementation of these recommendations, one year after their adoption by the region, painted the following picture. A total of 18 Customs administrations responded to the survey carried out in 2017, which represents a 78.3% participation rate. The results reveal numerous disparities between countries in relation to the overall implementation of the 24 recommendations. Nigerian Customs has been the most diligent, having fully implemented 79.2% of the recommendations, i.e., 19 out of 24. Nigeria was followed by Togolese Customs and Senegalese Customs, which have respectively implemented 75% (18 out of 24) and 66.7% (16 out of 24) of the recommendations. Some countries have achieved only partial implementation of the recommendations, top of which is Cameroon with 83.3% (20 out of 24) of the recommendations in the process of being implemented, followed by the Central African Republic with 58.3% (14 out of 24).

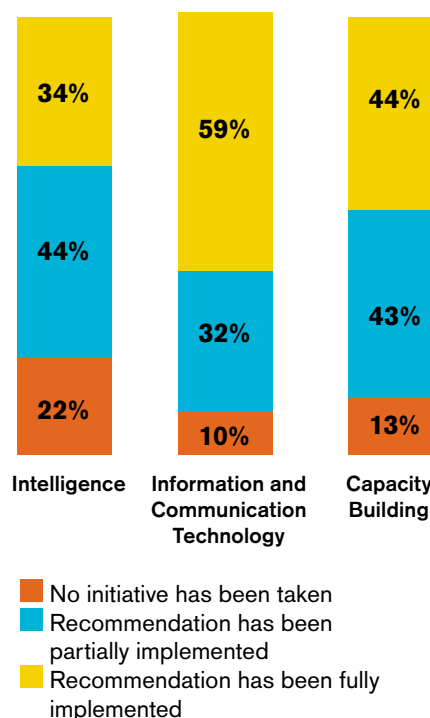
The recommendations with the best follow-up rate are those related to the information and communication technology (ICT) sector: 91% (16 out of 18) of the countries that took part in the survey have fully or partially implemented the recommendations relating to ICT. The recommendation with the highest implementation rate is the one to ensure the effective participation of information technology (IT) departments in regional and international ICT activities. It has been implemented by 15 out of 18 countries (83.3%).

As for the recommendations relating to intelligence, 34% of the countries have fully implemented them (6 out of 18), whereas 22% (4 out of 18) have not even begun any initiative in this regard. The recommendation with the best follow-up is that relating to the fight against cross-border insecurity, with a rate of 72.2% (13 out of 18 countries).

Concerning capacity building, only 44% of the countries (8 out of 18) have fully implemented the recommendations, while 13% (2 out of 18) have not implemented any of the recommendations in this category. The most widely adopted recommendation is the one to involve training and human resource managers in the self-assessment exercise contained in the regional Strategic Plan, which has been implemented by 83.3% (15 out of 18 countries).

Unfortunately, there are several recommendations with a very poor follow-up rate. Only one country has effectively allocated substantial funding to fight cross-border insecurity. In addition, fewer than three countries have implemented the recommendation to strengthen border controls through the increased use of intelligence, risk management, and advanced technologies.

Implementation summary of recommendations



The results of the evaluation reveal numerous disparities between countries in the implementation of the recommendations. Customs administrations should be encouraged to share their experiences in order to gain an understanding of the obstacles that must be overcome to ensure effective implementation of the recommendations, particularly those with the worst follow-up rates. Additionally, administrations that are in need of financial support or assistance should take up contact with donors at the regional Donor Conference. They should also make use of the opportunities for assistance offered by various organizations that are working towards the effective implementation of the World Trade Organization's (WTO) Trade Facilitation Agreement.

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1 www.omdaoc.org/Document_joint/agenda/RAPPORT%20DE%20LA%2021eme%20CONFERENCE%20DES%20DGD.pdf [report in French].



Customs transit procedures: insights from an operator

By Jirka P. Groenendijk, Director,
TRANSITNET SERVICES, SGS

AT THE WCO Transit Conference held in Brussels, Belgium in July 2017, during which the WCO Transit Guidelines were launched, many administrations presented and shared their national or regional experience with regard to transit procedures. This article presents the point of view of a large and well-known transit operator that manages the movement of goods across the European continent, and discusses the added value of allowing “transit facilitators” to handle transit operations on behalf of their clients.

