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WCO news

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SMART Borders



World Customs Organization

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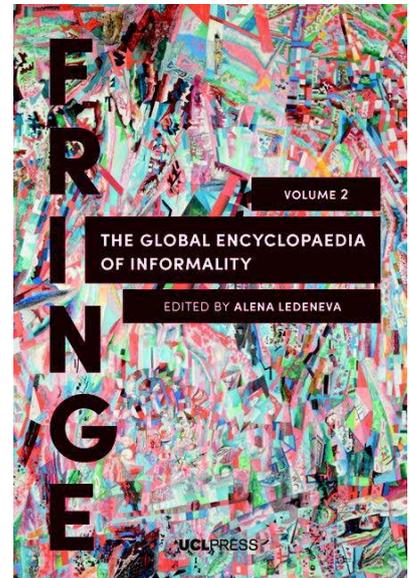
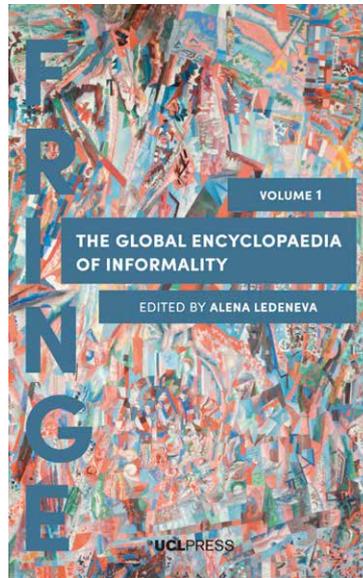


Mapping informality

The Global Informality Project is a research project aimed at collecting studies on informal practices and structures around the globe. Launched in 2014, the database is available online at www.in-formality.com and is searchable by region, country, keyword or type of practice. More than 250 scholars from 70 countries have already participated in the Project by submitting their work to the online platform, enabling readers to better comprehend the unwritten rules, or “ways of getting things done”, in their countries or region.

These practices are presented in clusters, according to their similarities, in the two volumes of *The Global Encyclopaedia of Informality* that is published by the UCL Press in open access – a free, unrestricted online access system. These volumes include practices that are common, familiar and taken for granted, but also uncomfortable to discuss. They range from emotion-driven exchanges of gifts or favours, tributes for services, and identity- or value-based practices of solidarity (Volume 1), to informal welfare, informal employment and entrepreneurship, and the power-driven forms of co-optation and control (Volume 2).

The paradox is that informal practices are invisible to the outsider or the lay public but ubiquitous. Expertly practised by insiders, but often hidden from outsiders, informal practices are, as this Encyclopaedia shows, deeply rooted all over the world. Fostering informal ties with *kumstvo* or “godfathers” in Montenegro, *hyvä veli* or “dear brothers” in Finland, and *vetterliwirtschaft* or “little cousins” in Switzerland can make a world of difference to one’s wellbeing. Yet just like family relations, social ties not only enable but also limit individual decisions, behaviour and rights, as revealed in the research articles on *janteloven* (aversion to individuality) in Denmark, Norway and Sweden, or *krugovaya poruka* (joint responsibility) in Russia and across Europe.



The Project enables practices from all over the world to be compared, and also questions common assumptions about informality, reframing in particular its links to corruption, poverty and development, and morality and oppressive regimes. It highlights the role of ambivalence and complexity in the workings of human societies, and illustrates the potential of ‘network expertise’ that is cross-disciplinary, as well as cross-area inquiry enabled by the network of researchers. Where the disciplinary methods tend to focus selectively on political, economic or social aspects, the ‘networked’ perspective provides insights into the complexity of the forces at play.

Moreover, the Project is of great interest to policymakers who want to imagine solutions that are beneficial for all, but sufficiently pragmatic to ensure seamless implementation, particularly in the field of cross-border trade in developing countries. The Project is supported by UCL research funds and the European Commission’s Framework 7 and Horizon 2020 funding programmes for research, innovation and technological development (ANTICORRP and INFORM).

More information

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New WCO Strategic Plan in the pipeline

By Ricardo Treviño Chapa,
DEPUTY SECRETARY GENERAL, WCO

Every Organization, whether public or private, national or international, must have a Strategic Plan, in other words a roadmap for achieving its objectives. When such a document is missing, or not reviewed regularly, each element of an Organization tends to work on its own, sometimes regardless of the wider goals that the Organization is seeking to achieve. The WCO is no exception, and its Secretariat needs a strategic plan to carry out the Organization's day-to-day activities along the right lines, whilst ensuring that the efforts of its staff are fully focused on the achievement of identified objectives.

The WCO is currently developing its Strategic Plan 2019-2022, with the Organization's Deputy Secretary General acting as the coordinator between the Secretariat and WCO Members. The first phase of what is called a "strategic planning cycle" is to draw conclusions on the implementation of the existing strategic plan. It was, therefore, decided that the best way forward was to evaluate the alignment of the current Strategic Plan with the objectives and priorities set by WCO Members.

The current Strategic Plan comprises over 70 tactical activities and over 90 key performance indicators, each of which must be examined and amended if necessary to take account of WCO Members' new concerns and priorities. To assess where we stand, the level of relevance of these tactical activities has been evaluated via a survey and, for the first time in the history of the Organization, six regional workshops have been held in each of the WCO's regions to discuss the results of the survey, determine priorities and strategic initiatives, and define the main deliverables and strategic indicators, thereby allowing WCO Members to more easily follow up on the activities carried out by the Secretariat. It is trusted that this engagement process will result in a high-level policy document that will be useful not only to the Secretariat, but also to the Members of the WCO.

The second phase of a strategic planning cycle is to define a new strategy. From consultations with its Members, it has become evident that the WCO should more clearly

communicate the message that "it is an Organization that helps its Members to overcome their challenges, take advantage of opportunities and achieve their strategic goals by providing them with global standards and capacity building, as well as by facilitating cooperation among them."

In devising the new Strategic Plan, it is imperative that we consider not only what should be addressed, but also how we are going to address it, as part of the "implementing" phase.

All strategic plans have annual operational plans with specific activities and performance indicators.

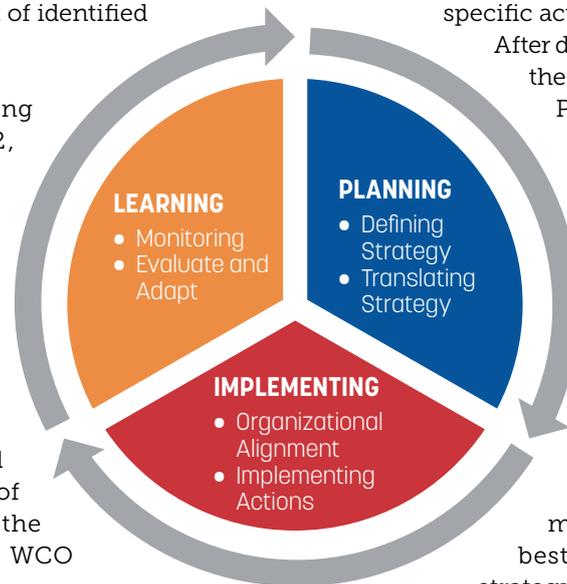
After discussing strategy level items during the December 2018 meeting of the WCO Policy Commission and having made the necessary amendments to the existing Plan, an Operational Plan for the period July 2019 to June 2020 will now be drafted. It will be discussed by the WCO's Audit Committee and Finance Committee at their next meetings.

One of the elements being considered for inclusion in the new Strategic Plan is a "strategic map." Such a map is seen as the best way to communicate the WCO's strategy to all its stakeholders. It will also include updated priorities and new emerging initiatives. The use of new technologies, performance measurement, the exchange of information between Customs administrations and the private sector, the role of Customs in the fight against terrorism, and the validation of the implementation of WCO standards are among the topics that have been raised during recent discussions.

The new Strategic Plan will be submitted to the WCO Council for consideration at its next session in June 2019. Once endorsed, it will be essential to ensure that the document's contents are well known both inside and outside the Organization – a task that will also require the active participation of all WCO Members. After its adoption, a new cycle will begin, namely the "learning" phase, during which achievements will be monitored and activities evaluated.

More information

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WCO and EU jointly support the application of the Harmonized System in Africa

Uniting Africa with a common trade nomenclature is the goal of a new European Union (EU) funded programme being conducted by the WCO. The 41-month programme, called "Harmonizing the classification of goods based on WCO standards to enhance African trade," focuses on the development of organizational and technical capacities for the uniform implementation and application of the WCO's Harmonized Commodity Description and Coding System - generally referred to as the "HS" - and further includes assistance relating to the implementation of advance ruling mechanisms on tariff classification, i.e. decisions ("rulings") issued by Customs on the classification of commodities prior to their importation or exportation, at the request of an economic operator planning a foreign trade transaction.



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A quick overview of the HS

For those not familiar with the HS, it is a six-digit nomenclature at the international level for the classification of goods and has become the universal language for identifying and coding over 98% of merchandise being traded internationally, with almost all the world's economies using it as a basis for their Customs tariffs and for the collection of trade statistics.

Since 2002, the nomenclature has been revised every five years to take into account changes in technology and in patterns of international trade. Of note, the HS celebrated its 30th anniversary in 2018, and a detailed dossier containing all the latest information about this important WCO standard was published in the June 2018 edition of WCO News.

The main outcome of the Programme is that in 2022, when the next version of the HS comes into force, all African countries who have participated in the programme will have signed the HS Convention and will be applying HS 2022.

Uniting Africa with a common trade nomenclature

To date, 49 of the 54 countries in Africa have ratified the WCO HS Convention, but only 30 apply HS 2017 – the current version of the nomenclature. Using the same version of the HS can alleviate a host of problems from arising among and between Contracting Parties to the Convention. Here are just a few examples of the advantages that can accrue when countries use the same version of the HS:

- It is essential for the negotiation and implementation of free trade agreements to readily understand the scope of products entitled to preferential tariffs, and eases the negotiation of applicable rules of origin based on the “change in tariff classification” criteria.
- It facilitates the Customs clearance process and makes things easier for cross-border traders as goods moving between countries do not have to be reclassified at the six digit level.
- It enables more reliable comparative data between countries, enabling, among other things, the easier and faster monitoring of controlled goods, the better compilation of fully comparable foreign trade statistics, the accurate application of quota controls, and facilitates the comparison of the results of economic research and analysis being carried out around the world.
- It ensures that the most recent set of HS measures implemented are in use throughout a region, thereby assisting countries in their international obligations relating to reporting, monitoring or control.

Moreover, only six countries apply the WCO Council Recommendation on the improvement of tariff classification work and related infrastructure, while only eight are applying the Council Recommendation on advance rulings, both key measures to facilitate trade. This presents another challenge as countries across the globe are under pressure to implement the provisions of the World Trade Organization’s (WTO) Trade Facilitation Agreement (TFA), which is intended to boost economic growth and bolster participation in the international trade arena.

Aims of the programme

Generously funded, the WCO Programme aims to achieve a strong outcome for Africa. The

main anticipated outcome is that in 2022, when the next version of the HS comes into force, all African countries who have participated in the programme will have signed the HS Convention and will be applying HS 2022 in line with the Convention, the WTO TFA, the WCO Revised Kyoto Convention (RKC) and other continental and regional commitments, such as the establishment of the African Continental Free Trade Area (AfCFTA), formally launched by the Assembly of the African Union (AU) on 21 March 2018 in Kigali, Rwanda.

The objective of the AfCFTA is to facilitate and increase intra-African trade, as well as trade with the rest of the world, including the EU. Furthermore, the programme contributes to the EU’s External Investment Plan and the Joint Africa-EU Strategy adopted at the Lisbon Summit in 2007 and which was refined at subsequent summits in 2010, 2014 and 2017 respectively.

The longer-term objective is to provide Africa’s Regional Economic Communities (RECs) and Customs administrations with the required organizational capacities and resources to migrate and apply future versions of the HS in a timely, autonomous and continentally and regionally coordinated manner. This, of course, fits in perfectly with the WCO’s long-time efforts to promote a coordinated approach in all matters relating to Customs and their partners.

In addition, the programme aims at providing countries with access to the online WCO HS database, which groups all available HS tools that assist HS classification, including information on the Nomenclature, the Compendium of Classification Opinions and the Explanatory Notes, as well as information on the Alphabetical Index, the Brochure on Classification Decisions taken by the HS Committee, and the HS Classification Handbook.

However, the programme does not deal with issues related to fiscal policies, and duty and tax rates as the latter are governed by autonomous national considerations and decisions. Overall though, the programme offers benefits to Africa’s RECs, Customs administrations and relevant stakeholders, including the AU Commission, as well as selected national government administrations and the private sector.

Country focus

The programme will particularly focus on countries meeting the following criteria:

- Countries that have not yet ratified the HS Convention;
- Countries not using the latest version of the HS, or facing recurrent difficulties in migrating to the latest versions of the HS on time;
- Countries not applying the WCO Council Recommendations on the infrastructure of classification and on advance rulings/binding tariff information;
- Countries that have outsourced classification to a private sector inspection company and who are undertaking steps to terminate these contracts in order to comply with Article 10.5.1 of the TFA.

Present status and road ahead

The Programme is in its mobilization and planning phase. By now, the AU Commission, several RECs and more than 30 African Customs administrations have officially requested support under the programme, and have designated local contact points to manage the programme within their organizations.

The WCO, in the meantime, has already recruited a full-time Programme Management Team consisting of three officials to manage this new programme at its Headquarters, and has undertaken the first diagnostic missions to take stock of the current situation in beneficiary organizations, including initiating the development of tailor-made work programmes.

A Programme Steering Committee composed of representatives of the EU, the WCO, the AU Commission, and a select group of participating RECs and Customs administrations is about to be established, and will be in charge of assessing the annual work programmes and narrative as well as financial reports.

More information

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SMART borders for seamless Trade, Travel and Transport



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 and its partners. The slogan chosen for 2019 is "SMART borders for seamless Trade, Travel and Transport." An apt theme as the world increasingly moves towards working smarter, using smart technologies, setting smart goals, and even living in smart cities.

Under this year's banner, WCO Members are encouraged to look at how they can strengthen their endeavour to facilitate trade and travel, whilst mitigating threats inherent in the cross-border flows of goods, people, and means of transport. Our "SMART" acronym stems from the following guiding principles: Secure, Measurable, Automated, Risk Management-based, and Technology-driven.

"Secure," refers to our efforts to secure and facilitate legitimate trade. The rapid and safe movement of people and goods across borders encourages trade, travel and transport, and Customs has the dual task of facilitating this flow while securing it. This is no easy task, but Customs is focused and determined to achieve its goal.

Alongside security, we are promoting a "Measurable" performance-based culture that rests on self-evaluation and objective measurement. Measuring performance is essential for well-conceived decisions that can be easily implemented and evaluated. Customs has certainly embraced this culture and is continuing to ensure its effective implementation on a daily basis.

Being smart invariably refers to the need for Customs to develop, use and implement solutions that are "Automated." In the pursuit

of a less cumbersome border environment where data is mined, shared and effectively analysed, Customs should rely on automated processes. This is another area where Customs is steaming ahead with its tailor-made reform and modernization programmes.

Adopting a "Risk Management-based" approach is key to all modern Customs processes, and requires administrations to invest in data analysis and develop efficient



profiling techniques based on modern methods and tools such as predictive analytics or biometrics. Again, Customs is not holding back as more and more WCO Members acknowledge the importance of using risk-based methods.

This leads us to the last word of our acronym, "Technology-driven." Customs should relentlessly pursue further studies and carry out further proof of concept exercises to explore the use of emerging technologies in order to stay on top of things. Blockchain and artificial intelligence, for example, are now being put to good use. Customs is looking into these new technologies, but we still need more experience sharing in these areas.

To take our annual theme forward, for the dossier of this edition of the magazine, we invited various people to share information on initiatives and related projects that contribute to creating SMART borders. 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. Indeed, I am sure you will agree that we have achieved our objective once you get into some of the articles.

Let me now turn to the actual content of the dossier. It starts with an article by Serbia Customs on the digitalization of its transit procedure, and in parallel with its computerization process, the essential accompanying procedures and legal enhancements implemented to secure transit operations, whilst granting simplifications to operators who fulfilled certain criteria. Still on transit, Uganda Customs explains how the implementation of a real-time electronic cargo monitoring system to track goods in transit enables countries in East Africa to cut transit time, prevent cargo theft, and boost revenue collection.

This is followed by an article from Brazil Customs that introduces its authorized economic operator (AEO) programme, its impact in terms of trade facilitation, and the efforts made to attract other border agencies to participate in it. Burkina Faso Customs then explains how it established an advance ruling mechanism on tariff classification, and how it was able to undertake a Time Release Study thanks to support received from the WCO in the areas of project management and stakeholder engagement.

The WCO's initiative on Small Island Economies (SIEs) is aimed at raising awareness about the challenges and peculiarities of Customs services operating in these SIEs, and providing tailor-made capacity building and technical assistance to help them better integrate into global value chains, while effectively curbing illicit trade and smuggling. To better understand the issue, Mauritius Customs gives us an overview of the specificities of their economy and its trade flows, identified areas of change, and the measures and initiatives taken to increase efficiency and reduce trade costs.

*Our "SMART" acronym stems from the following guiding principles:
Secure, Measurable,
Automated, Risk
Management-based,
and Technology-driven.*

Alternate models for collecting duties and taxes on low-value imports of goods have also been discussed at length over the past few months. Drawing on this, the Australian Department of Home Affairs explains the work done on implementing its new Vendor Collection Model that the country has put in place to collect GST on such goods. Blockchain technology is another topic that is receiving a lot of attention lately. Korea Customs takes the opportunity to present the pilot projects that have been carried out to uncover any technical and institutional challenges, and formulate ways to steadily integrate the blockchain into existing Customs systems.

In the years to come, technology will continue to play an ever-increasing role in supply chain integrity. According to DHL, if the express industry is data rich, supporting a log recording the journey of a shipment, which assures its integrity along the supply chain, this goldmine of information is not as valuable unless there are standardized platforms for Customs to collect and interpret this data. The International Air Transport Association also calls for the development of standards around data sharing on the web, while presenting ONE Record, the next milestone in the digitalization of air cargo data.

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 their experiences with us on various Customs and international trade issues. It has been our pleasure to produce another edition of the WCO's flagship magazine, and we trust that you will enjoy reading all the insightful articles.

Serbia's accession to the common transit procedure has become a real game changer

By Serbian Customs

The Republic of Serbia is geographically located on the trade routes connecting Western and Central Europe to the Southeast region of Europe, especially the countries of the Western Balkans, as well as Turkey, and further away, the countries of Western Asia. To facilitate trade operations and especially transit through the country, the Serbian government is in the process of revitalizing all traffic connections, with special attention being given to roads and railroads. As part of this endeavour, a new transport corridor, funded by the World Bank and called "Corridor X," is under construction. It will stretch over 1,500 km from Austria and Hungary to Greece and Turkey, with the aim of fostering further regional integration and trade.

Besides investments in "hard" infrastructure, simultaneous efforts have been deployed to further simplify transit and border procedures, in order to improve efficiency along the route and to reduce costs to users. The larger objective is to support the development of the Serbian economy – a national priority – by creating an enabling environment for companies where they can run their business more effectively and process their trade operations in an easier and more expeditious manner, for the benefit of the entire country.

When it comes to simplifying transit per se, the Serbian government decided to accede to the Convention of 20 May 1987, which lays down common measures for the carriage of goods in transit between European Union (EU) Member States, EFTA countries (Iceland, Norway, Liechtenstein and Switzerland), Turkey, The Former Yugoslav Republic of Macedonia and, since February 2016, Serbia. The common transit procedure enables traders to transport goods between Contracting Parties to the Convention by virtue of a single electronic declaration and a single guarantee that is valid throughout the transit operation.

The computer system that allows for real-time messages to be exchanged between countries,



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the tracking of goods and the management of guarantees, from end-to-end, is a stand-alone application that has to be implemented by all Parties and is called the New Computerised Transit System (NCTS). 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 that they are operating from, but are not connected to the NCTS.

The common transit procedure is the first electronic Customs procedure ever introduced in the country, replacing a burdensome and paper based system that was prone to fraud. Its implementation required a lot of

preparation and investment in information and communication technologies. Serbian Customs is also working on the development of an automated system to process import and export operations.

Implementation of the common transit procedure through the NCTS has delivered fast results, which have translated into an increase in the number of transit operations on Serbia's territory. Moreover, some operators who previously used TIR carnets for their transit operations have now adopted the common transit procedure instead.

Increase of NCTS declarations over the years

Year	Number of NCTS declarations
2015	1,099,307
2016	1,314,930
2017	1,448,724
2018	1,563,871

Customs officers have also been trained and are now more aware of the need to prevent unnecessary border delays, in addition to being able to track transit operations more easily. Specialized training is also organized once a year, in order to inform Customs officers about the latest innovations and particularities of the transit procedure, and a "transit operational network" gathering "regional transit coordinators" has been introduced, with the task of ensuring uniformity in the implementation of the procedure by establishing best practices, disseminating them, and discussing any relevant issues.

Moreover, required bank guarantees are considerably lower and the time required for the transit procedure has been reduced as there is no longer a need to spend time at the border waiting for Customs documents to be issued. This was measured as part of a project with the World Bank, during which all transit procedures were assessed (national transit, the TIR carnet and the common transit). This reduction in time as well as the elimination of a document issuance fee has resulted in reduced transportation costs.

In parallel to the computerization process, 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 operators who fulfilled certain criteria. These procedures and enhancements include:

- the use of a comprehensive guarantee, covering several operations;
- the introduction of the concept of authorized consignees and authorized consignors ("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, and "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);
- the authorization to use seals of a special model, including foreign seals, allowing traders to monitor the means of transport and the consignment;
- simplified procedures for goods transported by rail, enabling traders to submit the CIM consignment note (a freight document indicating that goods have been received for shipment by rail and complying with the rules contained in the Convention concerning International Carriage by Rail) as a transit declaration.

To help companies, forwarders and transport agents with the implementation of the new electronic system, the Serbian Customs organized information sessions and set up a "Help Desk" for any questions related to the implementation of the system. In addition, small and medium-size enterprises, which play a key role in a country's economy, are provided free of charge with an application to connect to the Customs electronic transit system, freeing them from having to develop their own software to do so. Indeed, Serbia Customs is committed to providing ongoing support to all stakeholders, in order to ensure the effective implementation of the system, as this will continue to boost the country's international trade.

More information

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Small and medium-size enterprises, which play a key role in a country's economy, are provided free of charge with an application to connect to the Customs electronic transit system, freeing them from having to develop their own software to do so.

Countries in East Africa cut transit time

By Geoffrey Balamaga,

RECTS PROJECT MANAGER, CUSTOMS DEPARTMENT, UGANDA REVENUE AUTHORITY

The implementation of a real-time electronic cargo monitoring system to track goods transported in transit enables countries in East Africa to cut transit time, prevent cargo theft and boost revenue collection

In the East African region, the management of transit operations across the five land-locked developing countries of Uganda, Rwanda, Burundi, the Democratic Republic of the Congo and South Sudan was, for a long time, done via a convoy system, characterized by paper based controls, transit log sheets, physical escorts, and transit check points.

As a result, along the Northern Corridor connecting the five countries, the transit system was plagued by various problems that included, among others, unnecessary delays, a high cost of doing business, non-tariff barriers, transit diversion, high administrative monitoring costs, and poor (or non-) information-sharing between the partner States.

In 2013, Uganda Customs decided to implement a real-time electronic cargo monitoring system to track goods transported in transit, and to ensure the integrity of consignments. Other countries of the region soon adopted a similar system, resulting in each country having its own e-tracking system, applied to the same trader. The non-acceptance of foreign seals forced operators to buy different seals along the transit route.

In 2014, the authority in charge of managing the Northern Corridor issued a Directive requesting all partner States to harmonize the e-monitoring of transit, to enable the seamless flow of cargo. The Customs administrations of Kenya and Rwanda agreed to adopt Uganda's electronic cargo monitoring system, which led to the launch in 2017 of a regional system called the Regional Electronic Cargo Tracking System (RECTS).

The three administrations use this single platform, which enables them to have a single



watch and view of cargo in the course of its movement along the Northern Corridor. Only one type of seal is used, which removes the need for arming and disarming the electronic seals at partner States' territorial borders. The devices have been jointly procured by the three Revenue Authorities.

RECTS operates in real time, enabling any transit violations, such as going off route, seal tampering or breaking, to be detected. Every time such an incident occurs, an alert is sent to the central monitoring centres hosted in each country, and a rapid response team is sent to the scene. The teams have at their disposal fast vehicles and computer tablets to localize the violation scene with accuracy and precision.

The tracking system will soon rely on automatic number plate recognition (ANPR) facilities that have been installed at port gates, borders, and at several points on highways. Additional technologies are expected to be deployed to support the system, including:

- "smart gates" to allow truck drivers to scan a barcode to a barcode reader machine, which then identifies the truck and cargo to be collected, and advises the latter on where to pick up the cargo;
- CCTV camera systems at Customs stations to improve transparency and the fight against corruption;
- sensors for trucks transporting petroleum products, which can provide information on the product volume and the integrity of the cargo.

Not all cargo in transit is electronically monitored, only cargo that has been identified by the three Customs authorities as very high risk and sensitive. As of December 2018, about 21% of the cargo in transit does so under the electronic monitoring system.

The benefits far outweigh the investment costs, on the part of both the government and the private sector. As opposed to the average transit time that has reduced from 4.5 days (2014) to 3.1 days (2018) for non-tracked cargo, the electronic monitoring system has seen a reduction in the average national transit time for electronically tracked cargo correspondingly reduce from 1.9 days (in 2014) to 1.6 days (in 2018), posting an average transit time of 1.7 days.

The above average savings of 2.07 days as a result of electronic tracking of cargo has translated into an estimated total savings in demurrage and physical escort per consignment of 311 US dollars at a rate of 100 dollars per day in demurrage and 50 dollars per physical escort.

From July to December 2018 alone, just over 32,000 transit operations worth just under 370 million US dollars in revenue have been managed through the RECTS. Even if only 1% of this revenue was lost, for example, in cases of thievery or the diversion of cargo, the impact on revenue collection would be substantial.

Several cargo thefts have been detected by Customs since the implementation of the RECTS, with most incidents occurring when trucks are climbing steep lanes or are parked in the night parking yard. In many cases, Customs responded fast enough to avert the theft.

Plans are underway to deploy the RECTS in Tanzania and in the Democratic Republic of the Congo. This will enable Customs and tax administrations of the region to improve their control capacity and enforcement coordination, as well as make transit operations across the Northern Corridor seamless.

More information

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Not all cargo in transit is electronically monitored, only cargo that has been identified by the three Customs authorities as very high risk and sensitive. As of December 2018, about 21% of the cargo in transit does so under the electronic monitoring system.