Transit procedure

Under a Customs transit regime, goods provisionally exempted from duties, taxes and commercial policy measures applicable to imports move between two points in a Customs territory, via a different Customs territory, or

between two or more different Customs territories. The regime reduces the risk of congestion at external borders, sea ports, airports and land borders by shifting controls inland, at departure and destination, closer to the traders’ premises.

Those not familiar with the procedure may find the following example helpful. A French perfume manufacturer is selling a consignment to a Turkish reseller. The market price of the consignment is 1 million euro, of which 75% consists of excise taxes and value-added tax (VAT) – the Customs debt due in the country where the perfume will be consumed, namely Turkey. The French exporter will be exempt from any taxes if he can prove that the goods have left the European Union (EU) or have entered another Customs regime which allows for that. The sooner the export operation is completed, the sooner the

exporter’s liability for the Customs debt will be discharged. The Turkish consignee is liable for the Customs debt when he declares the consignment for import. He will do so after he has ensured that the consignment has been delivered intact in terms of quantity and quality – a control which should take place inland, as close as possible to the importer’s premises.

During the whole process the consignment will move, like a “rolling duty free shop,” across a number of Customs territories before arriving in Turkey, i.e., through several EU countries (France, Italy, Slovenia, Croatia), then through a non-EU country (Serbia), and finally through another EU country (Bulgaria).

All transit regimes, whether national, regional or international, have four pillars in common:

- a transit (simplified) declaration must be presented to Customs by a principal, i.e. the person who places goods under a transit procedure;
- the risk of fraud in respect of the Customs debt associated with the procedure is mitigated by the lodgement of a guarantee – usually a financial guarantee;
- the cargo must be identifiable and/or sealed so that any leakage can be easily detected;
- the transit procedure is completed once the goods arrive at their final destination or on exit from a Customs territory.

Figures

It would probably be safe to assume that all WCO Members implement a national transit regime, except for EU countries where a Union transit procedure known as “Community Transit” applies to Customs transit operations within the 28 Member States, Andorra and San Marino. Several international and regional conventions regulate transit operations, including:

- the WCO International Convention on the Simplification and Harmonization of Customs Procedures (Kyoto Convention), which provides Standards and Recommended Practices for Customs administrations in a dedicated specific Annex;
- the Customs Convention on the ATA Carnet for the Temporary Admission of Goods (ATA Convention);
- the Convention on Temporary Admission (Istanbul Convention);
- the Customs Convention on the International Transport of Goods Under Cover of TIR Carnets (TIR Convention), which is the only global transit instrument that establishes a paper-based transit system for goods being transported by road, and which is used mostly between EU Member States and EU neighbouring countries; the TIR Carnet is used for the transport of goods between two

or more territories, which means that it cannot be used in a single territory only;

- the Convention of 20 May 1987 on a common transit procedure (Convention on Common Transit), which forms the basis for the movement of goods between the 28 EU Member States, the four members of the European Free Trade Association (EFTA), as well as Turkey, the former Yugoslav Republic of Macedonia, and Serbia; this Convention makes a distinction between non-Community goods (T1) and Community goods (T2);
- the Customs transit arrangements in the Eurasian Economic Union (EAEU), the Customs Union formed by Russia, Belarus, Kazakhstan, the Kyrgyz Republic and Armenia, which are very similar to those provided for by the Convention on Common Transit.

According to trusted sources, in 2016 there were:

- 10 million international transit declarations and 6 million national transit declarations lodged under the Union transit procedure and the common transit procedure, that were managed through the EU’s New Computerised Transit System (NCTS) among 35 States;
- 1.5 million transit operations among the five EAEU countries;
- 1.2 million transit operations through the TIR system, among 45 active countries;
- 40 million inbound transit operations in the United States;
- 220,000 ATA Carnets issued.