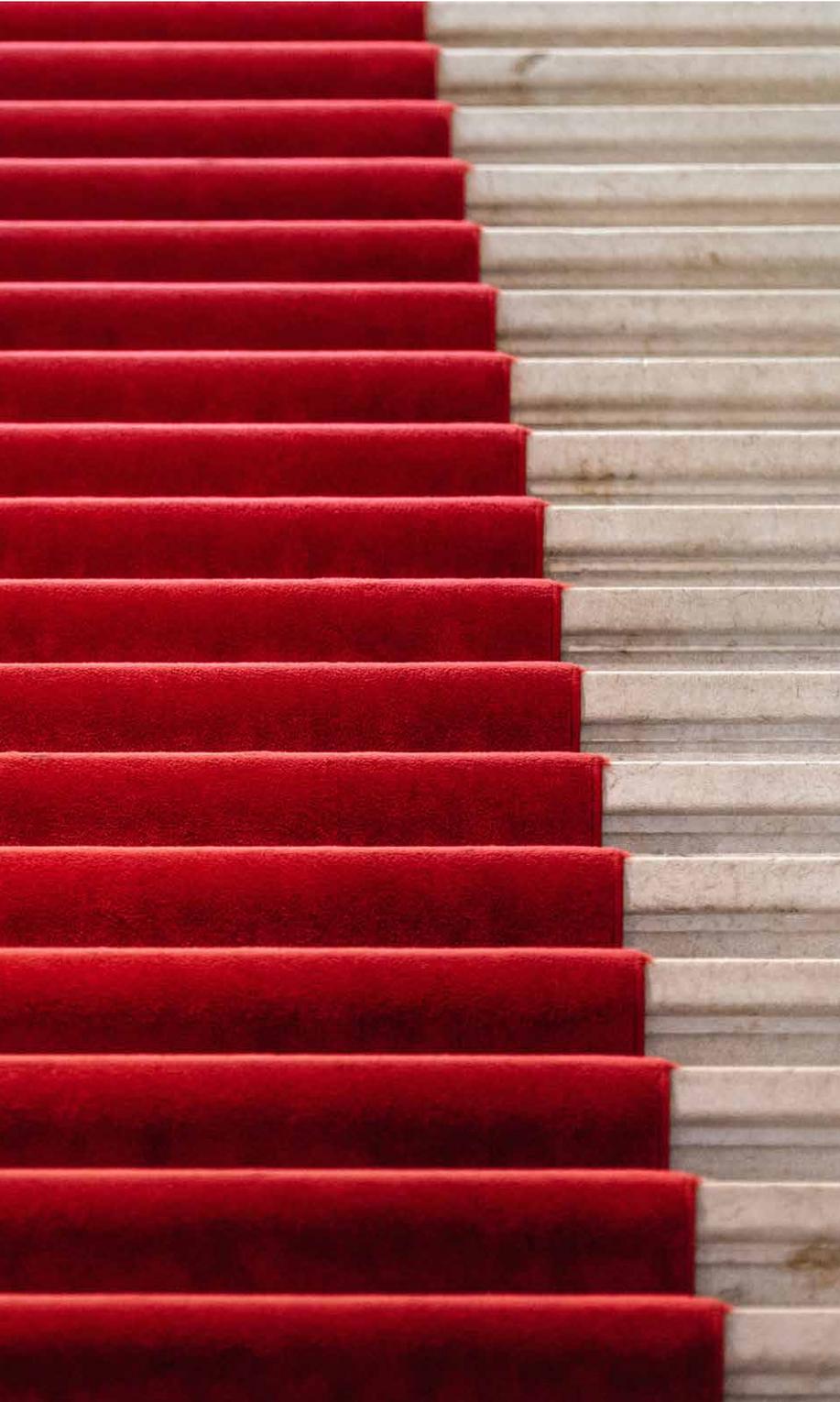


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From “red tape” to “red carpet”: how the Brazilian AEO Programme has brought Customs procedures to an entire new level



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By Fabiano Coelho,

CUSTOMS STAKEHOLDERS COORDINATOR, BRAZILIAN
CUSTOMS HEADQUARTERS

The Brazilian Authorized Economic Operator (AEO) Programme can be considered one of the most advanced and successful in the world. Indeed, from the outset, the Programme has featured some prominent characteristics. Among other things, an internationally renowned consulting firm was involved in its design, technical and financial support was provided by private sector entities wishing to join it, and it was backed by high ranked officials from the Customs management team and the Federal government.

In Brazil, the AEO Programme has strategic institutional value, and its implementation is followed directly by the President’s Cabinet. The Programme will complete its last implementation phase in 2019. With the WCO having chosen the theme “Smart borders for seamless trade, travel and transport” for the year ahead, Brazilian Customs decided that it was the perfect time to shed light on the Brazilian AEO Programme’s success story.

Security and compliance

The Brazilian AEO Programme is based on the provisions of the WCO SAFE Framework of Standards to Secure and Facilitate Global Trade, although it does not focus only on the security of the supply chain as it offers two types of certification: AEO-Security and AEO-Compliance. These certifications are explained below:

- AEO-Security certification means that importers, exporters, freight forwarders, cargo agents, transport companies, airport/port operators and Customs warehouses have adopted work processes which clearly demonstrate that risks associated with the physical security of cargo throughout the logistics chain have been minimized.

- AEO-Compliance certification, which is divided into two levels (Tier 1 and Tier 2), applies only to importers and exporters, and aims at ensuring compliance with tax and Customs obligations by encouraging continuous control of Customs operations through risk management, following the precepts contained in the ISO 31000 standards.

The AEO Programme is fully aligned with Article 7.7 of the World Trade Organization's (WTO) Agreement on Trade Facilitation, which provides for an "Authorized Operator" scheme and states that supply chain security is one element of an AEO programme but is not mandatory. It represents a modern approach to Customs and border control, and offers a broad list of benefits to participants such as reduced release times, lower rates of Customs examinations, the possibility to submit pre-arrival declarations and to request immediate release of cargo, and a direct communication channel with Customs to solve issues or pose questions.

Staged implementation

The implementation of the Brazilian AEO Programme has been carried out in stages: AEO-Security certification was launched in 2014 and AEO-Compliance certification in 2015. In 2016, steps were taken to negotiate the first AEO mutual recognition agreements (MRAs), and in 2017, a cross-government concept called the "Single Government AEO Status" was designed, the idea being that other internal agencies, starting with the Agriculture (MAPA) and Health (ANVISA) authorities, use the trusted trader concept for all licensing and regulatory requirements.

Throughout the implementation process, the whole AEO Programme was constantly evaluated by all stakeholders, including the private sector, the outsourced consulting team, the project team, Customs officials, and the foreign trade community in general. The certification process, the extent of the benefits, and the main problems that AEOs still face in conducting their foreign trade operations are constantly being discussed. In 2018, four technical forums were held, bringing together Customs, AEOs and other Customs stakeholders to strengthen the philosophy and benefits of the AEO Programme.

More than 220 companies have been certified thus far, and an equivalent number is in the process of certification. Managing the increase in the number of applications, by the way, is the

biggest challenge that Brazilian Customs faces at the moment.

Today, AEOs account for more than 20% of import declarations and almost 15% of export declarations. With the current growing number of certified companies, Customs expects that 50% of Brazilian foreign trade transactions will be covered by the AEO Programme by 2019.

Benefits

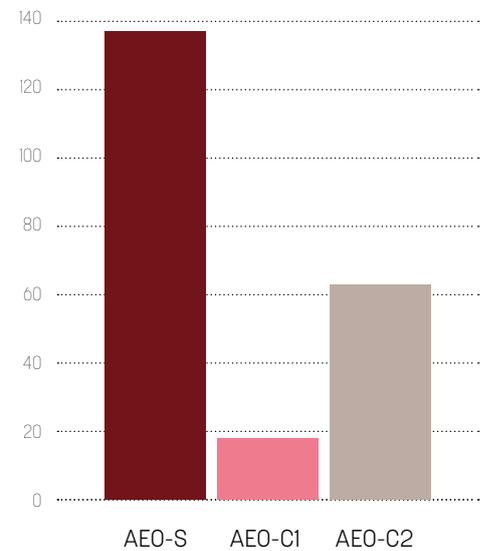
The success of the Brazilian AEO Programme has had a huge impact on Brazilian Customs. There has been a clear improvement in risk management capacities, as well as a significant reduction in the workload of the Customs clearance units. More foreign trade operations processed by AEOs mean easier risk management and labour savings. Over the past four years, the average workload fell by more than 30% and about 100 Customs officials in charge of clearances were redeployed to other activities.

Benefits and results are even more palpable for AEOs. At export, release time for AEOs is 65% below that of regular operators on average, or, put differently, release times for AEO transactions are two-thirds less than those of other operators. At import, the difference is even higher: the average release time for an AEO is 81% below that of regular operators, in other words five times faster.

The rate of documentary and physical inspections has also dropped, bringing more predictability to transactions, a very important factor for traders. The number of inspections is 77.5% lower at export and 74.5% lower at import for AEOs compared to regular operators. On average, an AEO is inspected four times less, both at import and at export.

AEOs may request tariff codes in advance, with a pre-scheduled deadline of 40 days after receipt of the request (non-AEOs can also apply for an advance ruling on tariff classification, but there is no set deadline for the administration to reply), and data requirements related to temporary admission have also been reduced.

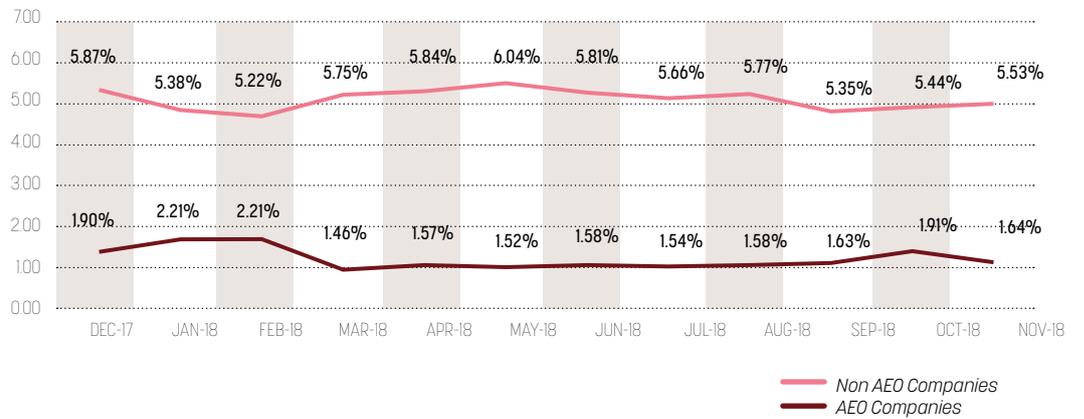
Number of Certified Companies in December 2018



% of Export Declarations Checked



% of Import Declarations Checked



Moreover, the recent implementation of the pre-arrival declaration and the immediate release of goods has created even greater gains for operators. Storage costs, too, have almost disappeared, and predictability is growing at unprecedented levels. All of these advantages have already resulted in savings of hundreds of millions of dollars.

Small and medium-sized enterprises

In addition to Brazil's biggest foreign trade players, the designers of the Brazilian AEO Programme also wanted to attract small and medium-sized enterprises (SMEs). To do so, informative lectures and seminars have been organized across the country, with more than 6,000 people participating thus far. The SMEs that have already been certified are mostly cargo agents and transportation companies, with most of them achieving AEO-Security certification.

Making the certification process simple and transparent, ensuring all information is available, and promoting the new approach and philosophy of the AEO Programme are the best ways to attract companies of all

sizes into the Programme. A comprehensive website has also been developed to provide all necessary information on becoming an AEO, including the legislative text, application forms, explanatory videos, the list of requirements and, of course, a link to an online platform where companies can enter their application and related documents.

Challenges

Expedited release of goods at the borders is the main benefit that companies look for when joining the AEO Programme. As Brazil reviews and improves its global foreign trade processes, the time necessary for the clearance and release of goods will be reduced for all traders, which may make the Programme less attractive. This is a challenge that many countries offering high levels of trade facilitation encounter.

To deal with this, a new list of benefits for AEOs is under consideration. They include the deferred payment of taxes, fees and charges, a measure to be implemented once the new import system is fully operational, and the possibility to submit a single Customs declaration for all imports in a given period.

Mutual recognition agreements

Brazilian Customs is also trying to increase the number of AEO mutual recognition agreements (MRAs). An MRA has existed with Uruguay since 2016, and more than 10 other MRA initiatives, each one at a different maturity stage, are underway. Some are in the initial negotiation phase, such as the MRA with China and Hong Kong (China), while others are at an advanced stage or almost complete, such as the MRA with Mexico.

In addition, work plans have been signed with Bolivia, Peru and the United States, as well as between countries of the Mercosur trade bloc, to which Brazil belongs together with Argentina, Paraguay and Uruguay. Mercosur countries are also discussing the details of a work plan with countries of the Pacific Alliance, which comprises Chile, Colombia, Mexico and Peru.

Whole-of-government approach

Engaging other government agencies in the AEO certification process (i.e. achieving "Single Government AEO Status") is also something Brazilian Customs is working on, the objective being to offer companies the possibility of providing a guarantee that they meet the requirements of other authorities with direct control over foreign trade.

Brazilian Customs has been working hard to attract other border agencies to participate in the AEO Programme. In this regard, it has designed a brochure explaining how to join the Programme and how to apply risk management, as well as a Web-based system, connected to the Brazilian Single Window, where agencies joining the Programme can control and manage their "Single Government AEO Status" applications.

Under the model, each supervisory authority has to define its criteria for granting AEO status and indicate the benefits it is prepared to provide. Once the terms, methodology and criteria are agreed upon, joint regulatory acts will be signed between Customs and the given authority. So far, this kind of regulatory framework has been signed with the Ministry of Agriculture, the Civil Aviation Agency and the Army. The Sanitary and Phytosanitary

Agency has also shown great interest in following the same path.

Within the limits of its competencies, each service has to ensure that the applicant conforms to the jointly established rules and obligations. Applicants wishing to obtain the "Single Government AEO Status" can find the requirements on the Web platform. Documents provided by the interested party are then shared among the public agencies and entities involved in the Brazilian AEO Programme.

The regulatory border agency will define the benefits or facilitation measures that will be granted to AEO-certified companies ("Single Government AEO Status"). It is important to note that differentiated levels of benefits can be established in relation to the degree of safety or compliance demonstrated. The role of these authorities, such as the Sanitary and Phytosanitary Agency, the Ministry of Agriculture, the Army, and the Civil Aviation Agency, is also more limited in comparison to Customs. Therefore, they will certify and monitor only those exporters or importers whose activities fall within their sphere of competence.

Win-win

A study¹ released recently by the National Confederation of Industries in Brazil indicates that the benefits provided to certified AEO companies have already enabled them to save 1.5 billion US dollars, and that these economies will grow even more in the coming years, reaching 17 billion US dollars by 2030. This money is expected to be ploughed back into the companies' businesses, allowing them to expand and improve – leading, in particular, to the creation of more jobs. The study also states that, by 2030, the Programme will have added more than 50 billion US dollars to Brazil's gross domestic product.

By gradually eliminating "red tape," and rolling out more of the "red carpet," the Brazilian AEO Programme will benefit the country's entire economy.

More information

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1 <http://www.portaldaindustria.com.br/publicacoes/2018/11/impactos-economicos-da-implantacao-do-programa-operador-economico-autorizado-no-brasil/>

Burkina Faso makes strides in implementing key trade facilitation measures

By Richard Chopra,
DIRECTOR, WCO-SWEDEN PROGRAMME

The Customs Administration of Burkina Faso recently implemented two key measures to facilitate trade: the establishment of an Advance Ruling Mechanism on tariff classification, and the performance of Time Release Studies. Both of these measures are prescribed in the World Trade Organization's (WTO) Agreement on Trade Facilitation, namely in Article 3 and 7.6 respectively.

"Advance rulings" generally refer to the prior decisions ("rulings") issued by Customs on the classification, origin and valuation of commodities prior to their importation or exportation, at the request of an economic operator planning a foreign trade transaction. These rulings are used to enhance the predictability and transparency of the Customs clearance process, and are instrumental in delivering an effective and informed Customs compliance programme.

The benefits of such rulings are twofold: firstly, traders enjoy greater certainty with respect to Customs requirements and duty liabilities, as well as a lower likelihood of Customs intervention; secondly, Customs administrations receive advance information on anticipated international trade transactions that can be fed into their risk management engines.

As to the implementation of the second measure: the WCO Time Release Study is an internationally accepted tool to measure the actual time taken for the release and/or clearance of goods – from the time of arrival until the physical release of cargo – as well as to measure the effectiveness and efficiency of border procedures relating to imports, exports and the transit movement of goods.

In implementing these two measures, Burkina Faso Customs benefited from WCO assistance in the areas of project management and stakeholder engagement. The WCO provided this support as part of its West African

Customs Administrations Modernization (WACAM) Project, which is funded by the Swedish Government. The Project is designed to bolster Customs modernization in West Africa, particularly in the fields of strategic management, human resource management, and stakeholder engagement.

Burkina Faso Customs adopted a project management methodology and communicated it to its Customs officers. It also established a Project Management Unit to oversee the implementation of the methodology and of the strategic plan, as well as oversee officer training on project management.

Advance Ruling Mechanism

The roadmap for the establishment of an Advance Ruling Mechanism in Burkina Faso included:

- consultations with the private sector;
- development of an advance ruling procedure and supporting legal framework;
- development of technical skills in the area of goods classification, with the WCO training local officers to train their peers;
- development of databases to electronically collect advance ruling requests and issue rulings;
- sensitization of all Customs frontline staff and of the private sector.

The Mechanism was piloted with trusted traders in 2018, with the department in charge of the nomenclature responding to traders' requests. Trader feedback on whether advance rulings were actually helping the Customs clearance process was positive.

Burkina Faso Customs formally launched the Advance Ruling Mechanism a few weeks ago. The next step is for the Administration to reach out to the private sector and – depending on the number of requests it receives – to boost its nomenclature department.





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Time Release Study

The WCO Time Release Study (TRS) Guidelines served as the document of reference in preparing the country's first ever TRS. The average time for the release of goods from entry into the country at the Port of Ouagadougou to their release was measured to be five days and two hours. To reduce the average release time, key recommendations for improvement included:

- enhancing risk management capacity by strengthening data analysis skills;
- ensuring that the results of risk assessment are actually implemented by frontline officers;
- developing the competencies of the team in charge of post-clearance audit (PCA) and expanding the implementation of PCA, which is currently used insufficiently;
- increasing the working hours to seven days a week, and harmonizing the opening hours of all regulatory agencies at the Port;
- reducing redundant physical inspections;
- facilitating online payment;
- considering the implementation of a Single Window.

An action plan to implement the recommendations is to be agreed by all relevant stakeholders.

The establishment of an Advance Ruling Mechanism and the publication of the TRS results will enhance trade predictability in Burkina Faso. In fact, the efforts made to develop these two vital trade facilitation measures have already greatly contributed to improving collaboration between Customs and the private sector.

More information

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We are committed to providing traders with advance rulings on the classification and origin of goods, and to measuring the time taken for the release of goods as a means of enhancing our procedures and facilitating trade. For this, it is essential to adopt a proper project management methodology, and to integrate modern management practices into the organization's culture.

ADAMA SAWADOGO, DIRECTOR GENERAL, BURKINA FASO CUSTOMS

Mauritius, a small island economy on the move

By Vivekanand Ramburun,
DIRECTOR CUSTOMS AND EXCISE, MAURITIUS REVENUE AUTHORITY,
and his Capacity Building Team

Small island states and the various issues that they face, from whatever perspective one looks at them, are a priority for the global community as a whole. This article explains the challenges and peculiarities of Customs administrations of small island economies by looking at the specificities of the Mauritian economy and its trade flows, identified areas of change, and the measures and initiatives undertaken to increase efficiency and reduce trade costs.

Located off the southeast coast of Africa, Mauritius is an island state of approximately 1.3 million inhabitants and is categorized as a Small Island Developing State (SIDS). These States were recognized as a distinct group of developing countries, facing specific social, economic and environmental vulnerabilities, at the United Nations Conference on Environment and Development (UNCED) that took place in Brazil in 1992.

Moreover, the World Trade Organization (WTO) also categorized such small, vulnerable economies (SVEs) as those that account for only a small fraction of world trade and face specific challenges in participating in the global economy due to a lack of economies of scale and limited natural resources, among others.

The Mauritian economy

Over the past 50 years since achieving independence, Mauritius has witnessed considerable economic progress, moving from a GDP of 841 million Mauritian rupees to over 406 billion in 2017. In fact, the country has been growing at an average rate of 5.4% since 1968, while undergoing constant transformation in its economic structure, from a mono-crop economy with a high reliance on sugar to a well-diversified economic model based on services and innovation.

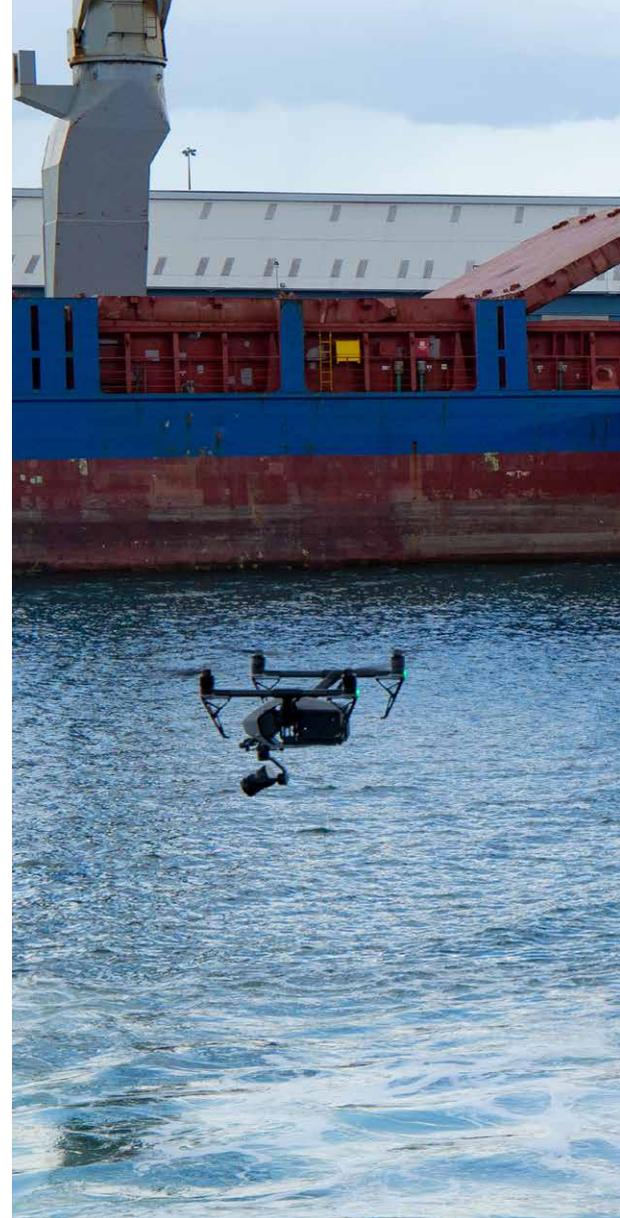
The country has also demonstrated exceptional performance and dynamism,

through a combination of forward-looking policies from the Mauritian Government and the pro-activeness of the island's private sector (*Source: Mauritius Chamber of Commerce and Industry – Economic & Trade Review 2017*).

Mauritius is a politically stable country with a strong institutional framework, a favourable regulatory environment and low levels of corruption, which act as a foundation for economic growth. Its open trade policies have also been key in sustaining the country's development. Moreover, its financial sector is well developed and, as such, Mauritius has begun to position itself as a platform for investment, linking East Africa with India and China.

However, Mauritius imports more than it exports, resulting in a trade deficit. In the third quarter of 2018, total exports from Mauritius stood at 20,936 million rupees, while imports rose to 50,476 million. Hence, the trade deficit for the third quarter of 2018 stands at 29,540 million rupees (*Source: Statistics Mauritius*).

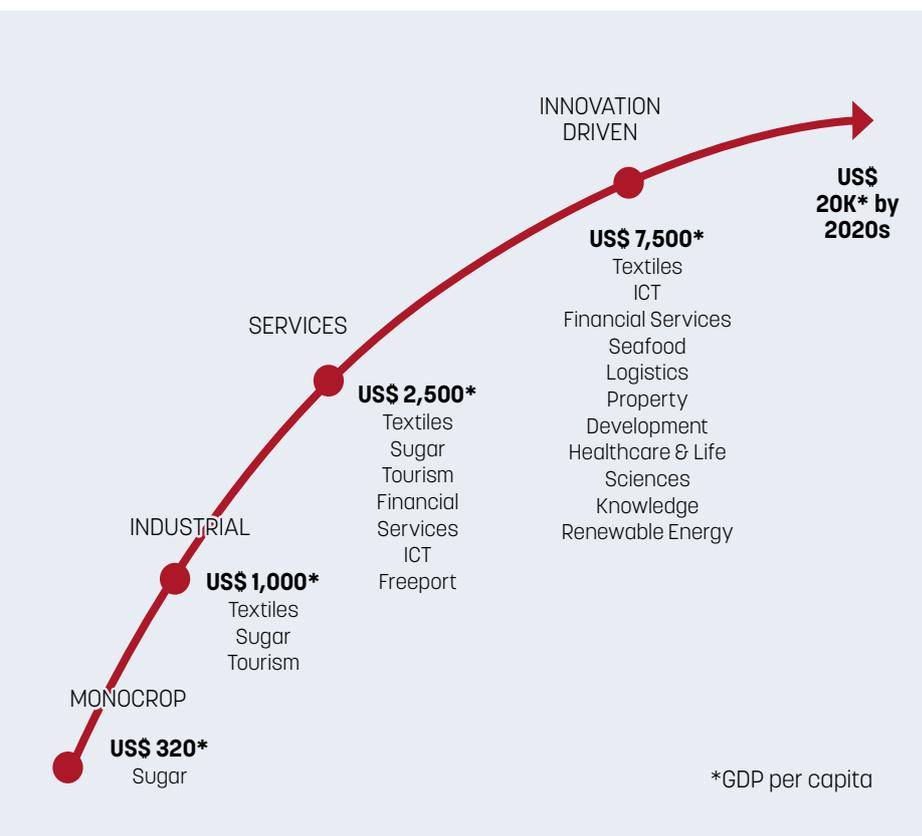
On the plus side, Mauritius is ranked 20 among 190 economies in the ease of doing business, according to the latest World Bank annual ratings, accentuating its lead as number one in



The Mauritian economy

Evolving
Economic
Landscape

2010 ↑
1990
1980
1970



Africa. Mauritius' rank improved to 20 in 2018 from 25 in 2017. This good score is a testimony of the Government's sustained efforts to build a robust and resilient economy.

Major challenges

Below is a list of constraints and challenges that face Mauritius, and which could face other small island economies:

- Geographical remoteness, leading to high freight costs when transacting with main markets.
- Low economies of scale, due to low volumes and limited access to international markets.
- Gradual erosion of competitiveness against emerging and low cost/high volume economies – South East Asia in textiles, Brazil and Thailand in sugar production, and Scandinavian countries in seafood.
- Little resilience to natural disasters and climate change impacts that add to costs – during sea swells, most container ships

cannot berth at the port and instead discharge inbound containers at other ports, while outbound containers remain in port at the risk of missing important deadlines and even losing contracts.

- Shipping companies building bigger ships to reap economies of scale, and the inability of small economies to accommodate such big ships in ports.
- Threats from the activities of Somalian pirates, leading to an increase in the cost of trading across borders.
- Tourism industry exposed to the danger of coastal seashore erosion, due to global warming.
- International markets requiring more and more compliance with stringent quality standards – both international and private standards.
- High volatility in economic growth, due to various exogenous factors.
- Limited opportunities for the private sector.

- Not qualifying for the WTO's Special and Differential Treatment (S+DT) as a country finding itself in the "developing country" category.

All these indigenous and exogenous factors contribute to driving up the costs of trading across borders for small economies, resulting in major disadvantages for Mauritius' economic development.

Potential solutions

Against such a background, SVEs should seek to integrate into the global economy by tackling issues like trade and food security standards, capacity constraints, and structural handicaps and vulnerabilities. Small economies need to reaffirm their commitment to trade liberalization and ensure that trade plays its full part in promoting economic growth, employment and development. In addition, they should:

- continue to develop comprehensive adjustment and mitigation policies for the rise in sea-levels, in the context of integrated coastal area management;

Main Customs reforms

Below are some milestones in the Mauritius Revenue Authority's (MRA) Customs reform process:

1994	Electronic data interchange (EDI) with a tailor-made Customs management system (CMS) - TRADENET concept from Singapore to open Mauritius up to global trade, improved dwell time, and use of EDI and UN/EDIFACT for document flow.
2005	Use of non-intrusive inspection (NII) equipment in line with the best practices contained in the WCO's Revised Kyoto Convention (RKC) and the SAFE Framework of Standards. Customs introduced x-ray scanners in 2006 at the port and airport to scan containers and palletized cargo respectively. To date, the MRA has a total of 11 scanners installed at the port and airport.
2006	Electronic certificate of origin for preferential entry of Mauritian originating goods being exported to certain countries or Customs Unions (Turkey, Pakistan, the European Union (EU), the Southern African Development Community (SADC), the Indian Ocean Commission (COI), and the Common Market for Eastern and Southern Africa (COMESA). Exporters apply for a certificate online through the Customs CMS. Approval/rejection of the application is also carried out electronically.
2010	Electronic payment system (EPS) allows traders to pay duties and taxes electronically via their banks (98% of payments are made electronically).
2012	E-Customs. The online submission of Customs declarations/paperless Customs was implemented in order to facilitate trade by reducing the cost of doing business and reducing cargo dwell time.
2016	National Single Window (Mauritius Trade Link). A Single Window platform that aims to provide an online, web-based facility to submit applications for import/export licences, and permits clearance from government agencies without replication of data entry.
2017	Deferred payment scheme. Applicable to registered compliant importers who may defer the payment of duties and taxes.
2018	Deferred payment of value-added tax (VAT) on capital goods. A VAT-registered person is not required to pay VAT on importation of capital goods, being plant, machinery or equipment, in cases where the VAT payable is 150,000 rupees or more.