In today’s global economy, it is not incorrect to say that most of the things we wear, eat, drink or use in our daily lives, including even the cars that we drive, have been transported by a truck, a train or a ship under a Customs transit regime at some point in the journey that

took them from the production facilities to the final user.

Computerization: the European experience

Union transit was implemented in 1975, while common transit was introduced in 1987 to supersede the agreement which existed at the time with EFTA members. However, at the beginning of the 1990’s, massive fraud caused the viability of transit regimes, including the TIR, to be called into question. It was estimated that hundreds of millions of euro in taxes were being eluded, the main reasons being that:

- procedures were fully paper-based, with discharges validated by rubber stamps;
- guarantees were insufficient and badly managed;
- the internal borders of the EU had disappeared as a result of the creation of a single Customs territory, while new borders had appeared with members of the former Soviet Union which lacked the resources and experience to manage transit procedures properly.

This course of events paved the way for fraud, and organized crime was quick to jump onto the bandwagon, ultimately leading to the first EU Parliamentary Enquiry Committee, whose conclusions “forced” EU Member States and Common Transit Convention members to computerize the Union and common transit regimes. Thus, on 1 May 2004, modernized regulations entered into force in the 25 EU Members States and the four EFTA members, and the NCTS, based on electronic declarations and processing, was launched.

The NCTS gateway is connected to the Customs Management Systems (CMS) of all countries implementing the Union and common transit procedures. Customs offices communicate and exchange standard messages electronically through the system, in their native languages. As for traders, they communicate electronically through the national CMS of the country

they are operating from, but are not connected to the NCTS.

In parallel to the computerization, a number of essential accompanying procedures and legal enhancements were implemented to reinforce controls in order to secure Customs debt collection, whilst granting simplifications for principals who fulfilled certain criteria. These procedures and enhancements include – just to mention a few – the obligation to lodge bank guarantees from approved banks, online monitoring of the total Customs debt provided it does not exceed the agreed reference amount, introduction of the concept of authorized consignees and authorized consignors, use of global guarantees, etc.; (“authorized consignee” means a person empowered by Customs to receive goods directly at his/her premises without having to present them at the office of destination; “authorized consignor” means a person empowered by Customs to send goods directly from his/her premises without having to present them at the office of departure).

Complexities

Computerization did not get rid of the complexities. Rules and information technology (IT) requirements/practices vary from one country to another, depending on national prerequisites. For example:

- Certain offices of destination do not notify the principal that the goods have arrived and have been released, whilst in others the procedure is fully automated up to the enquiry;
- Certain States require the principal to provide them with an HS code up to 10 digits and the precise number of items being transported, whilst others are satisfied with a generic or simplified description of the goods;
- Certain States omit to include VAT or excise when evaluating the Customs debt;

In today's global economy, it is not incorrect to say that most of the things we wear, eat, drink or use in our daily lives, including even the cars that we drive, have been transported by a truck, a train or a ship under a Customs transit regime at some point in the journey that took them from the production facilities to the final user.

- Certain States refuse to validate the transit procedure if the driver is not accompanied by a local broker when he/she arrives at an office of transit or at the office of destination.

Practices also differ from one office to another, and even from one shift to another within the same office. It is not unusual to see a Customs officer on one shift who refuses to release goods for transit or requires unnecessary documentation being replaced by a new shift member who releases the same goods for transit. There are also differences or specificities depending on the transport mode, i.e., truck, roll-on/roll-off vessel (RORO), rail, or barge.

In addition, each party to a transit regime may grant additional measures of facilitation to bona fide operators, such as guarantee reductions, authorized consignor status, and the possibility not to affix seals to a consignment.

On top of this come the linguistic barriers. Ideally, principals must have at their disposal multilingual people who are experienced in logistics and Customs matters, to maintain direct contact with Customs at local and regional levels, as well as with Customs headquarters. They must also have robust IT systems and performance software, and must sometimes be able to operate both within and outside the “NCTS territory.”