- conduct a study on their specific comparative advantages in sectors such as the pharmaceutical industry, the "blue ocean economy," "deep ocean water application," or hydrocarbon fuels, for example;
- concentrate on niche markets and identify and develop facilities to meet specific niche markets, particularly in eco-tourism, nature, and cultural tourism;
- use targeted support measures to develop specific sectors – for example, tax breaks, freight rebates, and cash payments for international trade fairs;
- open their market to SVEs;
- build capacity in order to comply with international standards, such as those related to sanitary and phytosanitary issues as well as health, and make use of existing tests, regional certification bodies and laboratories;
- implement breakwater structures that allow for continuous operations in adverse conditions as well as tsunami alarm systems, among other measures, to address sea swells, which negatively impact on port operations (2 billion rupees foregone in Mauritius in the 1st Quarter of 2018).

Measures taken to facilitate trade

The following initiatives and measures have been taken during recent years by the Government and key organizations with a view to facilitating trade.

Business Facilitation Act 2017

The Business Facilitation Act 2017 instituted a number of legislative amendments to eliminate regulatory and administrative bottlenecks to investment, and to facilitate trade. A host of measures has also been taken to streamline processes and procedures in the logistics supply chain, reducing both the cost and time for imports and exports.

The business processes for the administration of permits and authorizations have been re-engineered to allow clearance of permits and authorizations in an efficient manner. As a result, the cost and dwell time for applications for permits/authorizations have decreased for importers/declarants. There has also been a positive impact on Customs clearance times.

Consignments requiring clearance from the agencies involved are cleared within 30 minutes by Customs. Moreover, as of 14 August 2017, only six out of 14 items are subject to export permits.

A trade promotion agency – the Economic Development Board – has been set up to re-engineer trade processes and facilitate business. The Board is complemented by the National Trade Facilitation Committee that ensures smooth implementation of the WTO Trade Facilitation Agreement (TFA).

A Trade Obstacle Alert Platform enables trade operators to report any obstacles that they face. The authorities concerned are also able to respond to these operators via the Platform. All reports are publicly available online.

Port infrastructure

Several measures have been implemented to increase the efficiency of the port and the handling of goods. The quay apron has been extended from 560 metres to 800, with a dredge depth of 16 metres, thereby allowing the quay to accommodate two large vessels of 367 metres at the same time.

Additional cranes have been acquired – the port is now equipped with seven shore cranes and 14 rubber tyred gantry (RTG) cranes to facilitate yard operations.

Port performance has increased in terms of the number of containers discharged per hour and reduced operating costs, with an average productivity of 22.5 moves per hour. It is projected that around one million containers will be handled by the end of 2019 or the beginning of 2020.

Risk-based clearance of goods

Customs has implemented a risk management system, allowing clearance and release of goods based on risk criteria. This measure expedites the clearance of legitimate consignments, while enabling Customs officials to focus on high-risk consignments. Both Customs and economic operators gain in terms of cost and time, due to the expedited clearance of goods.

National Single Window

The Mauritius Trade Link (Other Government Agencies – OGA Portal) provides an online, web-based facility to submit applications for import/export licences, and permits clearance from government agencies without replication of data entry.

Small economies need to reaffirm their commitment to trade liberalization and ensure that trade plays its full part in promoting economic growth, employment and development.

The tool is aligned to the WCO Data Model and fully automates the application and payment process for a trade permit, while providing traders with the facility to track the progress of applications in real time. It also reduces the time and cost of doing business in Mauritius, and provides more transparency at both other government agency and Customs level.

Amendments to Customs laws for trade facilitation

Amendments to Customs laws have been made with a view to facilitating trade and the clearance of goods by border control authorities:

- Legislation concerning the documents required by Customs has been amended – only two documents, an invoice and a bill of lading, are now mandatory for the processing of a bill of entry.
- Clearance of goods for home consumption subject to the requirements of other agencies – if there is full compliance with the necessary Customs formalities, goods may be released under seal to the relevant government agencies for onward clearance.
- Inward processing – goods are imported free of duty and taxes under conditions approved by the Director General, and economic operators using the procedure benefit from fast-track clearance by Customs due to the low-risk involved.
- Outward processing – this measure allows goods to be exported and re-imported within a specific time-frame, and duties and taxes are wholly or partially waved on re-importation under conditions approved by the Director General.

Advanced cargo information, partial manifest, and pre-arrival clearance

Forty-five percent of import declarations are cleared within 30 minutes, and around 6.32% of import declarations are physically examined. Much emphasis is laid on risk management and post clearance control.

Implementation of the TFA

Mauritius was among the first five countries to ratify the TFA in March 2015, and has also already submitted its Category A, B and C commitments. As of now, all measures in the B and C categories have been upgraded

to Category A, except for Article 5.3 Test Procedures, Article 7.4 Risk Management and Article 10.4 Single Window.

Advance tariff and origin rulings

A key trade facilitation measure, advance rulings on tariff and origin came into operation in 2013. Since then, the MRA has issued some 2,433 advance rulings. As a result, the number of disputes between Customs and its stakeholders relating to tariff, valuation and origin has significantly declined. Economic operators are able to take informed decisions that stem from high predictability and certainty, leading to a reduction in Customs clearance and cargo dwell time.

Coordinated border management

In line with the concept of coordinated border management (CBM), cross-border regulatory agencies – the Veterinary Services Division, the Food Import Unit, the Government Pharmacist, the Mauritius Standards Bureau and the National Plant Protection Office – are housed at Customs to ensure expedited clearances.

Reforms by Government

The Mauritian Government has also taken many measures to ease transactions and promote exports, while taking environmental and social concerns into account:

- Extension and strengthening of berths – navigation channel of 16.5 metres capable of handling larger container vessels with a 12,000 TEU capacity.
- Automation in the textile industries – use of modern technology, such as robotics, for cost-effectiveness and competitiveness, as well as vertical integration from raw materials to finished goods.
- Use of renewable and clean energy (solar, waste-to-energy, wind and wave, energy efficiency/green building, and Deep Ocean Water Project) to reduce the country's dependence on fossil fuels and oil imports.
- Promotion of aquaculture – investors are encouraged to go for high-value farmed fish with an "eco/organic" branding.
- Investment in additional cranes – total of 488,244 containers handled in 2017 and an average productivity of 22.5 moves per hour.

Forty-five percent of import declarations are cleared within 30 minutes, and around 6.32% of import declarations are physically examined. Much emphasis is laid on risk management and post clearance control.

- High investment in the development of the ICT sector, with the intention of transforming the country into a “cyber island,” which has helped Mauritius to connect to global trade, transport and production networks – Mauritius has an open economy as measured by its trade in goods and services relative to total output, and it is worth noting that exports and imports make up 98% of the country’s GDP (Source: World Bank).
- Access to key markets on preferential terms has played a major role in the development of external trade for Mauritius – a total of nine multilateral, regional and bilateral trade agreements has been signed, with others at an advanced stage of negotiation.
- Development of a “One-Stop Shop” for port services – bunkering hub, ship stores, change of crew, repairs and inspection among others.

Going forward

There is a need to relentlessly push at the WTO for SVEs to be granted Special and Differential Treatment (S+DT) privileges in the same manner as they are granted to “least developed countries” (LDCs) to compensate for the specific and unique challenges that SVEs face. Otherwise it will be very difficult for SVEs to integrate into the global value chain and benefit from international trade. A precondition for the above, however, is that all SVEs should speak with one voice at dedicated sessions on SVEs at the WTO.

Last but not least, the “Annex D” group of organizations, supporting the implementation of the TFA, should give special attention and priority to SVEs for the purpose of building capacity in the area of standards, laboratory testing, and strengthening resilience to natural disasters.

More information

www.mra.mu



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.

www.mic-cust.com

This is where MIC OCS supports you! It provides the necessary tools for the entire process of managing the origin of goods for a multitude of FTAs: From automated obtaining of supplier’s declarations using an innovative supplier web portal, to optimized calculation of the origin of goods based on multi-level bill of materials to the preparation of outbound supplier’s declarations. MIC OCS ensures that you will actually benefit from the savings potentials offered by FTAs.

You want to know more about MIC OCS? Please contact us:

MIC

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mic managing
international
customs & trade compliance

Australia's Vendor Collection Model explained

By the Australian Department of Home Affairs

The growth of e-commerce has contributed to significant increases in the volumes of goods crossing Australia's borders. Between 2013 and 2016, the volume of inbound air cargo and international mail parcels increased by 57%. Between 2017 and 2021, Australia expects a 30% year-on-year growth in air cargo, and the number of international mail parcels to double.

One of the reasons why online shopping has become so popular lies in the fact that goods with a value of 1,000 Australian dollars or less imported into Australia were, until 1 July 2018, exempt from goods and services tax (GST). These types of goods are referred to as low value imported goods.

As internet commerce grew, so had concern about the effects of the exemption. An increase in direct consumer imports of low value goods created concerns about the "competitive disadvantage for Australian retailers, impaired tax neutrality, and the loss of revenue."¹

Following a decade of debate and several government studies, in 2015, the Council of Australian Governments (COAG), an intergovernmental forum, agreed to extend GST to low value imported goods, and in 2017, the Australian Government passed the Treasury Laws Amendment (GST Low Value Goods) Act 2017.

What was legislated?

The critical question was which collection model to use. It was addressed by the Australian Government's independent research and advisory body, the Productivity Commission, which released a Report on Collection Models for GST on Low Value Imported Goods on 31 October 2017.

GST is a component of Australian tax law, which is administered by the Australian Department of the Treasury and the Australian Taxation Office (ATO). The choice was, therefore, in the hands of these two authorities. In line with the

Productivity Commission's recommendations, they opted for the Vendor Collection Model, which places the onus on overseas sellers to charge, collect and remit GST. This model was chosen as it enables tax neutrality between imported and domestically retailed low value goods to be improved, and because it was expected to have a minimal impact on consumers importing goods². This model also has low administration costs.

However, ensuring compliance can be difficult with businesses operating in foreign jurisdictions. The ATO uses data matching, conducts investigations, receives information from industry and the public, and uses import data to monitor compliance with the measure.

What other models were considered?

Australia considered alternatives to this model, including:

- the traditional or border collection model, which is the current model for collecting GST, Customs duties and other indirect taxes on imports valued above 1,000 Australian dollars – the administrative and compliance costs significantly outweighed any revenue collected;
- the transporter-based collection model, whereby the delivery agent collects the GST from the importer and then remits it – the administrative costs and compliance burden did not result in this being a feasible model;
- the financial intermediary collection model, which would place the legal liability for GST collection on entities within Australia – the current payment systems do not collect sufficient information to assess a GST liability.

Collection of GST at the point of sale instead of at the border avoids trade flow disruptions, thereby minimizing compliance and administration costs.

¹ Collection models for GST on Low Value Imported Goods, Productivity Commission Inquiry Report No. 86, 2017, Page 17

² Collection models for GST on Low Value Imported Goods, Productivity Commission Inquiry Report No. 86, 2017, Page 13



The Productivity Commission concluded that the Vendor Collection Model was the most appropriate for the Australian environment. It was adapted from the Australian Government's approach to collecting GST on offshore supplies of services and digital products to Australian consumers.

How does the process work?

Importantly, the Australian model does not charge GST at the point of importation: GST is applied at the point of sale on all low value imported goods (excluding alcohol and tobacco products that are dealt with separately).

An Australian consumer purchases goods online from an overseas market, which may be a merchant, online marketplace or redeliverer. The transaction is conducted online, and GST is collected by the supplier at the "checkout," providing the goods are valued equal to or less than 1,000 dollars. The supplier then sends the goods to the consumer and completes a self-assessed clearance declaration. The supplier also remits GST to the ATO.

At the border, the goods may be inspected by the Australian Border Force (ABF) for compliance with broader importation requirements. If no further action is required from the Customs process, the goods are sent on to the consumer.

The Vendor Collection Model requires vendors, as well as electronic distribution platforms (EDPs) and redeliverers, to register with the ATO. Only foreign suppliers with taxable consumer sales to Australia of 75,000 dollars per year or more are required to collect and remit GST under the legislated model.

However, EDPs that facilitate taxable sales to Australia of more than 75,000 dollars are required to collect GST on all sales of low value goods that occur on their platform, including by sellers with sales of less than 75,000 dollars.

Under the legislated model, registered vendors, EDPs and redeliverers have the option of providing the ABF with details of their Vendor Registration Number and (where applicable) the purchaser's Australian Business Registration Number.

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How were overseas vendors/suppliers engaged?

To implement a change that affects global entities doing business with customers in Australia required the ATO to rethink current business practices. The ATO partnered with global accounting entities, transporters, Customs brokers and peak bodies, such as trade associations. These entities' position in the supply chain is significant, and assisted in developing the Vendor Collection Model that was implemented in Australia.

The ATO co-hosted a number of webinars for offshore businesses, including a Chinese language presentation with more than 2,000 attendees. All major platforms and suppliers have registered and are complying with Australia's GST requirements for collection and remittance.

Challenges and Benefits

Operators have had to make changes to their payment systems to collect additional GST information and identify registered suppliers. Education for small overseas vendors is an ongoing challenge in the application, collection and remittance of GST applied to goods.

Collection of GST at the point of sale instead of at the border avoids trade flow disruptions, thereby minimizing compliance and administration costs. This allows border agencies and transporters to focus on key activities. More importantly, domestic businesses benefit from a level playing field.

Where to from here?

The collection of GST on low value imported goods is still in its infancy. However, as highlighted in the Productivity Commission Inquiry Report, another comprehensive review of the legislated model is due to be undertaken in 2023, which will consider:

- the performance of the legislated model;
- compliance rates, and if unsustainable, how to improve them; and
- whether or not an alternative collection model, taking into account technological advances and policy developments, may result in a greater benefit to the Australian Commonwealth.

More information

www.abf.gov.au
www.ato.gov.au





Korea pilots blockchain technology as it prepares for the future

By Tae Il Kang,

DIRECTOR GENERAL OF THE INFORMATION AND INTERNATIONAL AFFAIRS BUREAU, KOREA CUSTOMS SERVICE

Since the Fourth Industrial Revolution was mentioned in 2016 at the World Economic Forum, the impact of technologies such as artificial intelligence (AI), the blockchain and "big data" have become issues discussed at length worldwide. In Korea, in preparing for the future, the government formed a "Fourth Industrial Revolution Committee" in 2017, directly reporting to the President. The Committee is mandated to coordinate important policy matters pertaining to the development and acquisition of new science and technology.

As part of the government's efforts, the Korea Customs Service (KCS) is looking into the potential application of new technologies. In 2017, the KCS established an ICT Development Division for this task, and, in 2018, launched the "Fourth Industrial Revolution and Smart Customs" project, with the aim of introducing AI, the blockchain and big data to back up Customs processes. In this article, the KCS presents the steps taken to adopt blockchain technology.

The benefits of the blockchain, first known to the public as the technology behind Bitcoin, the world's first virtual money, are

now pretty well understood: information can be exchanged without an intermediary, whilst ensuring data integrity and providing a full audit trail. Blockchain technology is being adopted around the world in sectors such as finance, distribution, manufacture, and health care. Unfortunately, in most cases, solutions that have been developed are at a verification or pilot stage, and it is still difficult to find examples of a tool applying the technology.

With the above in mind, and to give impetus to its Fourth Industrial Revolution and Smart Customs project, in 2017, the KCS decided to undertake some research aimed at exploring the application of the blockchain to other areas, besides cryptocurrencies.

2017: Maritime export logistics consortium

To do so, the KCS first decided to join the joint public-private maritime export logistics consortium led by the domestic ICT company, SAMSUNG SDS Co., which brings together 41 entities, including government agencies such as the KCS and the Ministry of Maritime Affairs and Fisheries, as well as transporters and consignors.

Pilot projects were carried out to uncover any technical and institutional challenges, and formulate ways to steadily integrate the blockchain into existing Customs systems.

After consulting with all participants, the KCS was able to confirm that it was technically possible for logistics actors to share logistics documents such as bills of lading and letters of credit through a platform based on blockchain technology. Such a solution would enable the prevention of forgery and falsification of import/export logistics documents, and the simplification of their issuance procedures. The conclusion was that there was a need for a government-led project to establish a blockchain-based logistics platform.

2018: Project design

The KCS's second step was to review areas where the use of blockchain solutions would make sense. The import/export clearance process was identified as a good start, given that it would benefit from a solution that would guarantee information reliability, real-time information sharing, and simplified work processes. It then identified the clearance processes best suited to the exercise. Three were selected: export clearance where the consignor is a corporate entity, e-commerce imports where the consignee is a natural person, and cross-border information exchange.

A gradual and systematic approach was adopted, taking into account the significant impact that the new technology would have on the overall trade environment, and the necessary legislative and policy changes that would be required. Pilot projects were carried out to uncover any technical and institutional challenges, and formulate ways to steadily integrate the blockchain into existing Customs

systems. The applications developed as part of these pilots all use "hyperledger fabric," a private blockchain framework implementation (a permissioned blockchain infrastructure).

Export clearance

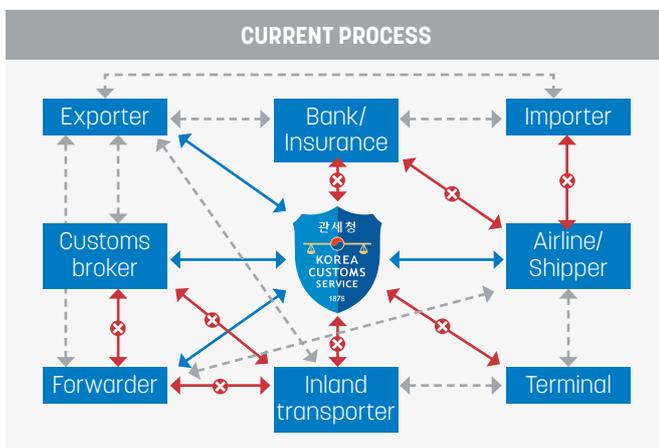
At import or export, the clearance process is rather complicated, and involves a great number of actors who need to share a vast amount of information. In Korea, the sharing of information between parties to a transaction is only possible on a one-to-one basis, via email, fax, mail or individual information technology (IT) systems, to the detriment of data quality and accuracy, not to mention the fact that data may be falsified at some stage in the process.

The pilot project related to the export clearance was carried out by the SAMSUNG SDS Co. and KcNET Co. consortium. They worked with 49 business participants, consisting of exporters, shippers and warehouse operators, within seven working groups. During the pilot, participants shared 22 types of documents in real time, including the commercial invoice, the packing list, the bill of lading, the booking request or confirmation, and the export declaration. Participants later added new information and documents on the shared ledger.

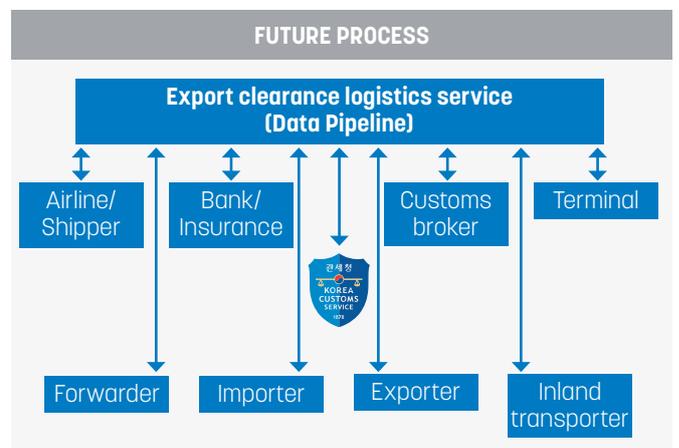
The platform will undergo further testing during the year and, based on the outcomes of the final pilot, an application will be designed. In addition, the pilot's results are expected to serve as the basis for the development of an application for the import clearance process.



Graph 1: Current and future information management process



- Manual and paper document based work
- Individual information communicated in an analogue method
- Disconnection of information among logistics actors



- Minimized manual work process
- Prevention of declaration forgery and provision for transparency
- Real-time information-sharing among logistics actors

E-Commerce

E-commerce transactions involve individuals unknown to an administration. Although goods bought online by individuals represent, in terms of value, a small share of global imports, Customs is concerned with preventing contraband and other prohibited items from entering a country. At the moment, assessing risk presents some constraints, given the low quality of data available from these transactions.

Here again, blockchain technology would facilitate the clearance procedures and enable Customs to perform high-quality risk management. In the pilot project related to e-commerce, two companies, Nomadconnection Co. and Matrix2B Co., developed a platform. The aim of the project was to test the feasibility of mutually sharing real-time information between e-commerce, transport companies and the KCS.

Korea has simplified Customs procedures in place for low-value goods: for postal operators the threshold is 125 US dollars using the CIF price, and for couriers the threshold is 100 US dollars using the FOB price, or 200 US dollars for goods originating in the United States (US), under the terms of the Free Trade Agreement (FTA) signed between Korea and the US.

In other words, there is a "reporting" threshold for goods in respect of which a full Customs declaration must be submitted: for express cargo, a "list clearance" procedure

allows a trader or individuals to receive goods and, providing their value is below the *de minimis* threshold, clear them by submitting 26 pieces of information, such as the trader's name and address, the consignee's name and address, and the type and price of the goods; as for goods entering via the international mail channel, they are cleared on-the-spot.

The application makes use of "smart contracts" to handle transactions under the list clearance procedure: required information is collected automatically if the procedure's set conditions are satisfied. Other processes will gradually be tested in the future.

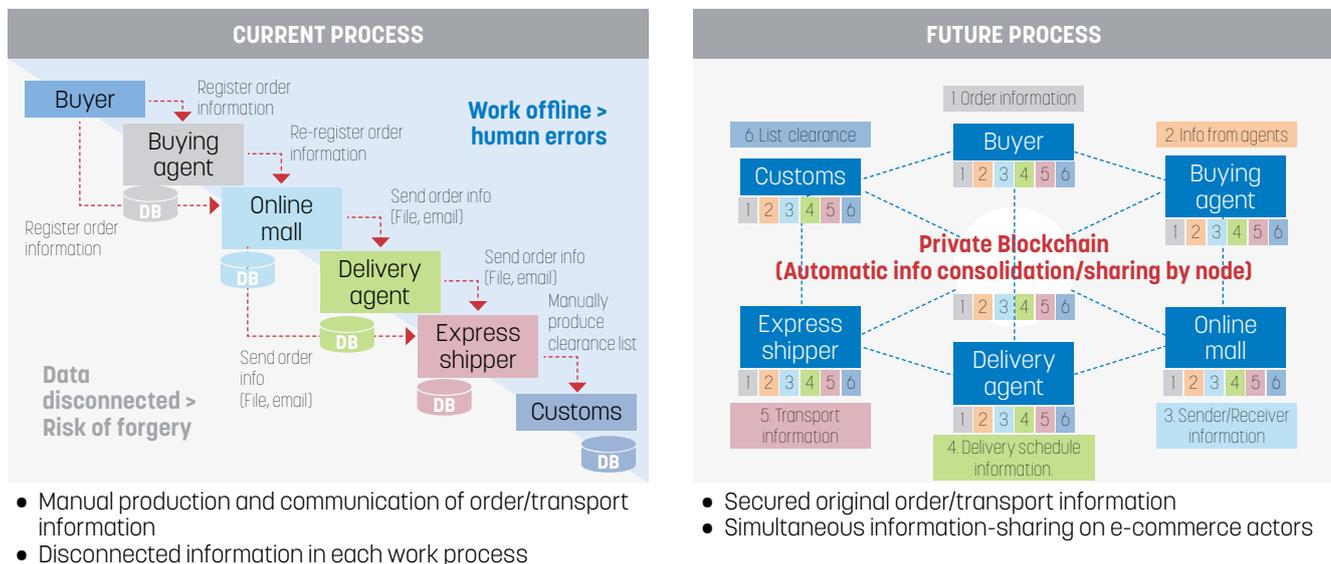
Cross-border data exchange platform

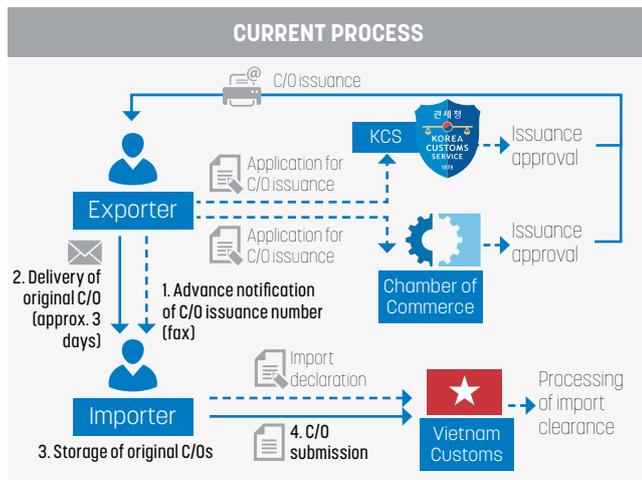
Ensuring reliable information exchange between countries is critical to improving work processes and further facilitating trade. However, for countries to agree on such a level of cooperation requires trust.

The big advantage of blockchain technology is that it creates an environment of "trust" between and among unknown parties to transact business and exchange information. It is, therefore, the most suitable technology to establish automatic cross-border data exchange between Customs administrations.

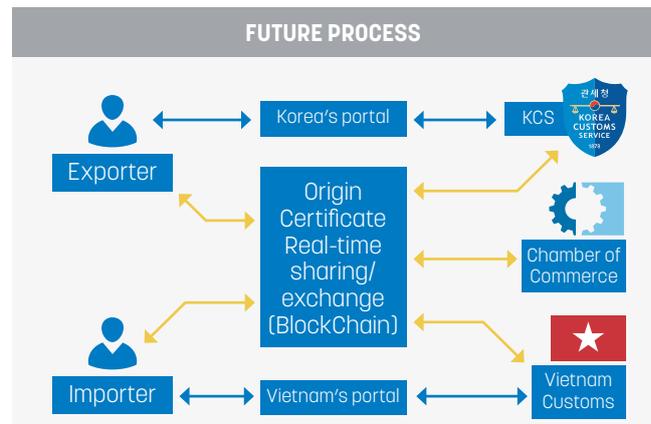
The pilot related to this project aimed at testing a solution to exchange certificates of origin, a document that remains in paper form in many countries, although the number of FTAs being

Graph 2: Blockchain model for e-commerce



Graph 3: Blockchain model for the exchange of certificates of origin (C/Os) between Korea and Vietnam

- Mail C/O originals to importers
- Importers submit C/O originals to Customs in the importing country



- Real-time information-sharing with importers at time of issuing C/Os
- Guarantee authenticity of C/Os
- Exempt submission of C/O originals to Customs in the importing country

concluded is growing, and, with it, the number of certificates being issued.

As Korea and Vietnam are currently discussing the possibility of dematerializing certificates required to provide preferential entry of originating goods, the KCS worked with Vietnam Customs as well as with Korean exporters and Vietnamese importers. The application built as part of the pilot enabled certificates of origin issued in Korea to be shared in real time with Korean exporters, Vietnamese importers, and the Vietnamese Customs administration.

In preparation for other types of data exchange in the future between the two countries, the KCS also successfully completed tests on the IT environment of the Vietnamese Customs administration, including the installation of a new server.

Conclusion

The KCS has set a vision to integrate data on cross-border trade and international logistics flows into one place, and looks forward to the day when a new clearance and logistics platform will be established, enabling all actors in the logistics chain, including manufacturers, exporters, transporters, government agencies, importers and consumers, to share reliable real-time information.

In fact, the KCS's own electronic Customs clearance system, UNI-PASS, which computerizes Customs procedures and provides for the automation of the clearance process, is being examined with the idea of establishing a new platform based on blockchain technology. The objective is to strengthen data accuracy, process reliability, promptness, and efficiency.

The blockchain is a new technology that is maturing. Currently, robust research and development is being conducted on critical issues such as scalability and interoperability. By implementing a range of blockchain pilot projects, the KCS is contributing to global efforts that are exploring ways in which the technology can be applied in actual work settings.

From the outset, the KCS has demonstrated its willingness to take up the challenge to unlock the potential of cutting-edge technologies that will transform society and ease entry into the Fourth Industrial Revolution. Indeed, the KCS believes that these efforts will enable it to make long sought-after international standards in global trade and logistics a reality, and will change the game for Customs administrations.

More information

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http://www.customs.go.kr/kcshome/redirect.jsp?bbsId=BBSMSTR_1811&layoutMenuNo=32941

the KCS believes that efforts made to unlock the potential of technologies will enable it to make long sought-after international standards in global trade and logistics a reality, and will change the game for Customs administrations.

Standardizing platforms and adapting to the latest technological solutions available is the way forward

By Steven Pope,

VICE PRESIDENT CUSTOMS & REGULATORY AFFAIRS, DHL EXPRESS EUROPE & CHAIR OF THE CUSTOMS COMMITTEE OF THE GLOBAL EXPRESS ASSOCIATION

Technology is changing at what seems like an ever-increasing pace, raising discussion about autonomous cars and the future of employment, as well as the future of trade. Whilst cars are not quite driving themselves yet, global trade has seen a dramatic shift in the way that we shop.

I am talking, of course, about e-commerce. Only a few years ago, we all went shopping in the "High Street" or the local shopping mall. Today we shop online and have purchases delivered right to our doorstep in a matter of days or even hours.

E-commerce has completely transformed how we shop and also how we trade across borders, with a growth in single smaller shipments as opposed to bulk shipments in containers. This has brought great opportunities, and challenges as well.

In the Express Industry, we have had to adapt our principal B2B delivery model to an increasing B2C model, servicing consumer deliveries at home or elsewhere. As e-commerce has grown at speed, so the Express Industry has invested heavily in adapting its integrator model to match that growth, adapting both our delivery models and networks.

Before the evolution of e-commerce, the Express Industry principally served the B2B market, which required our couriers to collect a large volume of shipments from one commercial address and deliver multiple items to another commercial address at destination.

B2C changed that, especially at final delivery, requiring couriers to make more stops, often with only one shipment per stop, and delivering to residential as opposed

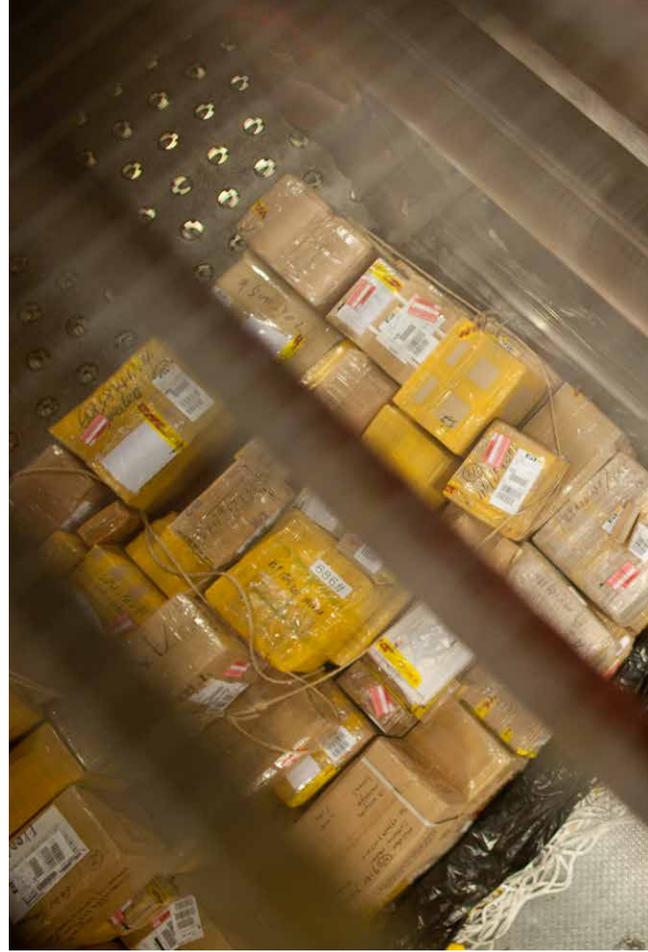
to commercial addresses, where the key challenge is ensuring that someone is available to receive the shipment.

This evolution has come on top of, and not instead of, our traditional B2B business, so we have had to manage an evolutionary change in conditions where we are seeing fast growth in shipment volumes entering our networks.

The Express Industry is an innovative industry by nature, bolting together extensive air and road networks, local pick-up and delivery services, and massive information technology (IT) services to create one integrated and secure supply chain, driven by the needs of our customers.

A major balance for us is maintaining our traditional B2B model alongside the more resource intensive B2C model, and here technology and a vision for innovation play a key role, with IT at the forefront. So what do we do and how do we assure our supply chain integrity, so that clients receive their shipment, (as long as it is compliant), on time at their door?

Having an integrated network is a major advantage; however, the Express Industry has backed this up with sophisticated IT and technological control systems developed and implemented into our supply chain by experienced and well trained experts. Some of you, who know our members attending the WCO and other fora, are well aware of the background and experience of our experts. Some of you may even have worked with them as colleagues in the public sector.





The Express Industry is data rich, supporting a log recording the journey of a shipment. However, this goldmine of information is not as valuable if there are no standardized and up-to-date means for Customs to collect and interpret this data.

Linking this experience with a culture based on adapting to an ever-changing world enables the Express Industry to thrive. Automation plays a pivotal role in the success of ensuring that a package is picked up in Hong Kong in the evening and delivered to New York the following morning. Using bar-code technology, a shipment is tracked from start to finish travelling across the globe, with every stage in its delivery cycle recorded centrally.

Take a visit to one of our hubs and you will see the six-sided bar-code scanner (designed to read the bar code, no matter the position of the shipment on the belt) recording the arrival of a shipment in the facility together with information on the waybill linked to it, and indicating where the shipment came from and where it is going to, among other things.

This signals the system to direct an individual shipment to a specific channel to ensure that the shipment is either sent to a container for inward transportation, or to Customs for inspection, or held if other checks are required. This, of course, is subject to the availability of electronic Customs clearance systems, which can communicate with our systems and generate a stop message.

Checkpoints record key integrity-based processes such as security screening via x-ray, or checks against the consignor or consignee for any potential breaches of trade sanctions or denied parties.

At the customer level, we have adapted our courier mobile technology to offer delivery windows for private consumers, in particular to ensure that they are at home when a shipment arrives. For some, a delivery at home is not what they want, and so we have adapted to deliveries to self-developed lockers situated at key geographical locations in towns and cities, or to pick-up points in, for example, shops. Notification is often via an app, email or SMS, depending on customer preferences.

All of these developments require one thing; the standardization of platforms, and adaptation to the latest technological solutions available. The Express Industry is data rich, supporting a log recording the journey of a shipment, which assures its integrity along the supply chain.

However, for regulatory bodies such as Customs authorities, this goldmine of information is not as valuable if there are no standardized and up-to-date means for Customs to collect and interpret this data.

Utilizing our data to its full extent requires closer cooperation between policymakers and the Express Industry, something we see at a global level via the WCO, but needs refining at a national and regional Customs level. And this goes for industry as a whole.

As an industry, we are a naturally curious and outcome-orientated partner. We are always looking for better ways to engage with our

stakeholders to share knowledge and increase understanding of each other's priorities.

There is probably no better example than the development of the Air Cargo Advanced Screening, or ACAS, programme, the name given in the United States (US) to what is known at the WCO as the "Pre-loading Advance Cargo Information (PLACI)" programme, which provides for the submission of a reduced data set by industry to Government to risk assess air cargo for a potential terrorist threat, often referred to as the "bomb in a box."

The programme first started in December 2010, and the Express Industry led the way by piloting means to transmit data to US Customs and Border Protection (CBP) and the US Transportation Security Administration (TSA). The open dialogue and commitment on both sides to find an effective and practical way to implement the screening of air cargo data paved the way for a low-cost, but effective, way for the US to screen data, quickly and simply.

The transparency between Customs and carriers allowed the programme to be adaptable, and in addition, having a shared focus on security, encouraged participation, and cooperation. The result was a successful programme that, through technology, maximized the use of early data and risk assessment without impeding the flow of commerce.

In the years to come, technology will continue to play an ever-increasing role in supply chain integrity, with blockchain offering an even bigger leap in terms of the availability and use of data to assure the integrity of a shipment along the supply chain, and, of course, we are now looking at how best to exploit this technological innovation.

Using such technological advances to their fullest advantage requires investment, both from the public and private sector; however, that cost pales into insignificance compared to the cost of not harmonizing systems, or even worse, not adapting to the future in a timely fashion.

The Internet has changed our daily lives and made the world smaller via harmonized systems, enabling people to search for information, book a hotel room, or buy a product anywhere in the world. Commercial processes are now global in nature, and Customs processes need to be following that trend.

The WCO recognized this trend a long time ago, engaging with the private sector via the Private Sector Consultative Group (PSCG) on programmes such as the SAFE Framework of Standards to Secure and Facilitate Global Trade, the Revised Kyoto Convention, and, of course, the discussions on e-commerce.

The fact that we were invited to submit an article is a typical example of the WCO's commitment to co-creation and to working closely with its various stakeholders, and we look forward to a continued partnership to the benefit of the public and private sector alike.

More information

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ONE Record: the next milestone in the digitalization of air cargo data

By Henk Mulder,

HEAD OF DIGITAL CARGO, INTERNATIONAL AIR TRANSPORT ASSOCIATION

When electronic data interchange (EDI) was introduced half a century ago, it rang in an era of business automation. Two decades later, in the eighties, standards began to converge towards the UN/EDIFACT standard, which set the foundations for global data exchange between businesses. Today, 95% of documents exchanged electronically in air freight use a "dialect" of EDI called Cargo IMP (interchange message procedures) or Cargo XML, its descendant and successor.

I have been an engineer since the eighties and cherish its technologies, but I am somewhat shocked that airfreight is still stuck in 1970s EDI messaging and has never assimilated web technologies such as data publication and sharing, which, after almost 30 years, are hardly new. When you consider the complexity of global transport and supply chains, the EDI messaging paradigm is inadequate. EDI was never designed to operate at this scale, and its inadequacies are holding back innovation in global logistics.

For example, when two Scandinavians, Niklas Zennström and Janus Friis, developed Skype in 2003, they exploited the free data exchange capabilities of the web and set in motion the demise of old-fashioned telephony. Such massive disruptive innovations are largely absent in the logistics and transport sector, with its paper forms and clipboards. The good news is that I have yet to meet transport and logistics professionals who do not share my frustration. We all want digitalized cargo.

The International Air Transport Association's (IATA's) ONE Record specification for data sharing is exactly that: digitalized cargo. In a few words, using the power and simplicity of the web, put your freight data on a server and get your business partner's system to access your data as needed. There is nothing tentative or experimental about this approach; this is exactly how digital industries operate.

Take publishing, for example. If you read this article on a browser, then you have just

accessed data on a server controlled by the WCO. Be assured that they didn't send you an EDI message with the article.

ONE Record explained

So what would it take to share data via the web? Let's say that we want to make a booking for freight with an airline. We could create a web page with all the details and send them the URL. Here are a couple of things that we would then discover:

- Firstly, the airline would like the web page to have a certain format so that their reservations system can extract the data automatically, which translates into the need for an agreed data structure or model that everyone understands.
- Secondly, if the web page is only read by a computer system, then it probably should not be a web page, but rather a data file on a server.
- Thirdly, we will find we need to ensure that only the airline looks at the data, and no-one else, which means the need for access restrictions and security.
- Lastly, engineers would want to know exactly how they should access the data on the sender's server, which means that there needs to be a defined application programming interface, or API, so that they can "integrate" the data access into their system.

In a nutshell, this is ONE Record, a standard for a data model, data security, and a common API for data sharing.

ONE Record data model

The ONE Record data model has been designed to be data centric rather than document centric. If you compare two freight documents, for example an air waybill and a shipper's letter of instruction, you will notice that much of the information is the same. Same shipper, same consignee, same origin, same destination, same goods, etc. There is a lot of repetition.



IATA and the WCO have cooperated on e-freight and data standards for a long time, and the time has come for IATA and WCO to join forces on the standards around data sharing on the web.

This is why the ONE Record data model is data centric, which means that it focuses on the common data rather than on the documents that this data may appear in. Since documents are still the basis for logistics and transport, the data model does, of course, provide for document data models as well, but only as an output and not at the centre.

Ontologies

As every freight professional knows, there are already many freight data models. The WCO data model, the UN/CEFACT model and IATA's own Cargo XML are robust foundations for freight and logistics systems. There are many more data models than that across the industry. How do all these models fit together? Today, we use information technology (IT) systems to translate and interface between these data models.

ONE Record assumes that there will never be a single data model for anything and everything and, instead, focuses on ontologies. An ontology is essentially a "language" with its meanings and rules. The ONE Record ontology describes the language of air cargo. There are, or will be, other ontologies for other freight modes or other parts of the transport chain.

In addition, an ontology, if well designed, is fully self-explanatory. This means that two computer systems that use two different ontologies should be able to interact because they can work out the meaning and context of the other system's ontology. In a future where every element of our life will be supported by digital systems, such ontological approaches are a necessity.

Security

The concept of data sharing introduces data security challenges. How can we make absolutely sure that no unauthorized parties can access freight data shared on the web? How can we make sure that the data we access from a third party is indeed from that party and not some sort of fake copy?

ONE Record establishes several layers of security: first, any economic operator using ONE Record will need to register with an authorized registrar and receive an electronic certificate to prove this; second, using this certificate, they can then set up access with another party; and third, the information provider will determine which data can be accessed by this particular party.

API standard

Software systems are mostly designed and built from existing components. Software architects select the building blocks, and an engineer will then "stitch" these components together. The technical term for stitching is "interfacing," and to simplify this process, software providers equip these components with APIs, which act like a plug or a socket; all the engineer needs to do is make the right connections to the API.

In practice, web systems have their own APIs, and each new connection between two systems requires this kind of integration effort. This limits the growth of networks of systems, since each additional node has this integration overhead.

ONE Record proposes a solution for this by specifying a common API for all data-sharing platforms. From that perspective, ONE Record is a bit like the USB port on a laptop; you can connect any ONE Record data-sharing platform to any other platform without the need for software integration.

Digital management

The world is rapidly evolving into one where "digital natives" are in control of our businesses. These digital natives are not concerned with the way that information is moved between companies or even which systems they use to do it. In a digital world, data is ubiquitous, i.e. it is simply available anywhere and everywhere in the form that you may wish to consume it.

When you hear about Economy 4.0 and digital disruption, this typically refers to business models that have reshaped an old business process in a way that completely bypasses physical processes, and makes direct connections between supply and demand in some form.

The fact that goods need to be manufactured, stored and shipped via long and complex supply chains is not central to end users. Stuff needs to be where it needs to be. E-commerce companies already do this, moving goods to locations close to customers before these customers have an urge to buy a pair of new trainers, flowers for a date they have not met yet, or medication for a flu they have not caught yet.

The digital world is all about data. Data to locate goods, data to predict where goods are being moved to and when, and data on who will need them, including when and where. Efficient,

transparent and rapid access to this data is a prerequisite. ONE Record is an important step towards a digital world for logistics and transport.

ONE Record's status

Under the governance of the IATA Cargo Service Conference (CSC), which represents IATA's airline members, a dedicated task force with representation from all parts of the air cargo sector, including a WCO observer, was created in early 2018. This group has developed a first specification of ONE Record that will be voted on by the CSC at its next conference in March 2019.

The ONE Record data-sharing concepts have already been tested in a pilot involving a shipper, a forwarder, and airlines. IATA also organized a "hackathon," where some 50 programmers came together to test the ONE Record API and develop rapid prototypes of digital tools during a 28-hour non-stop

programming marathon. These pilots and tests will continue in 2019.

IATA is also cooperating with the European Union (EU) Digital Logistics and Transport Forum, and is planning the development of a multi-modal federated data-sharing environment.

Most importantly, IATA and the WCO have cooperated on e-freight and data standards for a long time, and the time has come for IATA and WCO to join forces on the standards around data sharing on the web. Although the two organizations predate digital technologies and economies by many decades, both are unquestionably experts at bringing all stakeholders together and at building robust standards for the future: a digital future!

More information

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Working as a WCO Professional Associate: a participant shares his experience

By Maurice Emiola Adéfalou,

DIRECTOR OF LEGISLATION AND INTERNATIONAL RELATIONS, GENERAL DIRECTORATE OF CUSTOMS AND EXCISE, BENIN

After a 10-year career in various positions at Benin Customs, I felt the need to go and acquire some skills at the WCO in order to gain a better understanding of the rules and operation of the Organization and to fulfil my dream of working for an international organization, even if only for a few months. Therefore, in 2016, when the invitation to submit nominations for the Career Development Programme (CDP) had been sent out by the WCO, I was keen to submit an application.

At the time, I was heading up the rapid intervention service, also known as the "mobile brigade," with responsibility for the Atlantic and coastline, and was the spokesperson for my administration. I was already aware of the CDP, which – need I remind you – is a WCO Secretariat initiative financed by Japan Customs that provides Customs officers from developing countries with an opportunity to work for 10 months at the institution's Headquarters in Brussels.

When I informed the Director General of Customs of my keen interest in this programme, he was somewhat taken aback at first, but then, once he understood the potential benefits that could be derived from the experience, he supported my nomination with a letter of recommendation. My approach had the desired effect, and I was selected.

From a dream to reality

I relocated to WCO Headquarters in Brussels in September 2016 and joined the team responsible for the Intellectual Property Rights (IPR), Health and Safety Programme in the Enforcement and Compliance Sub-Directorate. The first challenge was to refresh my English skills, and so I immediately enrolled in a course of lessons offered by the WCO to any interested officers. The second challenge involved my adapting to the way the institution operates, and adhering to its code of conduct.

I soon felt at home among the group of Professional Associates, which that year, was made up of representatives from Angola, Belize, Bangladesh, Cambodia, Guinea, Mexico, Mongolia, Senegal and Ukraine. The team in charge of coordinating the programme took care of our every need and dealt with all our concerns.

Our birthdays were celebrated, and I was very appreciative of the special attention given to the smallest details. Every month, we would have a meeting to take stock of our activities in our respective Directorates. This meant that the coordinating team could review our progress and advise us on how to take full professional advantage of our placement at the WCO.

A golden opportunity

From a strictly professional perspective, I had had a number of responsibilities in my home administration and had held some important positions, but, before leaving, I had to brush up on a good many subjects in order to upgrade my skills, bearing in mind the vast subject areas covered by Customs matters, let alone the areas covered by the WCO as a whole.

I had opted to work at the WCO in the IPR field, and my first task in the Organization was to help the IPR Team prepare for the meeting of the Counterfeiting and Piracy (CAP) Group. I was, therefore, very quickly called upon to contribute, and the pace of work was intense. I was required to translate and conduct research, correct letters, and report to my tutor about my activities. If I demonstrated any shortcomings, I could always rely on my tutor to give me a few words of encouragement.

The CAP Group meeting was a success. Furthermore, my contribution was not confined to its preparation: I was, in fact, also requested to give a presentation on behalf of Benin Customs, because the administration had been unable to send a representative to the meeting. Taking the floor in the presence of such a large gathering

at the WCO to share my country's experiences was very rewarding.

At the same time, the operational expert in the IPR Team requested my help in preparing an accreditation workshop for countries in the WCO Asia/Pacific region. As is customary at the WCO, accreditation is awarded in close collaboration with the Capacity Building Directorate, and the expert was, therefore, working in partnership with a colleague from that Directorate. They both spoke in English most of the time, at such a speed that I found it difficult to follow their views. However, I did not let that discourage me and, determined to prove my worth, I learned to adapt.

With the support of both experts, I was able to manage the administrative aspects of this matter. I would have to respond to all emails in English, and handle all the files of those attending the workshop. On a proposal from the WCO experts, I took on the facilitator role during the workshop, which

was held in Shanghai, China, in December 2016 and conducted in English.

Since I was involved at every stage of the preparation, I learned a great deal from the experience, namely how to work in a team in an international environment, how to set up a real conversation in which everyone not only shares his or her ideas, but also listens and takes on board the viewpoints expressed by other team members. Teamwork is a WCO requirement and continues to be the linchpin governing the success of the Organization's tasks.

After Shanghai, I went back to WCO Headquarters where I would draw up my mission report before returning to Benin for the Christmas holidays. I was greeted by a lovely surprise: all the staff in the Compliance and Facilitation Directorate had gathered to celebrate the birth of my youngest child, who

had been born just a few days earlier. I was moved by this new display of attention, which demonstrated the solidarity that exists between Customs officials, even at the international level.

When I came back to Brussels, I had work to do. I had to make headway in drafting the study paper that each programme participant must complete as well as carry out the new tasks entrusted to me by the members of the IPR Team. I was also required to be involved in organizing major enforcement operations, namely ACIM, PANGEA and PEGASUS, not to mention preparing the 35th Session of the WCO Enforcement Committee.

During my placement, I also familiarized myself with the Customs Enforcement Network (CEN), a central depository for enforcement-related information, the objective of which is to promote the production of analytical reports and informational bulletins from seizure data reported by Customs administrations. In fact, I helped my Senegalese colleague in particular to enter data on drug seizures carried out as part of the WCO's COCAIR operations.

I also had the opportunity over a two-week period to take part in the intensive WCO Leadership and Management Development Workshop. This was an exceptional experience, combining questioning and learning. This course really resonated with me: I was now able to appreciate my strengths, evaluate my limitations and understand myself better so as to become a true force for change in my home administration.

At the end of their placements, Professional Associates go on a field study trip to Japan: yet another highlight of the programme. We each presented our study paper in English to senior Japanese Customs officials who gave us their comments and feedback. We also had the opportunity to go on cultural trips. My absolute favourite moment in this beautiful country was when we visited the wonderful city of Kyoto.

We also paid a visit to the Customs facilities at the port of Rotterdam in the Netherlands, where we were able to see the innovations made in the management of Customs operations at one of Europe's largest ports. Finally, I must not forget to mention the recreational outings organized by the team coordinating the programme, all aimed at enabling us to become acquainted with restaurants and other interesting locations in and around Brussels.

I wholeheartedly recommend this programme to all the young people at Benin Customs and in my region alike. They will most definitely come out the other side as stronger and more confident individuals.



Maurice Emiola Adéfalou (second from left) with the WCO Secretary General and colleagues from the 2016-2017 Career Development Programme

I also presented my study paper to senior representatives of the WCO Secretariat in June 2017, as the programme ended in July. I had the honour of being accompanied by Benin's Ambassador to Belgium on the day the certificates were awarded. A few days before leaving Brussels, I learned that Benin Customs had promoted me to the position of Director of Legislation and International Relations. I could not have wished for a better outcome, as this position entails maintaining close links with the WCO.

Returning home

On returning to my home country, I had to reorganize the service where I had once taken my first steps as a young Customs inspector fresh out of college. One of my tasks was to strengthen the links between my administration and the WCO, in order to take advantage of the rules and practices adopted by the Organization, and to be able to derive maximum benefit from its programmes and activities.

With the support of the Director General, we decided to make participation in WCO meetings one of our priorities, and it is not unusual for him to go and see the Minister in person to obtain his approval in this regard. Furthermore, I was elected as Vice-Chairperson of the WCO Revised Kyoto Convention Management Committee, the instrument *par excellence* on the simplification and harmonization of Customs procedures.

I also played an active role in the 14th Meeting of the CAP, which was held in November 2017, by presenting Benin's experiences with regard to collaboration between Customs and the health authorities during enforcement operations, and was elected Chairperson of the Group at its latest meeting in December 2018. In addition, I represented my Director General at the December 2017 Session of the WCO

Council, the Organization's highest decision-making body. I am always delighted to come back to Brussels as it enables me to continue boosting my understanding of the WCO's rules and operations.

Seeking to be part of the group of experts which the WCO may consult when conducting its capacity building initiatives was another of my goals. In February 2017, I was fortunate to be selected to take part in an accreditation workshop for the Programme on Customs Operational Practices for Enforcement and Seizures (COPES).

The COPES programme covers border security, the collection of evidence, seizures, investigations, and prosecutions. The idea is that, although not all Customs administrations have the authority to conduct criminal investigations, they can still benefit from the programme because they are a key link in the criminal justice system in respect of Customs matters. I was selected at the end of a very tough selection process.

And yet, to complete the accreditation process, I had to organize a national COPES workshop in Benin, which ultimately took place in September 2018. I am the first African expert to be accredited to the COPES programme, something of which I am justly proud.

On a different note, in September 2018, demonstrating a desire to be involved in the work and activities of the WCO, Benin Customs hosted a workshop organized as part of Operation MIRAGE, which targeted counterfeit and illicit medicines at 15 African ports. Once the workshop was over, MIRAGE's operational phase began, and I left for Togo at the WCO's request, performing my function as an operational expert to assist Customs officers involved in the operation.

Still focusing on IPR, I very recently attended the international conference "Respect for IP – Growing from the Tip of Africa" that was held in South Africa by the World Intellectual Property Organization in conjunction with the WCO and other institutions. During one session devoted to the challenges facing the bodies responsible for ensuring that IPR are respected at borders and to the collaborative mechanisms between stakeholders, I gave a presentation on the initiatives adopted by Benin Customs with a view to protecting IPR.

There is no shortage of work at the national level, and I occasionally have to turn down some offers of work. For instance, I manage the "Scanner Committee" and the "Committee for Selectivity and Implementing the Authorized Economic Operator (AEO) Programme." In addition, bolstered by the Director General's support, my colleagues and I have made two publications available to users, namely "Customs Measures set out in the Finance Law" and the "Practical Guide to Duties and Taxes Collected at Customs in the Republic of Benin."

Springboard

My involvement in the CDP has enabled me to relaunch my career and to broaden my horizons. Because of the knowledge and expertise I have acquired, I am able to make my own modest contribution to the reforms under way in my country. I have also developed a broad network of contacts and am able to call on my former colleagues if I need advice or feedback.

I wholeheartedly recommend this programme to all the young people at Benin Customs and in my region alike. They will most definitely come out the other side as stronger and more confident individuals. Finally, I should like to thank the WCO Secretariat and the Government of Japan for setting up this programme, the merits of which need no further demonstration.

More information

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Knowledge Beyond Borders



Illegal wildlife trade: overview of airport assessments

By Roux Raath and Felix Duarte e Silva,
ENVIRONMENT PROGRAMME, WCO

Studies have shown that the air mode has become a sought-after transport avenue for criminals wishing to move illicit wildlife products from one country to another. Not only is air transport fast and convenient, it also allows large consignments to be broken up into smaller ones, thereby reducing the risk of detection.

Several initiatives have been undertaken to address this threat. One of them is the "Reducing Opportunities for Unlawful Transport of Endangered Species" (ROUTES) Partnership, which was founded in 2015 by the United States Agency for International Development (USAID) and is led by TRAFFIC, a non-governmental organization (NGO) with a focus on wildlife trade, conservation and sustainable development.

The ROUTES Partnership aims to assist the transport sector in its efforts to reduce illegal wildlife trafficking via land, sea and air. Under the umbrella of ROUTES, representatives from government agencies, the transportation and logistics industry, international conservation organizations and donors collaborate on various activities to combat the illegal wildlife trade (IWT).

One of these activities is the conduct of technical assessments at international airports, in order to raise the level of awareness among key players of the potential misuse of air freight services by criminals, and assess the adequacy of the procedures in place to mitigate acts of wildlife smuggling.

These assessments are undertaken by experts from the WCO and the International Air Transport Association (IATA), and are aimed at identifying areas for improvement and ways to achieve such improvement with or without specific assistance from ROUTES Partnership experts. Other key objectives include the identification of best practices that may be shared, as well as the mobilization of commitment and resources to halt the trafficking of wildlife.

Questionnaire

In order to carry out the assessments, experts developed a model questionnaire that was tested during two assessments which took place in 2016. The model drew on existing tools dealing with similar issues, which had already been used by the WCO, IATA and the International Consortium on Combating Wildlife Crime (ICWC).

The airport assessment questionnaire includes an executive summary, detailed background information, the outcomes of the assessment exercise itself and recommendations. Besides the undertaking of an institutional overview, the following areas are evaluated:

- legislation, policy and procedures;
- awareness;
- human resources;
- security measures related to IWT;
- operational capacity;
- coordination and cooperation;
- intelligence and risk management;
- technology;
- screening;
- investigation and consequence phase.



All stakeholders present at an airport are assessed, such as the Civil Aviation Authority, the service in charge of aviation security, ground handlers, airlines, the local police force, a country's wildlife authority (where applicable), freight services, private contractors, transit shed operators, freight handlers, and the Customs authority.

Airports covered

The airports selected for assessment thus far have been drawn from the routes regularly used by traffickers, based on available intelligence. Participation is, however, voluntary. To date, assessments have been conducted at the following airports:

- Maputo International Airport in Mozambique (2016);
- Hanoi International Airport in Vietnam (2016);
- Entebbe International Airport in Uganda (2017);
- Jomo Kenyatta International Airport in Kenya (2018);
- Kuala Lumpur International Airport in Malaysia (2018);
- Hamad International Airport in Qatar (2018);
- Oliver R. Tambo International Airport in South Africa (2018).

Key findings

Assessment findings are shared with the relevant players at the national level, and are not made public. However the following observations, which are cross-cutting by nature and are relevant to most airports, can be shared:

There is a need to raise the awareness of all stakeholders regarding the IWT, especially when it comes to the involvement of organized crime and the impact on the economy, the survival of species, ecosystems and governance.

Specialized training is required by most stakeholders to detect wildlife and animal parts, as well as illegal products made from endangered species. National training curriculums for law enforcement staff should be strengthened in that regard. As for private sector stakeholders, basic recognition training as well as handling training is needed.