These complexities open up a market for service providers. The idea would be to give logistics sector operators the possibility to delegate the management of their transit operations by road, rail and waterway to a service provider acting as a principal (the person who places goods under a transit procedure, even where this is done by an authorized representative) for Customs purposes.

Such a service is currently available under the framework of the Union and common transit procedures, as well as under the EAEU transit arrangements. 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 an approved bank – in favour of Customs. Bank guarantees are lodged in each country involved in the transit operation, in order to avoid the issues that can arise when a country's Customs administration calls on a guarantee issued in another country.

Traders and freight forwarders benefit from the experience of transit experts who ensure that a declaration is compliant with national requirements, and who will settle any disputes as quickly as possible. This takes away the need for traders and freight forwarders to develop IT capabilities, provide bank guarantees to Customs, pledge assets, solve problems that arise in the course of the transit journey, and settle claims. Drivers receive relevant advice, depending on their different routings.

Going forward

In light of differences in the implementation of a similar Customs regime on the European continent, and given the diversity of conditions prevailing within and between countries or regions, one could question the need for, and usefulness of a universal transit regime setting identical rules for countries as different as Germany and Mozambique, for example.

Securing the health of Customs officers

Rather, it might be preferable to think in terms of an opportunity for “transit facilitators” to enhance national and international transit operations by providing services adapted to national legislation, using a fully automated and computerized system that will assure countries of a high level of compliance and minimal risk when it comes to revenue collection, by securing bank guarantees in each country involved in a transit operation.

If the United Kingdom leaves the EU Customs Union, it is highly probable that it will join the common transit system – this being the only possible way to move Customs control inland and minimize border control and congestion. All over the world, transit regimes offer huge benefits to traders and governments alike. Therefore, it is firmly believed that giving traders the possibility to hand over the management of their transit operations to a third party which has recognized experience and offers all necessary guarantees in terms of revenue and security, will be an asset for both traders and governments.

For Customs administrations, this would just be a question of giving such a service provider access to their CMS – a small price to pay given the benefit that Customs will derive from dealing with one reliable, experienced and national service provider which has an international presence.

More information

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By Wil Grullemans,

GENERAL MANAGER, NORDIKO QUARANTINE SYSTEMS

IN 2016, IN Germany, seven workers at a warehouse were hospitalized following the unpacking of two containers. They had inhaled toxic gases invisible to the eye and with no noticeable smell, and were suffering from severe eye irritation, respiratory distress and nausea.

Such incidents rarely make media headlines, although they are not that unusual. Gases present a serious threat to both Customs officials and other personnel who have to enter containers for inspection or unpacking purposes, and many accidents have been reported over the past few years all over the world.

Following the hospitalization of Customs officers at a major shipping port, tests were performed on containers to assess whether they contained any toxic gases. Air samples were taken through the unopened door seal and then analysed to determine if the air quality inside the container was safe for entry. The operation showed that up to 20% of import containers had unsafe gas levels.

Toxic gases accumulate in containers as a result of fumigation or simply through absorption from products during transit, where temperature and humidity changes promote the off-gassing process. These gases include:

- carcinogens such as formaldehyde (from furniture) or dichloroethane (from plastics);
- cardio pulmonary poisons such as phosphine (from fumigated food products) or methyl bromide (a recognized neurotoxin and listed ozone depleting substance once used extensively for fumigation and as a pesticide);
- respiratory toxins such as hydrogen cyanide (from carpets and rugs).

Apart from instances of acute exposure, such as the one mentioned above, there is a more insidious security concern: Customs officers can receive repeated, low dose exposure to a variety of toxic gases, without realizing that this is occurring.

Some Customs administrations and many large multinational firms are implementing specially designed security solutions that provide for container gas testing and ventilation, but some are still not aware of the need for such systems.

More information

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Fourth Global Canine Forum spurs lively discussions



© US Customs and Border Protection / Glenn Fawcett

THE CORE BUSINESS of Customs administrations may well lie in making trade secure, but the time spent conducting inspections on goods consignments continues to decrease. The use of technology, in particular non-intrusive inspection (NII) equipment such as scanners and endoscopes, has contributed considerably to expediting Customs clearance procedures while guaranteeing a satisfactory level of security. However, the use of technology is severely restricted by cost both in developed countries subject to budgetary constraints and in developing countries limited by their ability to invest in control infrastructure, thereby allowing significant scope for “human” inspection methods and, in particular, canine units.