Signage and communication tools addressing the issue must be developed for both staff and travellers.

Technologies, such as X-ray scanners and sniffer dogs, should also be deployed and used with the fight against IWT in mind when inspecting baggage and people.

The fight against the IWT must be escalated to higher management as a priority enforcement area, and must be discussed at inter-agency meetings.

Legislation must enable the exchange of information between all law enforcement agencies, as well as with other relevant partners.

Going forward

Two further assessments are planned for 2019. In addition, WCO and IATA experts are currently looking at innovative ways to solve two specific questions: how to ensure that countries take the proper measures to implement the technical assessment recommendations; and how to provide the necessary support, especially to Customs administrations.

More information

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Algeria launches new Customs information system

By Hakim Berdjoudj,

DIRECTOR OF STUDIES RESPONSIBLE FOR THE ORGANIZATION OF SERVICES, ALGERIA CUSTOMS

There can be no improvement in Customs performance without an upgrade of the information system. Given that the system has to be adapted to Customs, a profession that is constantly evolving in the wake of the amendments to the legislative arsenal underpinning foreign trade, this improvement must be treated as a continuous and dynamic process.

Algeria Customs is still using an information system called "SIGAD" (Customs Information and Automated Management System), which was developed in-house over two decades ago, with its first version being rolled out in 1995. The only existing information source on Algeria's foreign trade, SIGAD provides the computerized management of the Customs clearance process and produces statistics on the country's foreign trade, which are forwarded on a regular basis to the authorities, in order to inform their economic decision-making. It may well have been through various stages of development, but SIGAD still covers only some of the activities undertaken by Customs.

By introducing a reform plan, Customs has, therefore, undertaken to overhaul the system with the aim of securing interoperability with the systems operated by stakeholders in the international trade logistics chain. Committed to a new management mechanism, the Customs administration has accordingly set about redefining the business and support processes, and adopting the best practice of some leading countries in data processing and information systems, in the form of customer (Customs user)-oriented functional specifications.

Process approach

The "computerization process" initiated in the 1990s was rolled out without any consideration for one key approach: the process approach. Emerging in the late 1980s, this approach involves analysis or modelling, as well as a methodical description of an organization or activity for the purpose of providing an



appropriate response. By this approach, it is possible, for instance, to clarify the roles and responsibilities carried out, understand customer requirements, seek out added value and identify waste, and reduce the costs and time frames involved in the processes concerned.

The benefit of the process approach lies in its contribution to gaining an accurate picture of the relationship between the different components of the organization, i.e. initially identifying the different processes and their interfaces (understanding how the organization operates), subsequently controlling the processes (running the organization), and ultimately optimizing the processes (improving the functioning of the organization) while guaranteeing the safety of their operation.

The new information system will not only integrate all Customs activities, but also facilitate EDI between all players in the international trade logistics chain.



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The information system is a “social system of shared meanings,” facilitating decisions, actions and cooperative measures through the processing of information flows. This system is an integral part of an organization’s operational system; that is to say, the business component and the information-system component are not separate aspects of the organization.

The computer-based system, on the other hand, is simply the computerized part of the information system. In other words, this system translates the workflow into computer language for the purpose of standardizing the information.

Redefining the business and support processes

As part of efforts to overhaul the system, multidisciplinary teams have been tasked with reorganizing or reconfiguring Customs processes with a view to establishing “lean” processes, that is to say, processes that have been stripped of all ineffective operations, and comprise only those tasks that have added value for customers in the broad sense.

In specific terms, at the preliminary level of analysis, Customs macro-processes have been identified and a distinction has been made, essentially, between the strategic steering processes, the business processes, and the support processes. Each macro-process has then been broken down into its basic processes, which have been mapped in the form of actual activities conducted on the ground.

Mapping is an actual snapshot of the situation at a given moment. To depict a process through mapping, a practical observation is taken (e.g. from an interview, enquiry or timing mechanism) at the place where the process is conducted and used as the basis for setting out the different stages of the process, the symbolic representation of events (of the stages), the durations involved, the costs, the distances covered, the frequency of each stage, and the (schematic) links with the stakeholder(s) by stage. This work requires the involvement of a multidisciplinary team on the ground for determining as accurate a diagnostic outcome as possible.

The concept of interfaces does, of course, call for clarification. “Interface” in this context means the exchange of information. Interfaces are the links between processes. By drawing up interface rules, one is looking to improve links between the different sub-systems. Within an organization, services are open and information is exchanged in all directions. This operating method guarantees communication flexibility, but compromises clarity to some degree. If the communication system is to be effective, this model needs to be improved and made “logical.”

Information system vs. computer-based system

To gain a grasp of the benefit of this approach in the design and deployment of an information system, a distinction should be drawn ideally between the information system and the computer-based system.

The rules governing the exchange of information at the level of the points of contact identified during the mapping exercise have also been drawn up with the aim of ensuring that customer needs are taken into consideration from one process to another. For

example, Algeria's National Union of Freight Forwarders and Customs Agents (UNTCA) is consistently consulted prior to any decision taken in respect of third parties.

Therefore, Algeria Customs' new information system will not only integrate all Customs activities, but also facilitate electronic data interchange (EDI) between all players in the international trade logistics chain, including other government departments and agencies dealing with foreign trade matters.

Securing change

On another note, the success of such an approach depends on an accompanying change involving action on the ground by the players concerned to support their adoption of the new arrangements of the organization, their new role, and their new practices. This has been achieved, in particular through brainstorming meetings, popularization and awareness-raising sessions, as well as through continuous training and monitoring. For monitoring purposes, a form has been made available to users on the Customs website to ensure that the information given will be processed by the Communications Directorate.

In this area and in addition to the meetings regularly scheduled for discussing the Customs information system, a "failure mode, effects and criticality analysis (FMECA)" was conducted with a view to managing risk in relation to the deployment of the new system. Applying this FMECA method, a particular group is able to identify and deal with the potential causes of defects and failure before they arise. Criticality is reached on the basis of a triple rating: the seriousness or severity of the effect of the defect or failure, the occurrence or frequency of occurrence of the cause, and detection (probability of failure to detect the cause). The risks identified have included the lack of commitment by staff and system users, their lack of training and control of the tool, and their ability to adapt their work methods.

The workforce has also received a boost by the addition of some 30 engineers and high-level computer technicians, called upon to support their colleagues by introducing new methods. To this end, specialized universities have been consulted and top computer science graduates have been recruited.

Advantages of the new system

The new Customs information system will be rolled out gradually over a period of three years, commencing in January 2019. The old and new systems will have to run side by side during this transition period. Some of the advantages of the new information system include:

- digitizing all Customs procedures and, in so doing, removing the discretionary power of Customs agents, guaranteeing the transparency of operations and reducing the risk of collusion;
- applying fraud classification methods based on multiple criteria for the purpose of imposing fewer control measures while achieving better results, and thereby enabling the Customs administration to perform comprehensively its function of safeguarding the national economy while contributing to social cohesion;
- facilitating the establishment of a risk management hub, which will rely on the dynamic databases that the system will create and on the databases to which it will be connected;
- managing the random, periodic mobility of Customs agents, monitoring careers and skills development, guaranteeing observance of the code of conduct and discipline, and providing for the secure storage of individual staff records through electronic document management for the purpose of managing human resources on the basis of predetermined benchmarks.

In conclusion, it is essential to refer to the efforts made in terms of training. Customs managers responsible for the information system project have benefited from training in supply chain management, and the administration is proceeding to organize consultation groups; these meetings will enable users from the private sector to become acquainted with the new features of the new information system, with a view to guaranteeing its swift deployment and migration.

More information

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Overview of the Dominican Republic's free zone sector

By the General Directorate of Customs, Dominican Republic

The first Free Zone Park in the Dominican Republic was established in 1969, in the city of La Romana, by the Gulf and Western Corporation, an American firm, which has grown to become the largest private operator in the country. The legal provisions regulating such "free zones," are laid out in Act No. 299 on Industrial Incentives and Protection, adopted on 23 April 1968. Companies whose production is focused on exports can set up shop in Free Zone Parks and benefit from tax exemptions and other incentives as a result.

Enabling legislation

In 1990, Act No. 299 was amended by Act No. 8-90 on the Promotion of Free Zones, which harmonizes the management, incentives, rights and duties of free zone processing and service companies. A whole chapter in the amended Act is dedicated to Customs regimes applicable to free zones, with provisions:

- establishing that all imports and exports will be subject to Customs regulations;
- authorizing the setting up of a Customs office in each Free Zone Park;
- creating a specialized Customs corps, exclusively tasked with servicing export processing zones;
- prohibiting the import of certain items such as firearms, gunpowder, ammunition and implements of war, as well as sewage or waste that could contaminate or endanger the physical integrity of Dominican territory or the health of its inhabitants.

Dynamic growth

By 2017, the free zone sector in the Dominican Republic consisted of 71 parks, bringing

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together 665 companies. The Free Zone Parks generate 165,724 direct jobs and account for exports amounting to just under 5,695 million US dollars. Industries established in the country's free zones are known for their production capacity and quality.

The free zone sector is a key driver of the country's development, creating jobs, generating foreign trade, and fostering technology transfer. In evaluating the sector, all the variables grew in 2018, with exports from free zones exceeding six billion US dollars, representing over 60% of the country's total exports. The dynamic nature of the sector is also worth noting: there are currently Free Zone Parks in 27 of the country's 32 provinces and, in 2018, a total of 126,095 imports, 75,091 exports and 157,284 merchandise transfers between companies were registered.

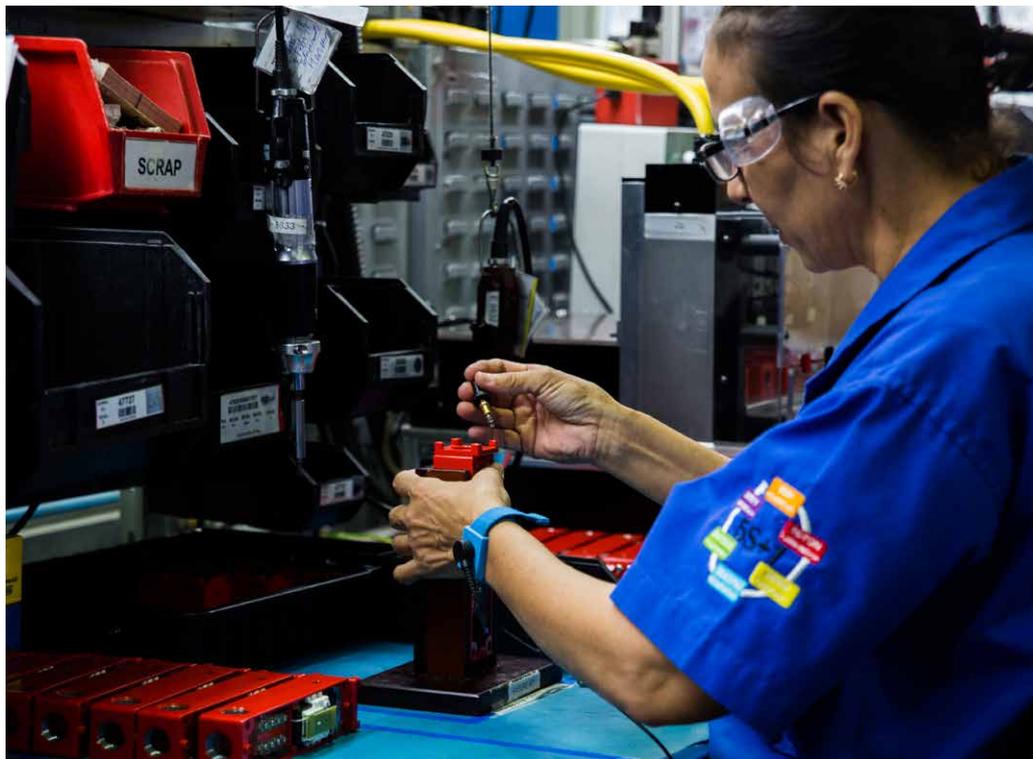
However, it has been detected that companies, which are not part of the free zone sector, have been trying to declare goods under this regime in order to benefit from import exemptions granted to free zone participants. Fortunately,

Free Zone Parks
generate 165,724
direct jobs

these non-participating companies have not had much success, due to the vigilance of the Dominican Republic's General Directorate of Customs.

Dedicated body

The General Directorate of Customs has established a Free Trade Zones Deputy Directorate, whose main role is to supervise, control and authorize all imports, exports, transfers of goods, and other regimes that companies operating in a free zone may use. Each procedure is implemented with high-quality standards, which promote the efficiency, integrity and transparency of all Customs processes. Customs' assistance contributes to time-saving with respect to imports and exports, which impacts positively on the competitiveness of participating companies.



Industries are known for their production capacity and quality

The Free Trade Zones Deputy Directorate, along with the Customs Intelligence, Audit and Post Clearance Audit Departments, rigorously and continuously analyses, controls and supervises all operations that free zone-based companies must execute, in order to avoid potential illicit acts or the misuse of benefits and exemptions granted to free zone participants. Similarly, the Ministry of Finance monitors financial transaction movements, with the support of the General Directorate of Internal Revenue.

Specific Annex D of the RKC

Although, when ratifying the WCO's Revised Kyoto Convention (RKC), the Dominican Republic did not accept Specific Annex D, Chapter 2 of which lists 21 Standards and Recommended Practices covering a wide range of Customs procedures related to free zone operations, the General Directorate of Customs considers Dominican legislation as complying with most of its provisions, and regards this Annex as an important tool in implementing and ensuring the development of the free zone sector.

As prescribed in Standard 3 of Chapter 2, which specifies that Customs shall lay down the arrangements for Customs control, including appropriate requirements as regards the suitability, construction and layout of free zones, it is worth noting that, in the

Dominican Republic, a decentralized body called the National Council of Free Trade Zones is responsible for ensuring the construction and development of free zones, but not for Customs control arrangements, responsibility for which rests with Customs.

Other similarities between the Dominican Republic's national legislation and the provisions prescribed in Annex D include the fact that Dominican law does not contain a period regulating the permanence of goods in a free zone, and does not require a guarantee to be lodged. It also allows goods to be transferred

for inward processing between free zones and between companies.

Regarding Standard 21 of Chapter 2, the draft Customs Law approved by the Senate of the Dominican Republic establishes a term of 30 days beginning from the date on which a company located in a free zone has ceased operations without having re-shipped or definitively imported its merchandise, except in the case of fortuitous events or force majeure, both of which must be duly proven.

There are, however, some differences. For example, concerning Recommended Practice 9 of Chapter 2, which states that Customs should not require a declaration in respect of goods introduced into a free zone directly from abroad if the information is already available on the documents accompanying the goods, the Recommendation is not compatible with the Dominican Republic's Customs legislation, in that Dominican law establishes an obligation for all merchandise entering the country, even if via a free zone, to be declared.

Communication mechanisms

To ensure good communication between the General Directorate of Customs and free zone operators, as well as with companies located in these zones, an Agreement on Services was developed, and two committees that meet monthly to discuss all matters related to the services and requirements of the parties involved were constituted:

A National Committee, composed of a National Council of Free Trade Zones representative, who presides over it, a representative of the Deputy Directorate of Customs, and a representative of the Dominican Association of Free Trade Zone Companies.

An Internal Committee, which must be established at each Free Zone Park, composed of a representative of the Free Zone Park operator company, a representative of the Dominican Association of Free Trade Zone Companies, and the head of the Customs office located in the Park.

Cost-benefit analysis

The Ministry of Finance is tasked with undertaking a cost-benefit analysis of free zone projects and the tax exemptions applying to them under law. Thereafter, the Ministry must engage on the efficiency or redundancy of any incentives with the agencies or councils that approve them.

It is worth mentioning here that the Standby Agreement (SBA) signed with the International Monetary Fund (IMF) at the end of 2009 established the need for the Dominican Republic to increase its revenue collections, in order to safeguard fiscal sustainability in the medium and long term.

As one of the Dominican Government's policies was to keep the tax system unchanged, focus was put on optimizing tax collection,

which led to the rationalization of the Tax Administration's working processes. In addition, in March 2011, all procedures and procedures related to exemptions from taxes covered by laws, concessions or contracts were centralized in the Ministry of Finance.

Likewise, in compliance with the SBA, in March 2011, the Ministry of Finance established the Tax Incentive and Exemption Inspection and Evaluation Unit, whose main function is to carry out the cost-benefit analysis of exemptions provided by law or contracts ratified by the National Congress, as well as ensure that the incentives and tax exemptions are used for the purposes for which they were conceived.

Thus, when a company wishes to benefit from a regime governed by an institution or body, the Ministry of Finance must prepare a cost-benefit analysis of the project, based on methodology developed by the Ministry to guide decisions on the granting of incentives and prevent abuses in their use.

This methodology enables the impact on society to be determined when tax incentives are granted. It was developed in June 2011, as part of a technical assistance request by the Dominican Government to the representatives of the IMF. The methodology compares the cash flows of a project before and after a tax incentive in order to obtain the internal rate of return (IRR) of the tax expense, which must be greater than zero to justify the granting of the incentive.

With the above in mind, an investment project to obtain tax incentives must benefit the economy of the Dominican Republic, as this will convince the Government to become a "partner" of the project. In addition, to avoid redundant tax incentives, investment projects with positive externalities - benefits that affect a party who did not choose to incur that benefits - must have a negative return.

Based on tax best practices and technical feasibility, the Ministry of Finance issues an opinion on the incentive request, which could include an objection to the request. This opinion serves as input for decision-making in the corresponding council that approves incentives. Generally, the Ministry has one vote within the same council.

More Information

ger.comunicaciones@dga.gov.do

When a company wishes to benefit from an incentive, the Ministry of Finance must prepare a cost-benefit analysis of the project, based on methodology developed by the Ministry to guide decisions on the granting of incentives and prevent abuses in their use.

National Customs Enforcement Network: a look at country-specific implementation

By Georgia Revenue Service and Sri Lanka Customs

Intelligence-based risk management is a term widely used in the Customs sector and everyone agrees that today, it is the way to go to support global trade facilitation efforts and deal with resource constraints. One of the key measures to implement such a policy is to have a systematic and accurate intelligence database with enforcement data.

Developed by the WCO, the National Customs Enforcement Network (nCEN) application gives Customs administrations the ability to collect, store, analyse and disseminate law enforcement information more efficiently at the national level, in order to establish robust intelligence capabilities and enhance profiling. It consists of three independent databases:

- the principal database of national seizures and offences comprises data required for analysis, as well as means of conveyance, routes, and the possibility to view photos depicting exceptional concealment methods.
- two supplementary databases comprise information on suspect persons, means of conveyance and business entities of interest to Customs, thereby facilitating a structured investigation process.

A built-in mail system, known as the Information Communication Interface (Icomm), enables smooth and efficient information flow among nCEN users and external "connected" parties, such as the WCO. Icomm can be used to send seizure information to the WCO Customs Enforcement Network (CEN) database or to other countries using the nCEN application.

In this article, two countries, Georgia and Sri Lanka, generously take time out to share their national experience on implementing the nCEN, providing details on when they began the process, how their implementation journey has unfolded, and the benefits that have accrued since the application was deployed in their respective Customs administrations.

Georgia's experience

Back in 2016, the Georgia Revenue Service (GRS), which brings together under one umbrella the Tax and Customs Administration and the Sanitary and Phytosanitary Border Control Agency, decided to implement the nCEN application. Since deploying the system three years ago, Georgia Customs is pleased with the concrete outcomes and how the nCEN has impacted positively on its staff and operations.

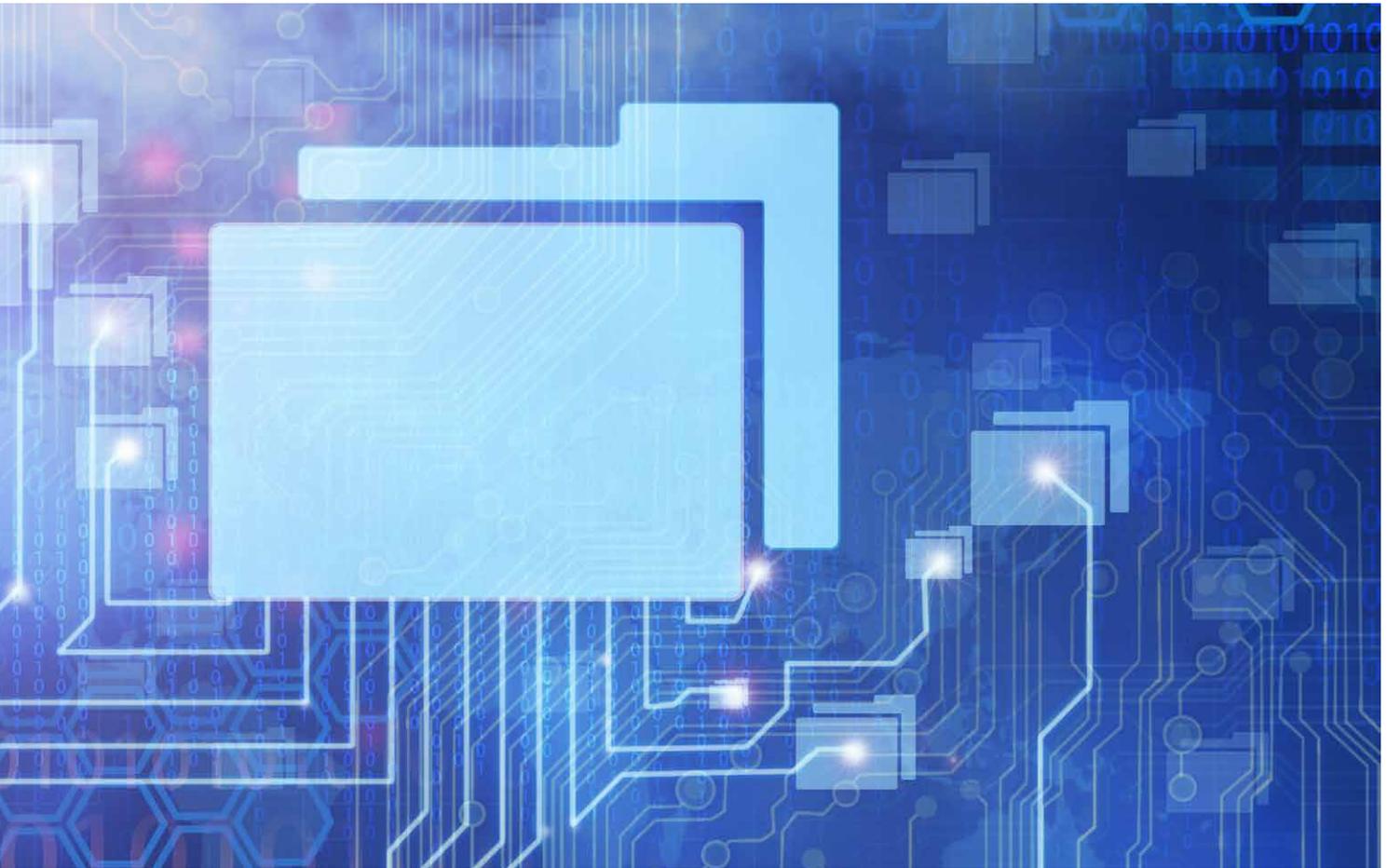
Practical implementation

Thirty-four Customs officers working at various Customs points of entry (land, air, sea and rail crossing-points), as well as in Customs clearance zones and within the Container Control Units set up under the framework of the United Nations Office on Drugs and Crime (UNODC)-WCO Container Control Programme (CCP), may enter data into the system. Once entered, the data is validated by one of four system administrators located at the GRS.

Currently, Georgia has 1,509 validated seizure cases and 209 company records in the database. The information is entered on a daily basis and is regularly consulted by risk analysts based at the GRS Headquarters, as well as by Customs officers in the field. As a result of this database analysis, new smuggling trends have been identified and shared with frontline Customs officers, such as methods related to the concealment of drugs in hand baggage or stuffed into different items.

Analytical work is greatly facilitated by the search engine and the picture gallery depicting concealment methods. The application also serves as an effective tool for training, and for the sharing of intelligence between Customs units based at Headquarters and those located at border crossing-points and inland Customs clearance offices. When consulted about the impact of the tool on their daily work, field Customs officers said that it had raised their awareness of modus operandi and threats, helped them in profiling individuals and means of transport, and enhanced their detection capabilities.





Using Icomm, non-nominal seizure records are sent to the CEN database automatically. The system also translates field content from Georgian into English automatically, except for free text fields that have to be translated by the validators.

Information-sharing challenges

At present, Georgia Customs does not share information via Icomm with other countries where the nCEN has been deployed, but does not discount the possibility of doing so in the future. The challenges surrounding this issue are two-fold:

- whether countries are willing to add this data to existing information exchange channels;
- whether existing agreements, such as mutual assistance agreements, are suitable for this type of information exchange, or if a new legislative framework needs to be put in place.

Ongoing training

Training sessions are held regularly for new system users and for enforcement officers, with the goal of maintaining/expanding the pool of staff authorized to enter data, as well

as increasing the quantity and quality of data captured in the system, which they input and later access. This training is ongoing within the GRS, and has tremendously enhanced the capacity of officers as well as the work of Customs across the country.

Positive outcomes

Three years after having implemented the nCEN, Georgia Customs is of the firm belief that the tool has impacted positively on its operations, and has definitely strengthened its risk management capabilities. These positive outcomes enable Georgia to fully meet the needs of all its international trade stakeholders, while bolstering Customs' contribution to the country's economic and social development through more effective enforcement. With such concrete outcomes, Georgia Customs is happy to share information on its implementation of the nCEN with other countries (contact details appear at the end of the article).

Sri Lanka's experience

The need for a database to collect, store and share enforcement data, a long overdue necessity, led to Sri Lanka Customs deciding to embrace the nCEN application. The agreement to implement the application was signed in

May 2017, and training for 15 Customs officers from the enforcement and compliance clusters was organized by the WCO in October 2017.

Implementation process

The implementation of the system was entrusted to Customs' Central Intelligence Directorate with the support of its Information and Communication Technology Directorate. Four officers were designated as nCEN project leaders, one of which was also charged with maintaining contact with the WCO. After the first WCO training session, a second one on the usage of the nCEN was conducted to increase the user base. Many officers participated in this session, all of which came from every one of the major units in the enforcement, compliance and revenue clusters.

The application was officially launched in February 2018. To ensure that all seizure cases are reported via the nCEN, departmental orders with associated operating instructions were published, making it mandatory to input all such cases into the nCEN. Officers were also encouraged to make use of the suspect database. Once data is entered, it is checked by nCEN case validators attached to the Central Intelligence Directorate. They control the quality of data fed into the system and validate cases, attend to user issues and manage the user database (creation of new users, deactivation of users, password resets, etc.), and organize and conduct training sessions.

Currently, the nCEN application has 157 trained users in Sri Lanka Customs and the seizure database includes more than 1,500 cases since the system was implemented, which is indicative of the usefulness of the application in every sense of the word. Non-nominal elements of seizure cases are shared with the WCO through Icomm.

Way forward

Implementation of the nCEN addressed the lack of an enforcement database, which has long been a requisite of Sri Lanka Customs, given the fact that the capacity to build risk profiles and support decision-making at the strategic, tactical and operational level is linked to the availability of quality enforcement data

and an abundance of it. The simplicity and user friendliness of the application's data download functionality makes it possible for analysts to perform their job with ease.

The nCEN has also been supportive in the recently re-engineered risk management process of the Administration, enabling risk profiles to be created and updated, so that legitimate traders are able to benefit from faster Customs clearance. Now, Sri Lanka Customs will be focusing on how to develop its data analysis capacities, which is an area that requires more progress, as officers need to gain greater knowledge on how to view and better mine the information that has been gathered.

Data exchange is another area with promising prospects. Not only does the nCEN enable easier production of reports, it also facilitates information-exchange with relevant national and even foreign authorities via Icomm. Sri Lanka Customs is considering the possibility of sharing information with other government agencies, and as part of mutual administrative or legal assistance agreements, with other Customs administrations. However, there is currently no legal basis for Customs to share information directly with other countries, through the nCEN.

With the help of the WCO, Sri Lanka Customs managed to develop its national enforcement database in a time span of 10 months. At the first workshop gathering nCEN users of the Asia/Pacific region held in Seoul, South Korea, in October 2018, Sri Lanka was elected as the 2019 Regional nCEN Programme Leader. As such, it is tasked with promoting the tool in the region and organizing various workshops for nCEN user countries. It goes without saying that Sri Lanka also stands ready to share information on its nCEN implementation experience with countries outside the region who are interested in knowing more about the tool, and what its implementation required (contact details appear below).

More information

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Sri Lanka: rajitha.komangoda@customs.gov.lk

The capacity to build risk profiles and support decision-making at the strategic, tactical and operational level is linked to the availability of quality enforcement data and an abundance of it.



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Corinne Bouilly: corinne.bouilly@wcoomd.org
Samuel Péron: samuel.peron@wcoomd.org

Dubai Customs introduces a Virtual Reality Customs training programme



© Dubai Customs

Dubai Customs is still monitoring the pros and cons of the tool and gathering feedback for improvement purposes. After testing, if the VR training proves successful, it will be provided to all Customs recruits. It is not only the learning impact that is being tested, but also the health impact, as, for example, VR devices can disorientate users who may feel slightly nauseous and experience eye strain after using such devices.

The VR training programme is just one example of efforts undertaken to transform Customs business processes through the adoption of innovative technologies.

As Virtual Reality (VR) solutions are creating new ways to learn and become more embedded in the private and public sectors, Dubai Customs recently deployed a one-of-a-kind VR training programme to train their inspectors for fieldwork. The training is designed to improve inspectors' efficiency in identifying prohibited items, enabling them to gain practical know-how while enjoying the experience.

The training is managed by the Customs Training Centre and currently covers maritime related inspections, but will be further developed to include aspects related to the air and land sectors. It teaches inspectors how to start their day before every inspection – for example, all safety tools should be ready before they go to the ports – as well as how to inspect cargo. During the training, inspectors have to find hidden and prohibited items such as drugs and weapons among others, and every time they do so, they are awarded points, which allow them to move to the next training level.

Embracing VR is both an exciting and challenging undertaking for Dubai Customs. Given the sophistication of the tool, a private firm was hired to help with software development, graphic design, and making the experience user-friendly.

Dubai Customs is committed to improving all its service delivery systems to raise the level of trust in the public service. The VR training programme is just one example of efforts undertaken to transform Customs business processes through the adoption of innovative technologies. Last year, the Robotic Process Automation-Smart Refund System was launched – a modern information technology solution that automates Dubai Customs' claim and refund service using Artificial Intelligence (AI). The System matches and validates line item details with supporting electronic/scanned documents without any human intervention.

Although the development of the VR training software is still in its infancy, it is expected to evolve further in order to deliver the highest levels of realism and performance, and to be used to train officers in more areas, thus improving all services offered by Dubai Customs.

Dubai Customs would be willing to collaborate on training development with other Customs administrations in the region and around the world.

More information

external.relations@dubaicustoms.ae
www.dubaicustoms.gov.ae

Danish Customs deploys underwater drone

By Thomas Petersen and Bo Damgaard Nielsen,
RUMMAGE TEAM, DANISH CUSTOMS

The use of sophisticated concealment methods by traffickers requires the use of proper inspection equipment by Customs administrations. As with all modes of transport, vessels present their own challenges when it comes to search operations. Rummaging vessels is extremely time consuming and expensive, requiring highly specialized personnel, especially when underwater parts have to be searched.

In Denmark, Customs does not have its own diving team and the Danish Customs Rummage Team relied on the services of the Danish Navy to undertake underwater rummaging until it purchased new equipment: a Remotely Operated Vehicle (ROV), also called an underwater drone, specifically designed and developed to make underwater observation easier. If anything suspicious is identified from the images received from the ROV, Customs will still rely on Danish Navy divers to carry out an inspection.

The drone was selected for the simplicity of its use and its affordability. Among other things, the operator can quickly and easily pilot the underwater drone using a gaming-style controller, without any extensive prior training. In addition, it can be easily transported and launched into the water from a dock.

The drone has undergone testing since December 2017 and the Customs Rummage Team has been both impressed and pleased with this highly effective tool, which makes it possible to search underwater parts that are difficult to reach, such as the hull of vessels, the rudder, and the bow thruster (a ship's propellers

that provide lateral support, making the vessel more manoeuvrable).

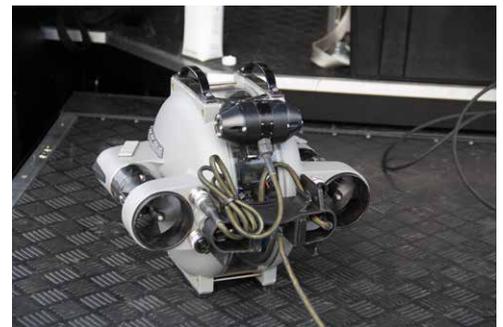
However, the equipment has its limitations, low water visibility being one of them. Depending on the port, the water visibility may vary from 2-3 metres to as little as 30 centimetres. This vast difference may be due to weather conditions, the depth of the water (if it is low, the ship's propellers may have swirled up mud from the bottom), and water currents. It can be very challenging to navigate underwater if there are both strong currents and low visibility, making the inspection process less precise.

To solve the problem, the Customs Rummage Team is currently working on upgrading the drone by mounting a sensor package that will allow the team to see the depth of the drill, mounting a crawler that will enable the drone to crawl under the ship's base during strong currents, and installing a sonar that will provide underwater visibility up to 30 metres. These upgrades will make inspections more efficient during poor underwater conditions.

More information

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The drone is connected to a wire through which it sends video images and receives steering instructions

The screen of the controller's board where video images are received can be connected to a laptop to extract any video footage

Israel's response to the threats facing cultural heritage

By Dr Eitan Klein and Ilan Hadad,

ANTIQUITIES THEFT PREVENTION UNIT, ISRAEL ANTIQUITIES AUTHORITY

Where do the antiquities in the dealers' shops come from? They may, of course, have been obtained from private collectors or date back to pre-1978, but unfortunately this is not always the case.

The State of Israel has a rich history, with more than 30,000 known antiquity sites across the country. Most of these sites are out in the open, unguarded, and easily reached by the public. Neighbouring countries, such as Jordan, Egypt, Syria, Lebanon, Iraq and Turkey, are in the same situation, but, contrary to Israel, they do not permit any trade in antiquities.

In Israel, this trade is regulated by the Israel Antiquities Authority (IAA) and the country counts more than 40 antiquity dealers, most of whom are located in Jerusalem and the surrounding area. They must operate in accordance with the Israeli Antiquities Law, enacted in 1978, which stipulates that every antiquity that has been excavated or found in Israel after 1978 is state property. The Law also stipulates that excavations of archaeological sites are allowed only for scientific research and require excavation licences.

Illegal trade

Given this background, the question which naturally arises is: where do the antiquities in the dealers' shops come from? They may, of course, have been obtained from private collectors or date back to pre-1978, but unfortunately this is not always the case, as some objects are acquired illegally. Sites are being looted on a mass scale all over the State of Israel, especially in the Judean Hills and the surrounding area of Jerusalem. This illicit trade is carried out by organized gangs of professional thieves who systematically dig up antiquity sites, break into burial caves, and completely destroy ancient structures.

In the Judean hills alone, 6,200 burial caves have been broken into, and Biblical Tels (mounds formed over a period of several millennia that contain evidence of multiple layers of settlements, representing various civilizations) have been dug up in the search for graves. Underground cave complexes linked to the Great Revolt (66-73 CE) and the Bar Kokhba Revolt (132-136 CE) against the Romans have been systematically plundered in an attempt to find valuable coins from those periods.

As a result, entire pages of history have been wiped out by the robbers' spades and excavators. Antiquity sites destroyed by robbers afford no possibility for archaeological research since the original order of chronological levels supplying evidence of thousands of years of habitation has been destroyed. Often what is most important for archaeologists and other scholars is studying objects in context: how they relate to each other; and how they relate to where they have been found. Once coins, pottery and glass objects, for example, are removed from their context, a lot of knowledge is nearly impossible to put back into place, and it is almost impossible to study the material culture of the site.

Supply in illegally excavated items also comes from abroad. As Israel is the only country in the Middle East with a legal antiquities market, there are many attempts to smuggle looted artefacts into the country. Before the requirement for an import permit came into force in 2012, these objects were entering the country without having to be declared, and subsequently being sold to antiquity dealers. Although the latter are obliged to keep an inventory of their stocks, some launder illicit items by registering them in their inventories in place of unreported sold items. This fraudulent behaviour enables illicitly acquired antiquities to be "legally" sold on the open market in accordance with Israeli law.

Enhancing protection

The efforts of the Antiquities Theft Prevention Unit (ATPU) of the IAA to overcome this phenomenon consist of several activities that include:

- regular monitoring of archaeological sites by ATPU inspectors, in order to catch looters in the field and ensure that they are effectively prosecuted and punished;
- the Unit's experts making use of covert methods and informants to feed the intelligence system and back up enforcement operations;

- monitoring and inspecting the antiquities market and dealers' inventories;
- monitoring the Internet and online market platforms as well as social media for information on trade and the illegal trade in antiquities;
- cataloguing and digitizing private archaeological collections;
- undertaking surveys of and excavations at looted sites;
- cooperating with other national governmental services such as Customs, Border Control, the Police, the Army, the Tax Authority and the Nature and Parks Authority;
- assisting the general public.

Moreover, the ATPU, together with the IAA's Legal Department, has made great strides in having a number of legislative changes adopted that were instrumental in preventing cultural property crimes. Some of these changes included: (i) a prohibition on bringing antiquities into Israel from the territory of the Palestinian Authorities in 2002; (ii) tightening up legislation relating to antiquity collectors and private collections in 2009; (iii) a new order requiring an import permit for antiquities to prevent the entry of looted artefacts from foreign countries and criminal laundering activities in 2012; and (iv) tougher regulation requiring computerized records and the photographing of all dealers' inventories in 2015. Work is now underway on a new regulation that will include a licensing requirement for owning and using metal detectors.



© Israel Antiquities Authority

International collaboration

The Israeli antiquities market is a major crossroad in the international trade in antiquities. As a result, Israel regularly shares information on items discovered and on other interesting cases with various international bodies, such as INTERPOL, the WCO, the International Institute for the Unification of Private Law (UNIDROIT), the United Nations Educational, Scientific and Cultural Organization (UNESCO), the International Council of Museums (ICOM), and law enforcement bodies around the world. It also conducts international investigations; a few cases illustrating this work are listed below:

Egyptian sarcophagus

During a visit to a dealer's shop, the lid of an Egyptian sarcophagus was found; however, the dealer could not prove its provenance. Israel then contacted the Egyptian authorities through INTERPOL and the Israeli Ministry of Foreign Affairs. As the item proved to be stolen, it was eventually returned to Egypt.

A sarcophagus stolen from Egypt

If each country required an importer to submit the export permit that was issued by the country where the item was purchased, items for which no provenance documentation is available would be more easily identified.

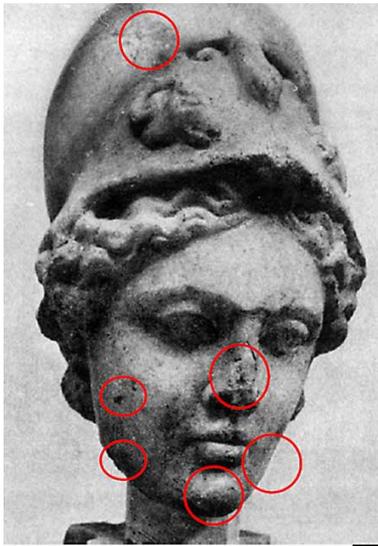
A selection of the 200 ancient Iraqi items seized during an enforcement operation on the antiquities market



© Israel Antiquities Authority

Iraqi items

Resolution 2199 of the United Nations Security Council states that all Member States are to take appropriate steps to prevent the trade in Iraqi and Syrian cultural property and other items of archaeological, historical, cultural, rare scientific, and religious importance illegally removed from Iraq since 6 August 1990 and from Syria since 15 March 2011, including by prohibiting cross-border trade in such items, thereby allowing for their eventual safe return to the Iraqi and Syrian people. In Israel, during an enforcement operation, all Iraqi items on offer on the antiquities market were impounded while an investigation into their provenance was undertaken. Eventually, an Israeli Court ordered the confiscation of almost 200 ancient Iraqi items, and efforts are now underway to find an appropriate diplomatic path in order to return them to Iraq.



© Israel Antiquities Authority

Minerva statue head

While attending a UNESCO conference, a representative of the Libyan government approached the Israeli delegation with a photo of a Roman marble statue head that was for sale on an Israeli antiquity dealer's website. The representative also provided proof that the statue had been stolen from the Cyrene Museum in Libya. Back home, Israeli authorities initiated an operation against the dealer and succeeded in seizing the statue.

A Roman marble statue head stolen from the Cyrene Museum in Libya

Again, efforts are being expended to find the right diplomatic path to ensure the statue's return to Libya.

Museum of the Bible

In 2016, a joint investigation into the activities of three Israeli antiquity dealers who had sold looted Iraqi artefacts to the Museum of the Bible in Washington D.C. was initiated in conjunction with an agent working for the Department of Homeland Security in the United States (US). This investigation led to the confiscation and retrieval of more than 5,000 Iraqi items. The museum was fined three million US dollars, and the Israel Tax Authority began investigating the three dealers on suspicion of tax evasion amounting to millions of US dollars.



© Israel Antiquities Authority

Cybele statue

A private collector in Israel wanted to sell a statue originating from Turkey in an auction house in America. When the collector applied for an export permit, Israel contacted INTERPOL to check that the item had not been stolen. As no answer was forthcoming after a long period of time, an export permit was eventually granted. Very soon after the item was exported from Israel, an answer was received from Turkey confirming that the item had been illegally acquired through looting. Israeli authorities immediately informed the US Department of Homeland Security, which seized the item on its arrival in the country.

The Cybele statue illegally excavated from a site in Turkey

Illicit trafficking routes

Given Israel's central role in the antiquities market, the ATPU has gathered information and intelligence on the routes used by smugglers of antiquities. Until 2012, looted items were smuggled from all around the Middle East to the free trade market in Dubai, from where they were shipped in transit to the United Kingdom and then on to Israel. Once in the country, the items were then laundered using licensed dealers' inventories, and thereafter legally exported to destination countries in Europe and the US. However, everything changed in 2012 with the introduction of legislation requiring an import permit.

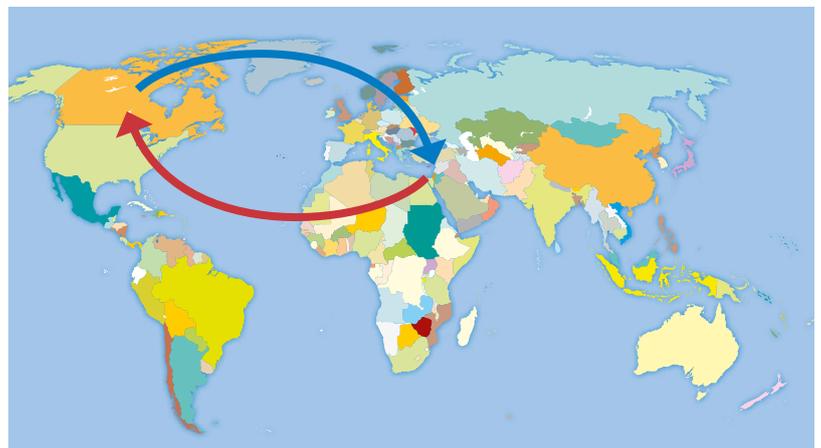
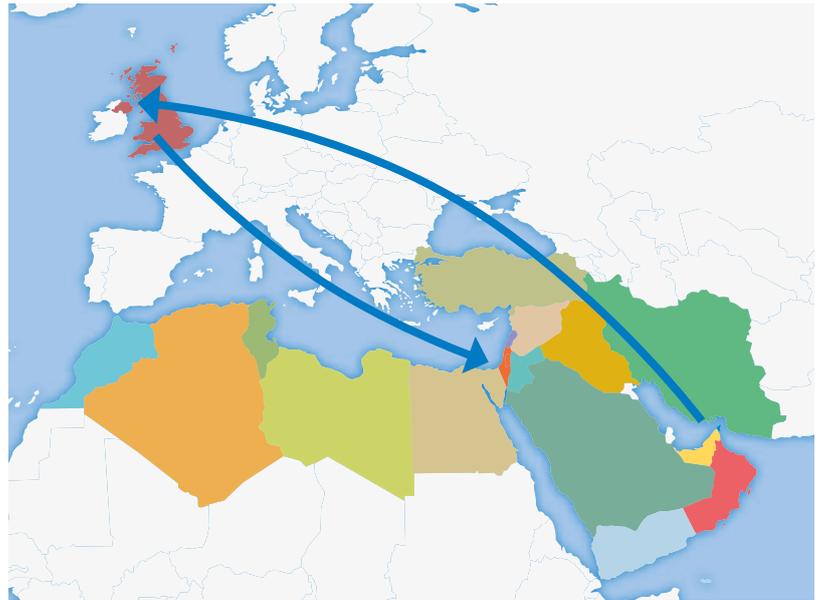
Also of note is the fact that a new illicit trade route for looted antiquities has recently been identified between Israel and other countries in the Middle East, and Canada. In Israel's opinion, the law in Canada regarding the trade in antiquities is very loose, enabling international dealers to exploit the situation with the possible aim of also using this route to smuggle items onto the American market. These criminally-inspired actions have been brought to the attention of the Canadian authorities.

Another smuggling route, used mostly by Israeli dealers, is via border checkpoints between Israel and Jordan. Israelis and Palestinians, who work as drivers for foreign diplomats, take advantage of the diplomatic immunity afforded to their vehicles when crossing the border to smuggle hidden antiquities in these vehicles. Intelligence work and cooperation between the IAA and Israeli Customs play a key role in responding to this phenomenon.

Possible solutions

By acting on different fronts, the ATPU has managed, over the last few years, to lower the incidences of antiquities being looted and trafficked in and through Israel. But this harmful and devastating phenomenon is still occurring. Therefore, Israel strongly believes that it is the responsibility of the various bodies charged with controlling antiquities in each country to come together and, if necessary, amend Customs regulations pertaining to internationally traded antiquities or items of cultural heritage by requiring export permits for such goods in particular.

If each country required an importer to submit the export permit that was issued by the country where the item was purchased, items



for which no provenance documentation is available would be more easily identified. Some dealers will, of course, falsify documents to hide the origin of antiquities, but close monitoring of market places and other activities described in this article would still be relevant to deal with such a phenomenon effectively, and an export permit would greatly help enforcement bodies in tackling any illicit trade.

In addition, the ATPU is of the firm belief that effective international cooperation between countries is also instrumental in combating the illicit trade in antiquities, as the examples provided in this article clearly demonstrate. Indeed, by working together, countries can more easily contain the threats facing cultural heritage, preventing not only the looting of such items, but also the lucrative trafficking in these objects.

More information

www.antiquities.org.il

Bridging development gaps in the Pacific

By the Secretariat of the Oceania Customs Organisation

The Oceania Customs Organisation (OCO) has 23 members made up of independent countries and self-governing territories in the Pacific region. Established in 1986, its mandate is to support Customs administrations in their endeavour to enhance the effectiveness and efficiency of their work, in order to meet the development objectives of their governments. Such endeavours include the harmonization and simplification of Customs procedures, the facilitation of trade, better quality law enforcement, and the building of leadership and management capacity.

About 39% of OCO members have less than 50 Customs officers. Apart from Australia and New Zealand, they share some common features including reliance on Customs duties and other border taxes to generate government revenue, dependence on imported goods, relatively high border clearance times, and limited human resource capacity. There are also significant differences in legislation, procedures, practices, and documentation requirements. Moreover, OCO members use different versions of the WCO Harmonized System (HS) as a basis for their own goods nomenclatures, with only 39% having implemented HS 2017, the latest version. In addition, 24% do not have automated Customs operating systems.

Whilst a number of OCO members have initiated Customs institutional reforms and the modernization of Customs procedures to facilitate trade, the majority, given resource constraints, still lag behind in this respect. Capacity building programmes are also difficult to develop as a result of various constraints such as a lack of budget, the political climate, and being prone to natural disasters. When it comes to budgetary matters, it is worth noting that, although donors provide financial support, a lack of coordination has resulted in initiatives being duplicated, and this duplication has done more harm than good.

Another issue for the OCO's small island economies (SIE's) is the increase in transnational criminal activity in the Oceania region. Its remote islands and maritime

borders make the region an attractive place for criminal elements to set up their activities for onward passage to the bigger economies of Australia and New Zealand. The increase in such activities is having an impact on these SIE's in terms of revenue as they impact negatively on tourism, business investment and trade, creating a need, in general, to shift the focus from pure revenue collection to include the fight against illicit trade.

OCO support

To support its members, the OCO organizes training events and holds various forums to foster the exchange of information and promote networking. When it comes to training, the OCO has identified a need not only to strengthen its members' competencies in technical matters, but also in leadership and project management. With the support of the WCO, several workshops have been organized to address these needs.

Among them was a Leadership and Management Development (LMD) Workshop, which gathered 19 senior officials from 10 of the non-WCO member countries over a two week period in 2017 to discuss the different aspects of leadership, visioning, people management, delegation, motivation, negotiations, communications, change management, and decision-making.

The OCO also encourages its members to participate in training events organized by the WCO and its development partners for countries situated in the Asia/Pacific region. To widen training opportunities, the OCO also signed a Declaration of Partnership with the Pacific Islands Chiefs of Police (PICP) and the Pacific Immigration Directors Community (PIDC).



The work towards compliance with the RKC is important for OCO members. It falls within the reform programmes that they have developed, and is seen as instrumental in ensuring effective implementation of the TFA.



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Key work areas

The OCO has an annual work programme where it lists activities aimed at assisting its members with regard to harmonizing and simplifying their current business processes. Two of the identified priorities for the region and some of the activities undertaken in respect thereto are introduced below.

Trade facilitation

Although only eight OCO members are Members of the WCO and the World Trade Organization (WTO), the majority are parties to and/or negotiating preferential trade agreements in which trade facilitation provisions are a major component. Such agreements also include a range of commitments covering, among others, the automation of Customs clearance processes, and the implementation of risk management as well as advance rulings.

Therefore, although very few OCO members are signatories to the WTO Trade Facilitation Agreement (TFA) or the WCO Revised Kyoto Convention (RKC), they have all committed to enhancing their procedures and implementing international standards. This commitment will not only assist in reducing costs to legitimate trade, but will, in turn, also contribute to the competitiveness of businesses operating in the Oceania region.

Following the 2017 OCO Annual Conference, six non-WCO members (the Cook Islands, the Federated States of Micronesia, Kiribati, Nauru, the Solomon Islands and Tuvalu) indicated their intention to accede to, and comply with, the RKC, noting that any Member State of the United Nations or its specialized agencies may become a Contracting party to the Convention.

The work towards compliance with the RKC is important for OCO members. It falls within the reform programmes that they have developed, and is seen as instrumental in ensuring effective implementation of the TFA. To support its members, the OCO organized, in collaboration with the WCO, a workshop on the RKC in June 2017 where a gap analysis was conducted, enabling OCO members to compare their country-specific legislation with the provisions of the RKC and its guidelines. In June 2018, Kiribati became the first non-WCO member to accede to the RKC.

Harmonized classification

The implementation of the Pacific Harmonized Commodity Description and Coding System 2017 (PACHS 17), which was developed by the OCO in collaboration with the Secretariat of the Pacific Community's Statistics for Development Division, is another important area of work.

PACHS 17 is an eight-digit regional-wide nomenclature. Its first six digits mirror those contained in HS 2017, with the addition of two further digits known as the "regional sub-heading." This regional nomenclature was developed to establish even further uniformity in the classification of goods by OCO members.

The implementation of PACHS 17 is dependent on the implementation of HS 2017. However, aside from Australia and New Zealand, when HS 2017 became effective on 1 January 2017, only three other OCO members had implemented PACHS 17, of which HS 2017 is an integral part. But thanks to training support from the OCO, seven more countries have since implemented PACHS 17 to date.

One of these training support events was organized in collaboration with New Zealand Customs. Five OCO members from the Micronesian sub-region benefited from this training: the Commonwealth of the Northern Mariana Islands (CNMI), the Federated States of Micronesia (FSM), the Republic of the Marshall Islands, Palau, and Guam. Palau implemented HS 2017 in October 2018, followed by the FSM in November 2018, and the CNMI is in the process with 80% of the work completed.

Cooperation and information-sharing

Fifteen OCO members signed a Memorandum of Understanding (MOU) on Customs Cooperation at the 20th OCO Annual Conference in Melbourne, Australia in June 2018. The MOU aims to facilitate the exchange of information between Customs administrations. The information shared will cover areas relevant to border control, trade facilitation, organized crime, and revenue management.

Subsidiary agreements between participating members will be required to satisfy the legal requirements of most States, but the OCO is confident that it will achieve considerable progress in this area in the coming months.

More information

www.ocosec.org

China Customs disrupts major wildlife trafficking syndicate

By the Environmental Investigation Agency UK



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had declined by between 93,000 and 111,000 elephants from 2006 to 2015, marking the worst decrease in the number of elephants in 25 years.

The IUCN also found that Eastern Africa was most affected by poaching, largely due to a greater than 60% decline in Tanzania's elephant numbers. Neighbouring Mozambique's elephant population was also reduced by an estimated 25%, mostly due to severe poaching in the north. Overall, elephant poaching in Africa continues on a worrying scale, with more elephants dying from poaching than from natural causes.

Forensic analysis of seized ivory shows that Mozambique and Tanzania are major sources of illegal ivory

The New Year kicked off with positive news for wildlife, with the Chinese authorities announcing the capture and repatriation of a prolific ivory trafficker. This was the culmination of a major investigation led by the Anti-Smuggling Bureau of China Customs, which has disrupted two major wildlife trafficking syndicates.

The Chinese operation was initially prompted by confidential information provided by the Environmental Investigation Agency UK (EIA), a non-governmental organization dedicated to combating environmental crimes, and which has been documenting and analysing the role of organized crime in wildlife trafficking for more than two decades.

Ivory trafficking: a grave threat to elephants

Ivory trafficking continues to pose a major threat to elephants. In 2016, the International Union for Conservation of Nature (IUCN) reported that the African elephant population

The sea cucumber trail

In-depth research and investigations by the EIA between 2014 and 2017 provided unique insights into the role of a major Chinese criminal syndicate involved in the trafficking of elephant ivory from East Africa to Shuidong, located in southern China's Guangdong Province. At an early stage, it became clear that there was a close connection between the trade in marine products and ivory trafficking.

Traders from Shuidong originally involved in the sea cucumber and fish maw business had diversified into the profitable illicit trade in ivory and other wildlife, such as rhino horn and pangolin scales. By following leads from previous investigations in Tanzania on Shuidongese sea cucumber traders, in 2016, the EIA encountered three major ivory traffickers in Mozambique – Ou Haiqiang, Xie Xingbang and Wang Kangwen, all of whom have been apprehended by China Customs in the last two years.



Sea cucumbers are threatened by over-fishing to meet the rising demand for this highly-prized food delicacy

© Environmental Investigation Agency, UK

the product they were buying. However, such inspections were conducted under tightly controlled conditions.

Trade routes.

The syndicate chose their route carefully to evade detection by enforcement authorities. Direct transport from Africa to China was considered too great a risk, so the group chose multiple transit ports such as Mombasa (Kenya), Singapore, Busan (South Korea), and Hai Phong (Vietnam). Accomplices, including corrupt government officials and complicit freight agents, were placed at strategic points throughout the trade chain, which enabled the syndicate to "own the route."

Illicit money flows.

All payments in Africa were made in US dollars, with the group using Chinese black-market moneychangers based in Dar es Salaam (Tanzania) and Pemba (Mozambique). Money was paid in Chinese renminbi into designated accounts in China, after which local moneychangers in Africa were informed, who then provide the cash for collection in dollars.

"Switching" the bill of lading

In April 2016, the Shuidong syndicate used a 40-foot container to ship 2.3 tonnes of ivory (sourced from over 340 elephants) concealed in grey plastic pellets weighing a total of 21 tonnes. The bill of lading described the contents of the container as "960 bags of plastics."

The container was loaded onto a cargo ship at the port of Pemba and safely transited through the ports of Mombasa and Singapore, arriving at the port of Busan, then destined for Hong Kong for onward transportation to Shuidong in mainland China, where the ivory would be securely stored while various buyers were contacted. When the price was agreed, and payment made, the buyers would load the tusks into a fleet of SUVs for onward transport from Shuidong.

The Shuidong syndicate used complicit freight agents to submit fraudulent documents for Customs clearance along the route. The freight agents are responsible for "switching" the bill of lading to conceal the origin of the container and the identity of the sender and recipient. This involves the use of two bills of lading to "break the route": the first one issued at the port of export incorrectly lists a transit port as the final destination, and the second one is produced at the transit port, listing the correct final destination.

Modus operandi

Organized crime.