In fact, detector dogs have become the partners of choice of Customs services responsible for tackling fraud, and are a particularly reliable and increasingly multi-skilled, non-intrusive detection “tool.” Initially confined to combating drug trafficking, the role of canine units has developed and adjusted to the constantly evolving practices of organized crime. Faced with the situation where organized crime has infiltrated legal trade, Customs and other law enforcement agencies have made great strides in extending canine detection capabilities to such areas as security, combating the trafficking of currency and endangered species, and

even safeguarding intellectual property rights. Nowadays, Customs makes extensive use of detector dogs as part of its risk management programmes.

In 2011, as part of its mission to support its Members in enforcement matters, the WCO organized the first Global Canine Forum specifically focused on dogs and dog handler teams. Given the success of this first Forum, the WCO made the event a permanent fixture to be convened every two years, with a view to creating the conditions needed for experts to share experiences and pool best practices. From 2 to 4 October 2017, some 120 delegates representing 44 Customs administrations and international organizations attended the fourth edition of this event in Prague, which was organized with the support of the Czech Customs administration and funded by Japan Customs.

The main objectives of this latest edition were to prompt those Customs administrations with training centres to share best practices and experiences, and to identify the common challenges confronting management teams, especially with regard to the training programmes to be scheduled and operational models to be implemented. Over the three days of the Forum, participants discussed these issues during presentations and talks, which gave rise to lively discussions

among specialized professionals. They also had the opportunity to attend demonstrations by canine units. The sessions, each of which was led by experts with extensive experience in their respective area of expertise, centred around three main themes:

- Latest developments on the use of dogs in the search for drugs, firearms, explosives, alcohol, metals, currency, species protected under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), and for goods covered by intellectual property rights. Discussions focused, in particular, on the training of canine units in new methods, the challenge of using canine adaptability to the best effect, and the implications of achieving cooperation between the different bodies entrusted with the prevention and punishment of offences.
- Best practices in terms of dog breeding and the management of a dog training centre, and, more specifically, best practices concerning dog selection, choosing the breed to match the discipline, logistics and infrastructure of a centre (kennels, vehicles, training tools used), its management, continuous monitoring and

WCO Regional Dog Training Centre

As of 2017, a total of 12 Regional Dog Training Centres (RDTCs) have been set up in different regions of the world in order to train detector dogs and their handlers as well as provide assistance on the use of canine units to any Customs administration making such a request. In addition, documentation is available for consultation by any WCO Member wishing to obtain information on the conditions that have to be met when seeking accreditation as an RDC.

- Challenges relating to the use of canine units and the ensuing implications for capacity building, in particular, problems specific to the use of dogs in frontline operations, training methods, the content of training programmes, the recruitment and training of dog handlers, and even the running of regional and national dog training centres.

The demonstrations by the canine units, which were organized by Czech Customs, allowed participants to witness the dogs' skills in searching for a diverse range of goods: drugs, firearms, cigarettes, alcohol, CITES goods, and currency. Watching the dogs at work and the manner in which they rapidly sniff out different forms of contraband was truly remarkable.

The next Global Canine Forum will be held in 2019. In the meantime, the WCO will continue to provide all necessary assistance in the use of canine units to any of its Members requesting such assistance. Furthermore, it invites all Customs officers concerned with these issues to join the “Global K9 Forum” virtual group that has been operating since 2011 via an electronic platform. This global network of canine experts currently comprises over 200 active participants, representing 78 administrations. Experts can use the platform to access key information stored in the library reserved for their user group, and share their experiences and views using a secure messaging system.

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Round-up of the 2017 WCO Technology & Innovation Forum

FROM 31 OCTOBER to 2 November 2017, for the sixth time, the WCO organized its Technology & Innovation Forum, a platform for leading technology experts and decision-makers from various border agencies, as well as representatives of the academic world and international organizations, to discuss technologies and how they can add to the capabilities of Customs officers as they work to address border challenges.