The Shuidong syndicate demonstrated several organized crime characteristics: significant financial investment; sophistication of smuggling techniques and routes; facilitation of multiple shipments; reliance on corruption; money laundering; and trade in multiple species such as ivory, pangolins, rhino horn, and fish maws. The syndicate's operations were heavily dependent on establishing relationships with local "confidantes" and corrupt officials, for example, through the payment of bribes to Customs officers and port officials to ensure safe shipping and non-inspection of goods. Indeed, syndicate members admitted that corrupt officials would themselves weigh the goods, and charge the bribe, according to the weight of the ivory being shipped.

Concealment methods.

The syndicate used a variety of legitimate products to conceal several tonnes of ivory in containers. According to Xie Xingbang, the choice of "filler" or legitimate goods to conceal the ivory is critical to avoid arousing suspicion at the point of export or import. The goods used by the Shuidong syndicate to conceal ivory included plastic pellets, sea shells, peanuts, and tea leaves. The nature of a consignee's business is also an important factor as this appears on the shipping documents.

Avoiding possession.

The Shuidong syndicate operated with caution, minimizing physical contact with the ivory, and instead employing locals in Africa to collect and store the tusks. One exception being when traffickers decide to inspect tusks prior to shipping, checking on the quality of

The Shuidong syndicate operated with caution, minimizing physical contact with the ivory, and instead employing locals in Africa to collect and store the tusks.

Thus, the goods are exported to a specific destination under cover of one bill of lading, the destination being merely a transit point, and then re-exported to the final destination under a “new” bill of lading. Complicit freight agents selected by the Shuidong syndicate for switching the bill of lading typically have a clean record and have avoided interception.

In the case of the 2.3 tonne ivory shipment, mentioned earlier, the Shuidong syndicate planned to switch the bill of lading at Busan. With a new bill of lading issued at Busan, Hong Kong Customs cleared what appeared to be a routine shipment of plastic pellets from South Korea; by September 2016, the ivory had finally arrived in Shuidong. In October 2016, EIA undercover investigators were invited to Shuidong for an “ivory viewing,” enabling them to confirm that the ivory had indeed reached Shuidong from Mozambique.

China Customs’ enforcement success

Since 2010, at least 291 tonnes of ivory have been seized globally, sourced from approximately 43,486 elephants [based on open source information collated by the EIA]. Of this, approximately 70% of the volume seized constitutes large-scale ivory seizures (weighing 500kg or more), indicating the involvement of organized criminal groups trafficking large quantities of ivory.

Too often, wildlife crime enforcement action ends with seizures, and traffickers continue to operate with impunity. However, leading a ground-breaking investigation into the Shuidong syndicate, the Anti-Smuggling Bureau of China Customs has successfully turned the tide against wildlife crime, resulting in arrests and prosecutions of major traffickers, and the disruption of criminal networks.

Acting in response to information provided by the EIA on the syndicate, in 2017, the Bureau led a raid involving up to 500 enforcement officers in several locations in Shuidong and surrounding areas. One of the three key figures of the Shuidong syndicate, Wang Kangwen, was arrested during these raids and subsequently sentenced to 15 years imprisonment.

Follow-up operations resulted in the apprehension of the second key ivory trafficker, Xie Xingbang, who was tracked down in Tanzania and voluntarily returned to China to face trial. He was sentenced to six years imprisonment.



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Finally, on 5 January 2019 it was announced that following the issuance of an INTERPOL Red Notice, Ou Haiqiang had been tracked down in Nigeria, arrested by local law enforcement and repatriated back to China. So far, 11 suspects have been convicted and sentenced to jail terms ranging from six to 15 years.

The intelligence-led investigations and the pursuit of the suspected wildlife traffickers by China Customs, in collaboration with relevant stakeholders, serves as a best practice in apprehending and disrupting wildlife crime syndicates globally. The recent enforcement action carried out by China Customs demonstrates that working together, wildlife crime can indeed be stopped.

Need for global coordinated action

Globally, there continue to be significant challenges in tackling wildlife trafficking. Ivory sourced from Forest Elephants in West and Central Africa is becoming more attractive to traffickers over ivory from Savannah Elephants in East Africa, and other imperilled wildlife, such as leopards, pangolins, rhinos and tigers, also continue to be targeted for the illegal trade in their parts and products.

The incontrovertible fact that many of these targeted species are being rapidly depleted due to poaching and trafficking underscores the urgent need for effective and coordinated action, particularly by Customs authorities across the globe.

More information

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<https://eia-international.org/report/shuidong-connection-exposing-global-hub-illegal-ivory-trade>

Part of the 2.3 tonne ivory shipment shown to EIA investigators by the Shuidong syndicate



The PEN-CP project boosts innovation and connects people knowledgeable in Customs and border security

By Juha Hintsa,

SENIOR EXPERT IN SUPPLY CHAIN SECURITY AND TRADE FACILITATION, CROSS-BORDER RESEARCH ASSOCIATION

The Pan-European Network of Customs Practitioners (PEN-CP) is a five-year project funded by the European Union (EU) under Horizon 2020 (H2020), the financial instrument implementing the Innovation Union, a Europe 2020 flagship initiative aimed at securing Europe's global competitiveness. The PEN-CP's overarching vision is to create an innovative networking system across Europe to translate security research, innovation ideas and requirements into scalable and viable solutions, technologies and process improvements that would help Customs administrations to overcome the challenges of contemporary Customs and border management security.

A total of 13 Customs administrations – Albania, Austria, Belgium, Estonia, Hungary, Ireland, Latvia, Lithuania, the Netherlands, Norway, Slovakia, North Macedonia and the United Kingdom (Home Office's Border Force) – are direct beneficiaries of the project. Other project partners include the University of Lausanne (innovation funnel and dissemination material), the Technical University of Delft (innovation management), ARTTIC (an online platform), and the Cross-border Research Association (project coordinator).

Main activities

Instead of addressing a single Customs security challenge or problem, like it is done in most EU-funded H2020 research and development projects, PEN-CP participants carry out a broad range of small-scale activities aimed at monitoring and boosting innovation in six security related domains: risk management and "big data," detection technologies, laboratory equipment, border performance measurement, Customs-police-border guard cooperation, and Customs-business partnerships. Let's take a closer look at the four main activities carried out under the PEN-CP project:

1. PEN-CP monitors and categorizes innovations and innovators, i.e. projects, products, prototypes, patents, companies, research institutions, university labs, etc., seeking innovative ideas, even from outside the Customs domain (e.g., the police or forensic services). The outcomes of the continuous online and offline monitoring are shared on the electronic PEN-CP platform, in an easy-to-use-and-search format. For example, a user can ask the system to "show all available products, patents and research papers on narcotics detection and verification equipment." Regarding existing tools and technologies, Customs' partners can share user experiences between one another. In other words, PEN-CP spreads security innovation news.

2. PEN-CP collects and analyses ideas from administrations. Ideas can vary from preliminary, not-yet-well-defined versions to more mature, well-articulated ones, for example, in the context of detection technology performance, laboratory device accuracy, etc. All ideas are stored on the PEN-CP platform. Users can revisit their ideas, and add details. They can also promote and/or challenge other users' ideas. Close cooperation with other expert teams created under the EU Customs 2020 programme – including the Customs Eastern and South-Eastern Land Border Expert Team, the Customs Laboratories European Network, and the Customs Detection Technology Project Group – is crucial. In other words, PEN-CP sheds light on emerging security needs.

3. PEN-CP generates matches and analyses gaps between the security innovations and innovators vs. the security user need ideas of network participants. This process takes place in the so-called PEN-CP Innovation Funnel, or PIF, (see graphic illustration) where the prioritization of processed items also happens. In case there is a match between a user need idea and an existing security innovation, the system alerts PEN-CP participants. In other words, PEN-CP facilitates matchmaking between user needs and existing or upcoming solutions.

When high priority ideas do not have a direct match with existing products and projects, participants can opt to develop tailored content such as user requirement specifications, prototype grant specifications, and standardization roadmap items or stakeholder briefings. In other words, PEN-CP contributes to the future of Customs security.

How it all works

At the heart of the PEN-CP project lies the so-called PEN-CP Innovation Funnel (see graphic illustration). The PEN-CP Information Observatory – moderated by the PEN-CP Management Team – at the top of the funnel monitors, in a continuous manner, a broad set of online and offline sources:

- Customs administrations inside and outside the PEN-CP consortium;
- Other governmental entities, such as political institutions, the police, border guards, and patent offices;
- Universities and research institutions;
- Technology and service providers, including those who have provided services and those who have not provided services to Customs;
- *Ad hoc* information sources, such as media and non-governmental organizations, among others.

The types of monitored information include product sheets, project websites, organization descriptions, research papers, conference papers, news items, and postings on social media, among others – again, all in the broad context of Customs and border security related technologies, services, and procedures.

The Observatory also identifies ideas expressed by users (PUNIs), as well as relevant organizations, projects, solutions and patents (PSIMs) calling for follow-up monitoring and review. In cases where additional information is required on a specific topic, the production of an expert report or an annual study chapter can be triggered.

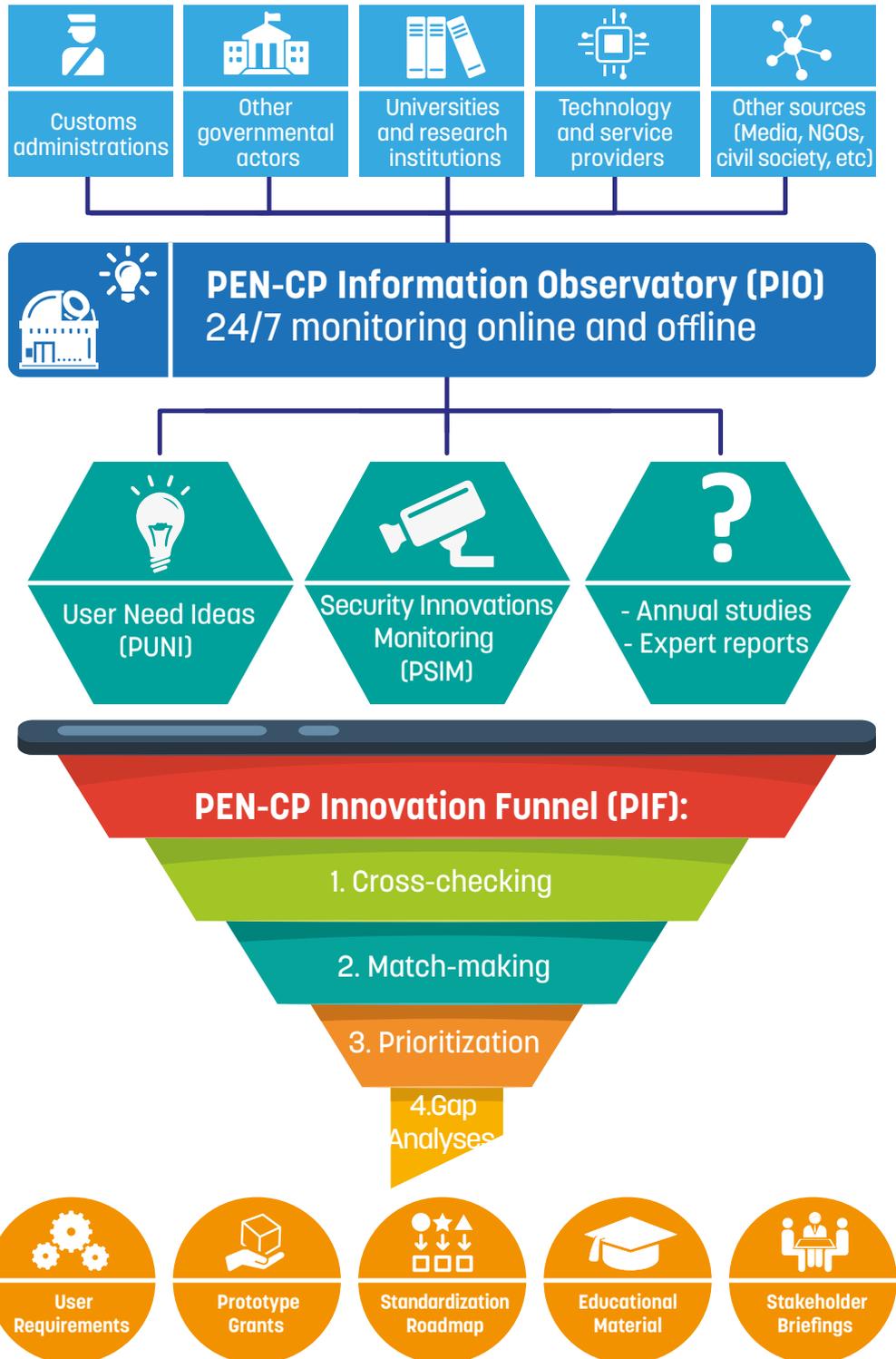
Finally, following a well-defined cross-checking, match-making, prioritization and gap analysis protocol, the PEN-CP Innovation Funnel triggers the following ultimate outputs for the project: detailed user requirement documents, specifications for field trials/prototype grants, standardization roadmap items, content for educational material, and briefings on Customs and security research policy for decision-makers.

Cooperation mechanisms

Boosting innovation across the six themes addressed by the PEN-CP is highly relevant for the vast majority of Customs administrations across the globe. It would also be of interest to explore how PEN-CP participants and the WCO could cooperate. One possibility would be to share user experiences with promising technologies through the WCO News magazine or at WCO events, or by establishing, for example, a reporting mechanism, enabling innovations from around the world to be shared with the PEN-CP.

For questions, comments or suggestions on the PEN-CP, please feel free to contact any of the Project Management Team members: Mr. Jonathan Migeotte, Belgian Customs and Excise Administration; Dr. Dezsi Zsolt, Hungarian National Tax and Customs Administration; Mr. Kevin Humphreys, Ireland's Office of the Revenue Commissioners; Mr. Trevor Francis, UK Border Force; and Dr. Juha Hintsa, Cross-border Research Association (PEN-CP Coordinator).

Graphic representation of the PEN-CP project



More information on PEN-CP

Visit the website: www.pen-cp.net

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More information on the EU H2020 programme

Visit the website: <https://ec.europa.eu/programmes/horizon2020/en>



Embedding the HS in the business world to enhance work on rules of origin

By Hiroshi Imagawa,

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This article looks at the close relationship that exists between rules of origin (ROO) and goods classification work. It argues that a change in tariff classification should remain the predominant criteria for expressing substantial transformation, and that the revision of the WCO Harmonized System (HS) should, to the extent possible, accommodate the needs of ROO.

Whilst attending a session of the Technical Committee on Rules of Origin (TCRO) at the headquarters of the WCO around 20 years ago, during a tea break a group of trade ministry officials whispered to each other:

"Why are there changes to the Harmonized System again? This is the reason why we can't complete the harmonization of non-preferential rules of origin!"

Yes, indeed. Why not make HS 1996 the 'origin nomenclature' to fix the issue?"

In those days and, to a lesser extent, even now, the impact of the HS amendments on ROO was a topic openly spoken about among origin experts. To better understand the background to the above conversation, it would be pertinent to explain the relationship between ROO and the HS.

ROO and the HS

First of all, readers should remember that ROO exist to grant preferential treatment to certain goods provided specified origin criteria are met. Classification and origin determination of goods are closely interlinked. Typically, the requirements for determining origin are specified for individual products or product categories identified according to their respective HS code. This is what is meant by "product specific rules of origin," or PSRs. Classification of goods is, therefore, of the utmost importance when establishing which ROO apply to a good.

Moreover, in many cases, the ROO to be applied depend on whether there has been a change in tariff classification (CTC) – also known as the tariff shift rule – at chapter level (called a change in chapter, or CC), heading level (called a change in tariff heading, or CTH) or subheading level (called a change in tariff subheading, or CTSH).

Origin will, in these cases, be granted if the tariff classification of the final manufactured good is different from that of the non-originating (e.g., imported or of unknown origin) inputs used in its production. This criterion requires correct classification of the final manufactured product and of the input materials used in its production.

The intrinsic structure of the HS classifies goods from raw materials to semi-manufactured goods or intermediate materials, to finished goods. It, therefore, provides a solid, clear and transparent basis for determining whether a good is substantially transformed.

As long as the tariff shift rule is taken as a basis for expressing substantial transformation, PSRs must be aligned to the latest edition of the HS. In other words, any update of a goods nomenclature should be accompanied by an update of the PSRs, a process known as a "technical update." Without this update, Customs officers and the trade community would be forced to use different editions of the HS for the purposes of determining the origin of the very same goods.

Impact of a technical update

From an origin expert point of view, HS amendments are not always welcomed. Each time the HS is reviewed and a new edition released, countries must, on average, update perhaps nearly 10 sets of preferential PSRs or more. Japan, for example, currently has 17 Economic Partnership Agreements (EPAs) or Free Trade Agreements (FTAs) in force, each with differing ROO. The update process

escalates to any ongoing negotiations on PSRs – a real “nightmare” for origin experts!

The main feature of a “technical update” is, in fact, the backward adjustment of the HS structure from the amended to pre-amended one, in order to maintain the original PSRs. Table 1 provides an example of how changes are tracked.

Table 1: Tracking ROO changes

HS Edition	Heading No.	Coverage of Heading	Product-Specific Rules
Original	77.01	P(A&B) and Q(Y&Z)	CTH
Original	77.02	K(X) and L(X)	CTH

Transposition of a CTH rule in accordance with the 1st HS amendment

1 st Amended	77.01	P(A&B)	CTH, except from heading 77.09
1 st Amended	77.02	K(X) and L(X)	CTH
1 st Amended	Newly created 77.09	Q(Y&Z)	CTH, except from heading 77.01

Transposition of a CTH rule in accordance with the 2nd HS amendment

2 nd Amendment	77.01	P(A)	CTH, except from heading 77.09, 77.10 or 77.11
2 nd Amendment	77.02	K(X)	CTH, except from split heading ex77.11(b)
2 nd Amendment	77.09	Q(Y)	CTH, except from heading 77.01, 77.10 or 77.11
2 nd Amendment	Newly created 77.10	P(B)	CTH, except from heading 77.01, 77.09 or 77.11
2 nd Amendment	Newly created ex77.11(a)	Q(Z)	CTHS, except from heading 77.01, 77.09 or 77.10
2 nd Amendment	Newly created ex77.11(b)	L(X)	CTHS, except from heading 77.02

What would happen after three or four reviews of the HS? The list of changes would look excessively complex and possibly need special software to be able to comprehensively understand them. It should be mentioned here that in December 2015 the WCO did publish a Guide for Technical Update of Preferential Rules of Origin, but although the methodology is clear, many resources would have to be allocated by Customs administrations in order for the work to be done.

If the technical update could be done by Customs administrations alone, things would not look that complex. However, for goods under the scope of preferential trade, the update requires the consent of all the government ministries involved, as well as all the parties to an FTA, which results in a long and much more complicated process.

Alternatives

In looking at alternatives, the question can be asked: is there a simpler way in which the issue could be handled, without having to undertake a technical update? Theoretically, there are two possibilities:

- Firstly, a general provision could be set out, stipulating that “when a CTC rule is satisfied, origin may be conferred on the good.” In other words, regardless of any HS amendment, the originating status is obtained when a CTC rule is met under any edition of the HS. This would make things clear, simple and administrable! However, many CTC rules are not as simple, listing a number of exceptions that will apply to certain goods – for example, textiles.

Illegal waste trafficking: more data is key to getting a better grip on this trade

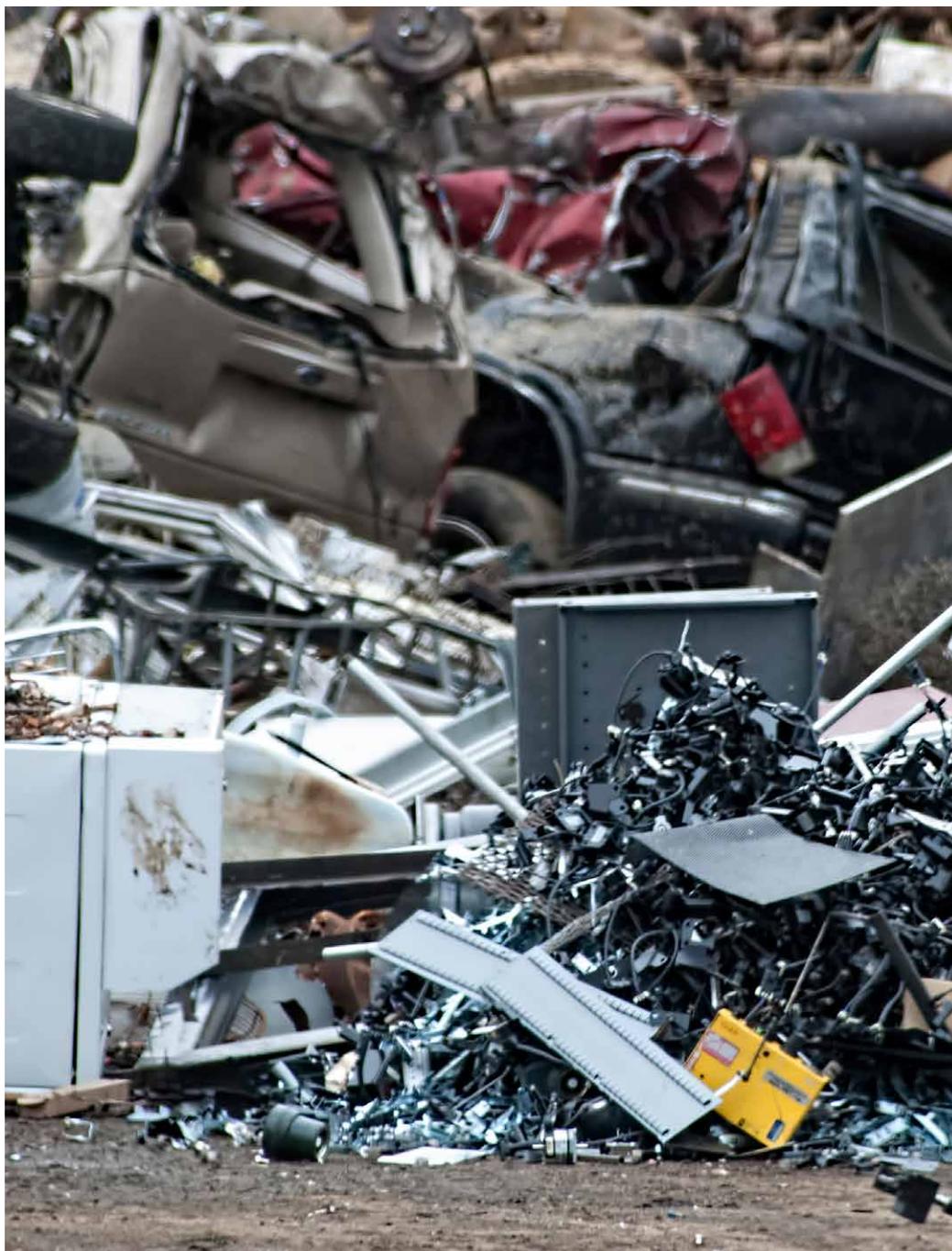
By the WCO Secretariat

A rising global population and higher standards of living have in turn led to an exponential increase in the consumption of goods, resulting in greater quantities of waste. The word “waste” covers a very wide spectrum of discarded material, encompassing household items, electrical and electronic equipment (e-waste), and industrial and agricultural waste, including pesticides. It also includes waste of any size and scale, from decommissioned ships, to oil or liquid waste, and billions of tyres.

This waste is divided into two categories: hazardous, and non-hazardous. Hazardous waste is waste that poses substantial or potential threats to public health or to the environment. Part of the waste is traded at the international level, moving from developed to developing countries, due to the difference in treatment and disposal costs. The movements of waste are also demand-driven. Hazardous waste, such as e-waste, contains valuable secondary raw materials, making it a “trading good.”

The main international agreement regulating this trade is the Basel Convention on the Control of Transboundary Movements of Hazardous Waste and their Disposal. The Convention defines what must be considered as “hazardous” waste. However, it allows its 186 Parties to complete their own respective

list of wastes considered hazardous under their national legislation, and recognizes the right of Parties to set their own requirements concerning transboundary movement procedures applicable to such waste (Art. 3.1). Additionally, countries are forbidden from exporting waste classified as hazardous to



another country without prior consent, and have the right to refuse imports of waste classified as hazardous (Art. 4.1).

Other international environmental agreements (IEAs) have also been concluded to ensure that waste is not dumped or recycled in an unsafe manner. The Basel Convention is one of the few – alongside the Bamako and the Waigani Conventions – to define an illegal activity under the Convention as a crime.

Waste trade

Between 1992 and 2012, the volume of waste traded grew from 45.6 million tonnes to 222.6 million tonnes, an increase of more than 500% in just two decades! The proportion of the world's waste being exported to developing countries grew by 40% between 1998 and 2009. Considering that, in 2016, the world generated 2 billion tonnes of municipal solid waste, the global waste trade today places severe pressure on developing countries.

Africa and the Asia/Pacific regions are key destinations for large shipments of waste, especially e-waste, plastics, and various scrap metals. In West Africa, significant recipients include Côte d'Ivoire, Ghana, and Nigeria. In Asia, favoured destinations include Bangladesh, India and Pakistan in the South, and China, Hong Kong, the Philippines and Vietnam in the Far East.

Since 1 January 2018, China has banned the importation of 24 types of solid waste and scrap, including scrap metal, plastic waste, and e-waste. Although comprehensive statistics on global trade flows are lacking, estimates show that until that date, China was by far the biggest importer of waste, receiving half of all global waste imports, with Hong Kong acting as a major transit point.

Illicit flows

Illegal activities take different forms: transporting waste on the black market, mixing different types of waste, declaring hazardous waste as non-hazardous, or classifying waste as second-hand goods. Indeed, when products are classified as second-hand goods, they are no longer governed by international waste regulations and can be traded with developing countries. For instance, e-waste and used car parts are often disguised as second-hand goods, and end up being recycled in an unsafe manner.

Although many developing countries rely on the import of second-hand materials and used e-waste for resources and raw materials, international and national regulations as a whole still lack specific requirements for distinguishing scrap and/or second-hand material from waste, despite stringent regulations prohibiting or restricting the import of hazardous and other waste. This leads to an enormous grey area when distinguishing legal from illegal waste shipments, making enforcement very difficult.

These imports also put pressure on port infrastructure. Since China introduced the ban, neighbouring countries and certain African countries have become increasingly targeted by shippers of illegal waste. Even when shipments are legal, these countries find themselves lacking the capacity to accommodate them at their ports and other points of entry.

Lack of data

It should be stressed over and over again that there is still not enough data available to get a clear picture of illicit international waste flows. In order to identify trafficking trends as accurately as possible and enhance risk management, countries must register their seizures in their national enforcement database, as well as in the WCO Customs Enforcement Network (CEN) database. Such data will enable the targeting of Customs and law enforcement operations to be refined, whilst providing qualitative intelligence.

In the training domain, the recently updated Green Customs Guide to Multilateral Environmental Agreements (MEAs) has been developed under the Green Customs Initiative (www.greencustoms.org). The Initiative brings together several international organizations involved in the protection of the environment, with the aim of enhancing the capacity of Customs and other relevant border control officers to monitor the trade in environmentally-sensitive commodities covered by trade related conventions and MEAs.

Operation DEMETER

In order to get a snapshot of illicit trade flows in waste and to strongly encourage further attention and action from Customs administrations, the WCO decided, in 2009, to organize an enforcement operation called Operation DEMETER. During the seven-week long operation, Customs administrations

It should be stressed over and over again that there is still not enough data available to get a clear picture of illicit international waste flows.

in 65 countries targeted illicit cross-border shipments of hazardous and other waste en route from seaports in Europe to seaports in Africa and the Asia/Pacific region.

This first operation was especially successful as it enabled important data and intelligence to be collected on illegal transboundary movements of waste across the globe. Most of the seizures were made in Europe, before the waste could be shipped, and it was the first time that European Customs administrations shared export information with Customs administrations in other regions. More notably, the operation revealed major discrepancies in national legislation governing transboundary movements of waste.

A second, third and fourth incarnation of the operation was launched in 2012, 2013 and 2018 respectively. This time, all modes of transportation and all routes used for the illegal shipment of waste were targeted. Once again, seizures were mostly made at European departure points, with West Africa as a major destination region, especially for used car parts and, increasingly, for e-waste.

DEMETER IV saw the best results in terms of the volume of waste seized, yielding over 326,133 tonnes and 54,782 pieces of various types of waste, including mineral slag, plastics, e-waste, waste rubber, municipal waste, clothes, paper, scrap metal and batteries. The largest single seizure was a shipment of about 180,000 tonnes of smelting slag from Spain, which was intercepted by China Customs.