This article highlights some of the discussions at the event that was held in Tokyo, Japan, and which focused on the pros and cons of new technologies, the impact of disruptive technologies on borders, the trust between humans and machines, the use of geospatial data in the Customs environment, and the utilization of data analytics – a recurrent but important issue which the WCO chose to highlight as its theme for 2017.

Just a few years ago, “blockchain” was seen as a technology, use of which was limited to Bitcoin or other cryptocurrencies. Today, everybody is thinking about applying this revolutionary technology that can be used for non-currency purposes too. For example, some companies and organizations are already trying it in areas relating to supply chain record-keeping and the “track-and-trace” of products, underscoring its huge potential.

Blockchains can store a range of records including payment transactions, sales records, purchase history, corporate accounts and retail pricing history as

well as future changes in pricing. It can also record non-transactional data such as title records, trademark and patent information as well as travel logs to name a few. In essence, blockchain is a continuously expanding database that stores transactions in real-time.

Although blockchain is being talked about a lot, it is not a one-size-fits-all solution, experts highlighted. Rather than looking at the solutions that exist and considering where they can apply in an organization, one should analyse the problem that one is trying to resolve and see whether blockchain can add value. The technology is most valuable when several parties are connected and need to access the same data, but do not necessarily trust each other, and when there is no trusted third party mandated to collect and share the data.

How to keep up with changes and cope with them is one of the questions which Forum participants raised. The fast adoption of blockchain technology demonstrates how fast the pace of innovation really is. By the time one makes a decision to buy something, there is already something else on the market.

Speakers pointed out that it is critical to understand what is coming next, and to always keep aware of developments by looking, for example, at how other services or businesses are working. Solutions need to be piloted and new profiles and talent must be hired. In order not to be stuck with a specific solution, as it might change or be replaced by better performing technologies, some countries



have been investing in information technology platforms that allow them to more easily change from one technology to another without disruption.

As the increased adoption of technology is fast-changing the role of Customs officers and the way that they perform their duties, it is also important for leaders of Customs administrations to communicate effectively and regularly, in order to instil a change and innovation mind-set. The need for Customs officers to understand the impact of technology on their organization is, therefore, imperative.

Trust

Customs officers also need to trust the technology that they are using. Today, it is quite natural to trust machines such as licence plate readers, passport readers, and chemical detector devices. However, when it comes to machines dotted with artificial intelligence (AI), things become more complex.

How much of it should be placed in “smart” machines? And how can the creators of these machines help to answer this question? According to them, the threshold has been crossed, as a number of initiatives already show that machines can be trusted with making decisions. This can be seen in the field of healthcare, for example, where machines monitor parameters, predict issues and even generate correlations, patterns and hypotheses to identify personalized therapy options for patients. Another good example is in the field of image recognition, where the accuracy of machines far exceeds that of humans.

To find indicators of known and unknown risks, traditional methods of analysis are slowly being replaced or complemented by cognitive computing solutions, which include data mining, machine learning, and natural language processing capabilities. Cognitive computing can help Customs officers make better decisions in a wide range of different scenarios by understanding vast amounts of unstructured data that is inaccessible to conventional IT systems. As long as the machine can explain its reasoning and how it generates its hypotheses, there should not be any trust

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issues, agreed the panellists. Moreover, the final decision to control or inspect a good or a traveller is not in the hands of the machine. Machines should enable one to get a smaller subset of transactions for experts to review. They also enable one to dispense with manual tasks and some of the analytical steps.

Various non-intrusive inspection (NII) suppliers explained that their automatic detection tools have, during pilots, proved to work well: algorithms enable machines to recognize objects and to distinguish between commodities. However, building such functionalities requires access to a lot of data and there are still very few solutions that have been implemented which one can learn from. There is even less information on the performance of the systems in real situations, although being able to measure results in terms of facilitation, revenue, and security is critical to build trust and to know whether one is going in the right direction.

The fact that we trust smart machines to make a decision raises another question: who should be accountable for the decision that the machine makes? For the moment, accountability is fragmented among Customs officers. If smart machines make the decisions, this will weigh heavily on the shoulders of managers.

Data and data analytics

Although all participants agreed on the need to establish data at the core of Customs activities and to transform Customs administrations into data driven organizations, countries are at different stages when it comes to turning this ambition into a reality.

“Our vision of the future is that data will be collected at all stages of the border continuum and analysed using analytical tools, the results of which will be submitted to an officer,” explained a speaker.

A panellist stated that his administration, having to manage difficult borders in areas where terrorist groups hide out, is investing in all sorts of equipment, including drones to get real-time data on the movement of people, as well as in a new information management system that will enable it to collect and manage more data.

Another panellist pointed out that in his country, which has to manage “fragile borders,” there is a lack of IT infrastructure to collect certain data, and that officers, especially those working at the borders, are not prepared for such a process and do not understand the importance of data analysis and what is required from them. Any adoption of technology would require training, and should take into account human capacity.

There is an area where the electronic collection of data is lagging behind: the processing of international postal items continues to be a very manual driven process. On this topic, participants heard about the implementation of an electronic data exchange pilot project between Australia and New Zealand’s Post and Customs administrations (the pilot project is presented on page 27 of this edition of the magazine).

The benefit of using corporate data in the fight against fraud was also discussed. The average Customs administration’s ability to detect and prevent fraud is not solid enough, explained a panellist. This was due to the proliferation of companies and the ease through which they can be established, in conjunction with

the ability to mask criminal activities behind complex international operations and global structures. Criminals use corporate entities as easily as they use individuals. It is not uncommon to find companies with an ownership structure spanning 23 countries, and having more than 150 companies under its structure, with at least 50 individual shareholders.

One of the ways to fight fraud, or crime is to look at undeclared relationships, where undervaluation or false declarations can thrive. However, obtaining accurate data on private companies is a challenge. Corporate ownership structures are very often complex and evolving, and one needs to verify, “clean” and guarantee the quality of the data. The data will also have to be standardized to enable systematic data analytics. In addition, unique identifiers for entities will have to be created to accurately link them in order to create holistic networks. Customs administrations may also want to rely on third party providers to be able to trace the ownership of entities and analyse links between these entities and the people controlling them.

Collected external data is integrated into an internal data platform, and the enriched, combined dataset is then ready to be ingested for risk assessment purposes. If there is too much corporate data for analysts to review without the help of technology, having the data and the technology to analyse it alone is not enough given the level of complexity of fraud. Relying on human analysts is critical to remove false positive results.

Maps

Forum participants also discussed the added value of mapping data and the use of geospatial technologies. Maps are a useful tool in simplifying complex information for the purpose of educating groups, persuading people, or understanding ideas or situations. Maps are visuals, and visuals are compelling. It has been said that 90% of information transmitted to the brain is visual, and visuals are processed 60,000 times faster in the brain than text.

Maps are not only a great way to report information that is known, they can help one discover what is not known. They



Mr Makoto Nagamine, Japan's Parliamentary Vice-Minister of Finance, graciously agreed to open the Forum, during which he highlighted the importance of continually developing and introducing new technologies

can also assist one in checking whether something that one is not sure about, but feel strongly about, is correct. Last but not least, mapping data offers a great opportunity in terms of cooperation, as it enables one to open a dialogue with experts from different backgrounds and even different countries, each drawing his/her own analysis according to his/her own perspectives.

Several cases where the addition of a spatial component to data enabled light to be shone on problems or conclusions to be drawn quickly were given. The WCO explained how it used geospatial data in a research programme related to the Lake Chad region, the lake being at an intersection between several countries, a trade hub for Sudan, Central Africa and East Africa. The border was defined as a large buffer zone, an area structured by the economy of the border where Customs would apply its controls. The objective was to look at what happens between the entry points at the border, what were the dynamics of trade in goods and flows of people, which roads were used and how frequently, etc., and to provide officers on the ground with relevant information they could act upon.

In such a region, as the Lake Chad one, it is crucial to know where to allocate resources as any deployment requires huge resources. It is also crucial to understand and make apparent the impact of the security measures on the economy of these border zones to inform

policy makers. Other projects which were presented to participants included the analysis of truck traffic, informal trade flows, and activity at ports.

Customs collect very little geodata, a collective term for all kinds of data with a spatial reference. Ideally, one should have data from the field and from communities living in the border areas as well as data from transporters crossing such areas. But, one can build maps from data that is available publicly. There is a lot of georeferenced data available on the geography of a territory (elevation, waterways, vegetation), on infrastructure (roads, paths, borders), on demography and settlements, and on an economy, including market and infrastructure location. Satellite images are also easily accessible, and news agencies are very good sources of information.

A variety of software is available to capture, store, manipulate, analyse, manage, and present spatial or geographic data, known as a geographic information system (GIS). Some are open-source software, others are traditional proprietary software. Forum participants were presented with different technologies, from map making tools to very sophisticated geospatial knowledge management solutions which connect real-time information on the positions of items, data from connected objects (Internet of Things), data from satellites and CCTV, and data from remote sensors.

Chemists

If data analysts are needed more and more, the work of chemists is also critical to law enforcement agencies, for example, to determine the origin of seized illicit substances. During the Forum, Japan Customs presented its methamphetamine signature programme that was inaugurated in 2008, and the tools it has at its disposal to analyse the drug. By analysing the chemical profile of seized drugs and the precursors used to make them, the administration is able to identify the origin of the products per region, what routes they travelled, and compare cases in order to identify drug networks.

Remote and centralized screening

The benefits of integrating and centralizing radioscopic images generated by NII equipment were once again highlighted. Solutions providing for a common interface have been designed that enable all the images produced by the machines to be seen on the same screen, using the same analytical tool. Their benefits include the possibility of centralizing the management of scanning operations, and of handling inspections from a remote control centre. Projects are underway to integrate the inspection results of other detection systems as well as information sources of different law enforcement agencies to get a complete and accurate security profile from a common viewer workstation.

Participants were also updated on the evolution of the “unified file format” (UFF), the international standard for scanned images and associated metadata produced by NII equipment, which is being developed by the WCO and NII suppliers. The project will be completed in the coming months.

Mobile applications

Today, in many administrations, officers are mobile and can work remotely as they have access to applications via tablets or smart phones. For example, inspections can be held on site from A to Z; travellers can be checked with a phone with a fingerprint reader attached to it. Most tools or databases should be available through mobile applications, agreed the speakers.

Voice recognition

Voice recognition software has become so exceptional that when it comes to the future of this technology, the consensus seems to be voice recognition in everything. With this in mind, it would not be far-fetched to assume that keyboards and similar control panels will slowly be phased out of all devices as they gain the ability to simply listen and act on human voice commands.

Facial recognition

Facial recognition software is based on the ability to differentiate between a face and the rest of the background, measure the various features of the face,

and compare it to a database of stored images. Many administrations have already invested in the tool or plan to do so, to more easily identify passengers to be controlled at airports and to cut down on crimes such as identity fraud – Japan, who will be hosting the Olympics Game in 2020, is a good example. Participants who were given the opportunity to test such a tool at the Forum were very impressed.

Conclusion

It would be impossible to exhaustively review all the technologies presented during the Forum. Devices for the detection and identification of products were displayed at the exhibition, as well as handheld X-ray instruments. Participants were also able to watch videos and presentations on the latest generation cargo scanners, of container gas testing and ventilation solutions that protect the health and safety of unpacking staff, and much more.

Once again, the event proved to be a useful tool to start the conversation between Customs and technology provider representatives, and hopefully move the implementation of technologies forward.

More information

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March

- April

- May

- June

- July

- It should be noted that WCO meetings are mentioned for information purposes and are not all open to the public. Unless otherwise indicated, all meetings are held in Brussels. Please note that these dates are indicative only and may be subject to change. The WCO meetings schedule is regularly updated on the WCO website.*



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