During the course of each operation, Customs officers shared intelligence and applied profiling and targeting techniques to identify high-risk consignments shipped on all routes and via all modalities. Participants relied on CENcomm, the WCO's secure and encrypted communication tool, to exchange information on concealment methods and on the identity of the infringers and the parties involved. It goes without saying that sustained communication between Customs administrations could result in more timely interception of illegal shipments and better intelligence.

The DEMETER operations point to the need to stimulate multilateral action on a regular basis in order to keep law enforcement efforts going, and to ensure that the fight



against environmental crime remains high on Customs' priority list. Another DEMETER operation is due to take place in 2019, and it is hoped that Customs administrations will once again join together to demonstrate their commitment to fighting illegal waste trafficking.

These operations also enable the WCO to obtain seizure reports from Customs administrations, which are then fed into the CEN. However, the amount of data collected during the course of an operation is obviously not enough to gain a really good picture of this trade, and merely provides a snapshot of what is happening on the ground.

The biggest challenge

Illegal waste trafficking is a little-known, lucrative business with devastating consequences for human health and the environment. A lot of knowledge can be extracted from databases through the use of data mining techniques, supporting effective frontline enforcement at borders.

Unfortunately, collecting decent amounts of quality data from Customs administrations remains the biggest challenge. Solving this challenge will not only contribute to better enforcement, but also have a far-reaching impact on efforts to protect the environment, as well as the safety of people around the world.

More information

www.greencustoms.org

www.wcoomd.org



On the future of the WCO Revised Kyoto Convention

By Dr. Hans-Michael Wolfgang,

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Economic discussions at the international level are dominated by daily politics, such as global trade disputes on trade barriers, or the United Kingdom's exit from the European Union (EU). Although these discussions impact on Customs administrations and global trade players, they should not overshadow other political, legal and technological developments that will shape the future of trade and which the WCO has been addressing for some years under the heading "The Future of Customs." Also being addressed are disruptive technologies like the blockchain, the Internet of Things, artificial intelligence or 3D printing, all of which will change the way Customs works.

Trade challenges

The burgeoning corpus of bilateral and regional free trade agreements (FTAs) will assume greater importance for the future of Customs, especially enhanced efforts towards trade facilitation or the increasing importance of rules of origin. Negotiations on a "mega" trade deal between major economic regions of the world are currently underway, and, if successful, promise to have considerable economic effects. Only recently, the EU concluded new FTAs with Canada and Japan, and negotiations with other States and regions are in progress. Other countries, such as China and Russia, are pursuing the same aims.

Global value chains and their growing importance also present Customs with a challenge. "Global sourcing" and "global marketing" are now standard for many companies. Materials are sourced from all over the world, production sites are located in different countries, and markets are found on all continents. Multi-national companies expect national Customs administrations to come up with flexible and coordinated solutions and technical standards, allowing smooth Customs clearance to support seamless global supply chains.

Although cooperation between Customs administrations and companies has improved

over the last 10 years, with global authorized economic operator (AEO) programmes and their mutual recognition representing a notable success, there are many different requirements relating to the integrated management of the supply chain that are demanding and still unfulfilled. Besides the exchange of data between industry and administrations and between administrations themselves, other issues include organizational, technical and legal framework conditions, such as those concerning data security and protection. There is also a need for interoperable information technology (IT) systems, whose use must continue to be actively promoted. The use of mobile devices in industry and Customs can accelerate electronic clearance processes, and contribute to procedural simplifications whilst making controls possible.

A number of other socio-economic developments are having effects on trade and Customs. They include increasing populations in Africa, Asia and Latin America, shifts in economic and political centres of power, the lack of sustainable economic development, the need to protect the environment, risks associated with international supply chains, nationalization tendencies, misgivings about globalization, and the emergence of regional or bilateral economic unions.

From the point of view of Customs, such developments demand much greater cooperation between players involved in international trade, be they governments, Customs administrations, companies or international organizations. For Customs, this would mean allowing for the cross-border sharing of relevant information on a best practice level. The WCO is already addressing this issue for its Members through the "Globally Networked Customs" concept that was launched in 2012, and which is currently being updated. At the time, negotiations on the WCO Revised Kyoto Convention (RKC) did not address this aspect as they had been conducted almost two decades ago.

The effects on Customs of electronic trade, or e-commerce as it has become more popularly known, are obvious. There has been an exponential increase in movements, mainly in relation to postal traffic, as more and more private individuals in particular, order goods via the Internet. Owing to the enormous quantities involved, there is currently little room for applying controls, whether they concern import duties, or prohibited and restricted goods. The risk that this entails for society must be taken into account: there must be more information on consignments collected and processed, but the practical implementation of this solution is still being worked on.

Sweeping technological developments are creating an additional need for action. In recent years, technologies have appeared on the market, which were dismissed as science fiction 20 or 30 years ago, but which are now determining the future:

- The Internet has triggered an economic revolution, which is still underway.
- The Internet of Things and 3D printing are changing trade flows.
- Artificial intelligence is replacing human activities.

As far as Customs is concerned, it should observe the above-mentioned developments, respond as proactively as possible, take advantage of them, and issue regulations not only on how to cope with the changing character of trade, but also on how Customs should respond to technical developments. However, it must be recognized that States are usually driven by such developments and must confront situations, which they are not always able to plan or shape. Customs administrations must overcome their conservative way of thinking, which is embedded in outdated structures, and network globally, as discussed in the context of "The Future of Customs" in various WCO bodies, including through WCO News.

Revised Kyoto Convention takes centre stage

The discussion in the WCO is progressing and has now reached a point where the reform of existing instruments, such as conventions, frameworks or guidelines, or the creation of new instruments, is being considered. Right now, the attention is on the RKC, which has been in force since 2006. This instrument has



laid down the global standard for all modern Customs legislation since 1999, covering, among many things, Customs obligations and controls, Customs declarations, and Customs procedures.

The RKC aims to simplify international trade, but another international instrument negotiated recently is pursuing the same objective: the Trade Facilitation Agreement (TFA) of the World Trade Organization (WTO), which entered into force in February 2017 and has since been ratified by 85% of the WTO's membership. Customs administrations throughout the world now have to implement the provisions of the TFA, or at least commit to do so in a certain timeframe. Much of the contents of the TFA can already be found in the RKC, holding, therefore, few surprises for the WCO and its Member Customs administrations.

At the WCO, discussions on TFA implementation take place in the Trade Facilitation Agreement Working Group (TFAWG), and focus on assisting those WCO Members in need of support in implementing the provisions of the TFA, including trade facilitation measures in general, on the basis of international standards

other instruments, such as the SAFE Framework of Standards to Secure and Facilitate Global Trade or other WCO standards, into a single code, one that is legally binding. As WCO standards are currently fragmented among its various instruments, a comprehensive instrument could prove very helpful for industry and Customs administrations alike.

Moreover, there is a need to review the RKC in light of the latest developments in trade-related services and IT, which leads us to the challenges of digitalization. A core one being how to

and best practices, especially those contained in core WCO instruments and tools such as the RKC. However, numerous countries (especially developing countries) still lack the necessary capacities, skills and legal foundations required by the intended trade simplifications. Furthermore, in June 2014, the WCO launched its Mercator Programme, which would act as a vehicle to assist governments worldwide in implementing trade facilitation measures, including the TFA provisions, expeditiously and in a harmonized manner by using core WCO instruments and tools such as the RKC, with tailor-made technical assistance at the heart of the Programme.

At WTO level, the TFA regulates many trade simplifications, which are already contained in the RKC. If the TFA is implemented worldwide, the WTO predicts an average additional annual economic growth of 0.9% for developing countries and 0.25% for industrial nations. Admittedly, there are no statistics for the RKC, but its comprehensive implementation could considerably exceed the promises of the WTO as the provisions of the TFA are rather vague, whereas those of the RKC are far more specific. This fact alone speaks in favour of developing further its provisions and of combining it with

“future-proof” the RKC, since amending a convention involves a laboured ratification process, which will make it even more difficult to ensure its provisions keep up with future technological progress. It might be possible to make it mandatory for WCO Members that sign up to a future RKC to reflect the state of technological and economic developments like the blockchain, “big data,” artificial intelligence and the Globally Networked Customs concept in their IT systems.

The RKC’s principles and standards themselves have been complemented over the years in other WCO instruments such as the SAFE Framework, which aims at securing the international trade supply chain. Instruments on trade facilitation and supply chain security developed outside the RKC should be integrated into the RKC, keeping in mind that any future instrument should serve as a model for legislation in individual States to a much greater extent than has been the case so far. To this end, the degree of regulation and its effect must be significantly increased towards a legally binding international agreement.

However, there must also be a rethink when it comes to the implementation of future

Customs rules. It is possible to increase the effectiveness and efficiency of the limited resources available to Customs administrations by increasing partnerships between them and economic operators (i.e. more “trust” in trusted traders and less interference in the trade supply chain). The digitalization of the economy must be accompanied by the digitalization of Customs administrations, with a future RKC supporting such developments. The WCO’s “Digital Customs” initiative is already trying to address this issue, and the uptake by its Members has thus far been very encouraging,

Into the future with confidence

To date, the mission of Customs has focused on data related to international transactions and does not take enough account of the constantly growing international exchange of data, at least according to current standards, which have focused on isolated data exchange with companies, rather than covering the whole supply chain. However, digitalization will not only change consumer behaviour and trade, but also the exchange of data between economic operators and Customs administrations. Trade will, therefore, be viewed differently: instead of physical controls, the focus will increasingly shift to data analysis – another area of work that is being vigorously promoted by the WCO. In fact, a future RKC should contain some essential data analysis provisions to enable Customs to attain an enhanced level of inspecting and exploiting data.

The flow of goods and data will become increasingly linked, with the result that Customs administrations will not only be integrated into the trade supply chain, but also into the data exchange environment: regularly exchanging data with various economic operators (e.g., in relation to blockchain technology or the data pipeline). In this respect, it is important to view the digital future as an opportunity to develop, for example, a comprehensive Single Window solution, which would grant access to all data during the life cycle of a transaction. Furthermore, big data will give Customs the opportunity to regulate foreign trade on a holistic, rather than transactional basis.

The future role of a Customs administrations, however, will be increasingly shaped by global issues, which have to be mastered by Customs officials. These issues are the subject of the United Nations’ 17 Sustainable Development Goals (SDGs). The increasing liberalization

of trade entails a constantly rising volume of goods, which recessions and protectionist acts are only able to stem temporarily. If the goal of sustainable balanced economic growth (SDG 8) is to be achieved whilst paying reasonable attention to global challenges like climate change and environmental pollution (SDG 13-15), then Customs clearance must, above all, be efficient. Consequently, the challenge for Customs lies in implementing the available legislative framework as effectively as possible, taking such considerations into account. Of course, the utilization of technological innovations forms an essential part of this.

Arguably, the most popular example given in this context is blockchain technology whose potential positive impact on the Customs clearance of goods for companies and authorities were recently demonstrated by *Kerstens and Canham, Saadaoui and Santamaria* in the previous edition of *WCO News* (87th edition 10/2018, pp. 52-62). Distributed ledger technology mainly promises to improve the security of data by speeding up tracing and access. The integration of the blockchain into a Customs-centric Single Window could considerably improve the already-proven trade facilitative effects. Since there has only been limited practical experience with such technology to date, it is important not to set expectations too high. At the same time, this should not be interpreted as an argument for delaying investment in the future.

In this connection, the goal of a global partnership for sustainable development (SDG 17) should be further realized in a trans-organizational context. Customs plays a crucial role in foreign trade since it traditionally has access to the goods at first hand, while often coordinating the work of other border agencies as the “owner” of the procedure. For this reason, the WCO should direct and further enhance Customs-related cooperation with all international organizations and its public and private sector stakeholders in the area of international trade, logistics, and safety and security, as already initiated in the WCO’s coordinated border management (CBM) concept (*WCO Research Paper No 2, June 2009*), which should also be reflected in any future RKC.

More information

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Respect for IP - Growing from the Tip of Africa

Many experiences were shared during the International Conference "Respect for IP – Growing from the Tip of Africa," which took place at the end of October 2018 in Sandton, South Africa. The conference was co-organized by South Africa's Companies and Intellectual Property Commission (CIPC) and the World Intellectual Property Organization (WIPO), together with the International Criminal Police

Potential development tool

Opening the conference, Joan Fubbs, the South African Parliament's Chairperson of the Portfolio Committee on Trade and Industry, summarized what was at stake: "Lately, there is a widening consensus among African leaders that economic sustainability hinges on the structural transformation of Africa's economic base. This process involves harnessing a new

generation of creative and innovative capacities in Africa by catalyzing the development of an enabling environment, where innovation and creativity can thrive; one that is underpinned by a widely respected, balanced and effective IP system."

Several narratives shared during the event clearly showed that the strategic use of IP can be a means to breaking out of poverty and overcoming underdevelopment. Among them was the journey of Trinidad and Tobago which, in order to diversify its economy,

put a focus on innovation and IP, reaching out to both students at schools and universities in order to educate potential entrepreneurs, as well as to professionals in specific creative sectors like the music and fashion industry – two sectors that had been identified through a study as generating a considerable amount of the country's GDP.

The story of Movietowne in Trinidad and Tobago was showcased as an example of how a successful business can be built around IP. In a country where almost everyone is downloading movies illegally, an entrepreneur decided to open the first Cineplex, a shopping and entertainment complex, which is now the go-to venue in the Caribbean region. The company also launched a short film competition, which enables film students to not only get specialist support and tutoring, but



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South African designers showcase their creations during the Conference

Organization (INTERPOL), the World Customs Organization (WCO), and the World Trade Organization (WTO).

This article highlights some of the shared experiences, starting with discussions at the heart of the event: how to ensure a better understanding by consumers of the benefits of protecting intellectual property (IP) rights, particularly when it comes to public health and safety as well as economic and cultural development. It also addresses the challenges related to implementing an effective IP system, which will enable a country's citizens to acquire and manage IP rights, and enforce them. That being said, the focus in this article is mainly given to the discussions that took place during the panel session organized by the WCO on the value of collaborative enforcement.

Participants also agreed that the value of IP is often not maximized and realized just because the creators are not aware of the potential of their IP. In South Africa, the focus has also been educating people to take advantage of IP legislation and use it to promote innovation and creativity.

win scholarships to higher education courses, and the “Trinbago Kids Got Talent” competition, which showcases young musicians.

The idea that the creative economy is a low hanging fruit from which one can generate IP and revenue was expressed by several speakers. Products such as Batik design in Indonesia and Mescal in Mexico were given as examples of cultural products with export potential. However, many agreed that the creative and cultural sector tends to be poorly served when it comes to accessing finance and trade facilitation measures.

“IP value capture” – the commercialization of IP assets – requires countries to develop a strategy and embed IP in their trade policy, whilst providing end-to-end business solutions, trade and financing support mechanisms, and marketing support. However, before making any moves in this direction, it is essential for a country to know itself – undertaking a study on the weight of IP in an economy is useful in raising awareness about the strategic importance of IP among small and medium-size enterprises (SMEs) and the public, in developing a strategy and policies, and in ensuring the availability of the necessary resources.

Participants also agreed that the value of IP is often not maximized and realized just because the creators are not aware of the potential of their IP. In South Africa, the focus has also been educating people to take advantage of IP legislation and use it to promote innovation and creativity. Incubators have been set up to provide entrepreneurs with information on all available support, including financial and technical support, and on where to start when it comes to IP-related issues. Hubs have also been created in more disadvantaged areas to provide people with access to facilities where they can create such as music and film studios, and learn how to run a business.

In Malaysia, to push the use of the IP financing programme, the government decided to train “IP valuers,” i.e. experts who know the economy and its customary needs and who are able to analyse and put a value on innovation and creation, particularly when it comes to the commercialization and financing aspects.

However, participants acknowledged that when setting up a business, investing early in IP is difficult. The cost of IP protection and management adds to a business’s setting-up

costs or general running expenses, and is a huge decision. IP lawyers also highlighted the fact that their role was to demystify IP for their clients, explain the role that IP can play in their plan, and understand the needs of a client and what IP measures they could use. Pro Bono services such as the one provided through Public Interest Intellectual Property Advisors (PIIPA) were also mentioned, among others.

Educating consumers

“The idea is not to punish, but to have at heart the welfare of all,” summarized a speaker during discussions on how to raise public awareness. An example was given of a communication campaign launched in Egypt involving famous actors and writers, addressing the public at large. Although similar initiatives have been taken in many countries, minimal public understanding of the benefits of IP and the respect that should be accorded to IP remains a concern.

IP may be seen as something removed from consumers when it actually affects them directly. Poor people on street corners who sell copies of goods may be seen as harmless, but the products they are selling are produced by criminal syndicates in the country that are linked to other crimes, highlighted a participant. People may also think that performers are rich, but this is not the case for many, pointed out another.

Enforcement aspects

Building IP awareness among decision-makers and border officials is also key. This may seem obvious, but in many law enforcement agencies, IP-related issues are not really a concern, especially when revenue collection is a priority. This was the case not so long ago in Benin, explained Maurice Emiola Adefalou, of Benin Customs, who was one of the panellists on the session organized by the WCO on the value of collaborative enforcement. But things changed in 2009, when, following a meeting in Benin’s capital Cotonou, six serving African Heads of State issued a declaration to raise the alarm about the health, economic and social impact of the scourge of counterfeit medicines.

At the beginning of 2010, a WCO expert undertook a diagnostic study of Benin Customs’ IP environment. The expert’s recommendations enabled Customs to review its legal framework. In 2014, a new Customs Code came into force, allowing Customs officers to suspend the clearance process for goods suspected of infringing IP rights not



only upon prior request by right holders, but also if no request had been made beforehand, in order to give right holders the opportunity to make such a request – called an “ex officio right.”

Benin also criminalized IP infringements, with prison sentences going from two to five years, and more recently, incarcerating some individuals for importing fake medicines. To build its targeting capacities, Benin Customs has been working closely with the WCO over the past three years, actively participating in enforcement operations, training officers, and building a relationship with the country’s health authorities and the prosecutor’s office, aimed at better working together.

To explain how right holders work with enforcement authorities, Jack Chang, the Chairman of the Quality Brands Protection Committee of China (QBPC), a non-profit organization bringing together 192 foreign invested enterprises, took the floor. He said that the Committee had now adopted a cooperative approach with enforcement authorities, after first being very confrontational, claiming that it was the responsibility of the Chinese government to enforce their rights.

The mindset of the QBPC changed in 2001, when a police official asked for assistance, explaining that the counterfeiting trade was threatening china’s economic security, but that many enforcement officers were not aware of the problem and did not have the capacity to fight the phenomenon. A first workshop between police representatives and QBPC members was organized to raise awareness.

Discussions have since moved progressively to capacity building, the sharing of intelligence, the organizing of special operations to fight illicit cross-border trade, and, lately, on how to build and strengthen international cooperation.

Meena Sayal, the Director of Global Brand Protection at Unilever, agreed that one company alone cannot make a difference. To protect a brand, one had to build partnerships: partnerships across the brand protection teams internally, so that they reach out to each other to learn and follow the counterfeiters’ modus operandi; and partnerships externally. This meant reaching out to law enforcement agencies in a way that responds to their needs, to policy makers so that they understand the kind of environment that needs to be in place for foreign investors that will provide maximum returns for the economy that they invest in, and to trade associations in order to avoid duplication of efforts.

Another example of cooperation with right holders was provided by Willbroad Poniso, of Namibia Customs, who explained that in his country, although Customs can only detain goods upon prior request by the right holders or their representatives, which are mainly based in South Africa, cooperation had improved over the years with big seizures being made thanks to intelligence provided by right holders.

Ellis Lai, an Assistant Commissioner at Hong Kong Customs, gave an overview of what a strong and well-resourced administration could do. The only agency responsible

Members of the WCO panel with the WCO Secretary General (from left to right): Daoming Zhang, Willbroad Poniso, Ellis Lai, Ana B. Hinojosa, Kunio Mikuriya, Meena Sayal, Maurice Emiola Adéfalou, Jack Chang

for enforcing criminal sanctions against trademark and copyright infringements on the Hong Kong territory is the Customs service that has large detention and investigation powers and adequate manpower resources: 6,700 officers of which 4,400 work at checkpoints to prevent contraband from entering or leaving Hong Kong, China, and 200 working on IPR criminal investigations. In 2013, an Electronic Crime Investigation Centre (ECIC) was created to research new challenges that have come with advancing Internet technologies, and to strengthen capabilities in order to cope with the latest crime trends.

Several participants representing law enforcement agencies echoed the views of the speakers, recognizing that they use international cooperation in their daily work and that it had become normal to inform partners in the source country, or the country of destination if it is a transit country.

It is worth noting here that Hong Kong, China is a free port and a huge transshipment hub, with no tariffs being levied on the import and export of goods. It is not a source economy for counterfeit goods as it has a very limited manufacturing capacity, but many types of goods do enter via different modes of transport for export to other countries around the world. Therefore, the role of Hong Kong Customs officers is not only to protect their citizens, but also the interests of other countries.

Hong Kong, China has signed mutual legal assistance agreements with 32 countries and specific Customs cooperation agreements with 23 Customs administrations, which enable information to be shared and joint investigations to be conducted with overseas countries and agencies seamlessly. For example, a strategic partnership is in place with authorities in the United States and the European Union to share information on seized goods. Such exchanges mutually reinforce profiling capabilities, and enable entire distribution networks to be disrupted.

Several participants representing law enforcement agencies echoed the views of the speakers, recognizing that they use international cooperation in their daily work and that it had become normal to inform partners in the source country, or the country of destination if it is a transit country.

Going back to the need to build strong relationships between right holders and enforcement agencies and improve information-sharing, both QBPC and Unilever

representatives provided examples of good practices. QBPC came up with the idea to ask its members to nominate a government agency that had done a great job for them and to vote for the best case. The winning agency was then invited to the Committee's annual meeting to receive the appreciation of the QBPC's whole membership. Such a gesture enables the performance of civil servants to be recognized and cases to be collected, which are later analysed. Lessons learned can then be replicated by QBPC members if appropriate. The Committee also convinced the Chinese Government to have Customs and police treat cases, where an African country was involved, as a priority, in order not to damage the economic and political relationships that China has built with many countries in Africa.

In Shanghai, QBPC representatives also work closely with Customs when a case is being transferred to the police for investigation, enabling close cooperation to be established. In one specific case, the QBPC was able to delay the notification to the trading company, which usually takes place when Customs transfers a case to the police for investigation. The objective was not to raise the company's suspicion to avoid evidence being destroyed and to identify the trader's location and its supply chain. This single exporting company had more than 50 suppliers across the country. Once the evidence had been secured and the trader was back in Shanghai, China Customs transferred the case to the police who immediately arrested the suspects. According to Chang, it would be beneficial if this practice could be adopted by other provinces in China as well as in countries where Customs do not have the mandate to conduct investigations.

Daoming Zhang, the Assistant Director of Illicit Markets at INTERPOL, took the floor to explain that very often, the forms of fraud that were encountered involved criminal law and Customs legislation, and that INTERPOL promoted the formation of joint Customs-police investigation teams or, at the very least, close cooperation between the two entities, including the organization of joint training events. He also pointed out that the WCO and INTERPOL had recently issued a Customs-Police Cooperation Handbook," which provides very practical guidelines on how to set up closer cooperation between these two authorities.

Unilever's Meena Sayal also shared a story with the audience, illustrating how the company

works with government authorities. In one case, following the transmission of information to the Chinese authorities about a network that was exporting to Colombia, two shipments were intercepted. As a third one was on the way to Colombia, instead of asking Colombia for mutual administrative assistance, China Customs asked Unilever to be the go-between and put Colombian Customs on the alert. The shipment was intercepted in Colombia and Unilever then worked with its local team to provide information to the Colombian and Chinese authorities, to assist the prosecution process.

A prosecutor participating in the event commented that it was important for prosecutors to understand how enforcement officers work, explaining that "If I know how they think, I understand better the case that is put in front of me".

Jack Chang remarked that it was the police and Customs who were supporting brand owners in China, but prosecutors were still lagging behind. He explained that prosecutors in China think that if a company's IP gets stolen, the company can obtain compensation and that, as such, there was no need to put offenders behind bars. Prosecutors do not even allow IP owners to participate in a public prosecution, the reason being that according to the law, they must protect the public interest and not private rights. After much work, prosecutors in Shanghai are now required to notify IP owners and let them participate in the process, more especially as they are victims in terms of the criminal procedure laws. This changed the game. The challenge now is to have this practice adopted in other Chinese provinces.

Digital challenges

The problem posed by the sharing of digital goods was also on the programme. The representative from Hong Kong Customs explained that Hong Kong's first Anti-Internet Piracy Team dates back to 2000 and was tasked with targeting peer-to-peer file sharing programs. In 2007, the first automatic detection system to monitor peer-to-peer infringing activities on the Internet was implemented, and later, new systems to extend the scope of monitoring to auction sites, cyber-lockers and social media platforms were deployed, including lately, "big data" analytics.

Participants also discussed the specific challenge emanating from the copyright "safe harbour" rules, which were aimed at ensuring the free flow of information by Internet service providers without liability for infringing content. The rules are seen as a way for "user upload content" services to use copyrighted works without the creators being rewarded for their work.

In Trinidad and Tobago, a study was undertaken to try and understand what was fuelling piracy. Island representatives reached out to large commercial entities such as Netflix, T&T Entertainment Network and Spotify, requesting them to provide their content at proper prices. But, it may still be difficult to be competitive when it comes to price.

For the music industry especially, the commercial world today is borderless, and taking down illicit platforms is necessary, but not effective as they easily move from continent to continent. Where countries use "website blocking" – one of the few means available to respond to illegal material hosted abroad – to fight digital piracy, the record shows that they have been effective in driving users from illegal to legal sources of copyrighted material online. But, in many countries, when domestic Internet service providers (ISPs) are asked to block access to websites engaged in illegal activities such as those facilitating cybercrime, child pornography, or terrorism, these countries are reluctant to ask their ISPs to block websites dedicated to distributing illegal copies of movies, music, and other copyright-protected works.

Round off

Many topics addressed during the conference are not reported in this article. Readers who may be interested in this topic are encouraged to participate in the next major IP event and to read the special edition of WIPO Magazine which is dedicated to the theme of the Conference (see below to access WIPO Magazine).

More information

www.wipo.int/enforcement/en

https://www.wipo.int/wipo_magazine/en/list.jsp



Global Security Conference: taking stock of progress three years after the WCO Punta Cana Resolution

The WCO has been prioritizing security-related issues for some years now, developing norms and practices to secure the supply chain and advocating that Customs administrations play an active role in addressing border security-related challenges. In fact, in December 2015 WCO Members adopted the Punta Cana Resolution on the role of Customs in the security context, highlighting the fact that Customs administrations are the “first line of defence against many criminal and violent extremist and terrorist organizations”. The role of Customs in countering security threats has also been affirmed in several United Nations Security Council (UNSC) Resolutions, such as Resolution 1540.

Sadly, the threat of terrorist attacks remains a real concern throughout much of the world. No region is immune to acts of terrorism with over 1,200 attacks having already taken place this year, resulting in the loss of more than 6,000 lives around the world. These attacks are carried out using a variety of weapons and methods.

To mark the third anniversary of the Punta Cana Resolution, the WCO hosted a Global Security Conference in October 2018.

The Conference offered participants an opportunity to take stock of progress made and challenges faced when securing the border and countering terrorism, providing a platform for the WCO and its Members to showcase some of the activities that have taken place to enhance border security.

WCO Security Programme

A key part of the arsenal of tools developed by the WCO to assist countries in securing the supply chain is the WCO SAFE Framework of Standards to Secure and Facilitate Global Trade (SAFE Framework), which was adopted in 2005. The SAFE Framework, together with other tools and guidelines developed over the years to supplement it, collectively form the “SAFE Package.”

To further support WCO Members in building or enhancing their border security capacity, the WCO launched a Security Programme that focuses on five streams of work: passenger controls; the fight against chemicals and components that could be used in the manufacture of improvised explosive devices (IEDs); strategic trade controls; the fight against trafficking in small arms and light weapons; and terrorist

financing. The Conference agenda was built around these work streams, and a summary of the discussions held during the event is provided below.

Strategic Trade Control Enforcement (STCE)

Resolution 1540 requires States and their respective Customs services to control the trade in weapons of mass destruction and dual-use goods. During the Conference, representatives of the WCO Secretariat reminded participants of the training curriculum and modules developed to assist in the evaluation of standard operating procedures (SOPs) and work practices for dealing with strategic goods. They also highlighted the results of and lessons learned from two WCO enforcement operations, codenamed COSMO, held in 2014 and 2018 respectively and both of which focused on strategic goods.

Additionally, several Customs administrations explained how they had enhanced their control and detection capacities. Pakistan Customs, for example, described its Counter Proliferation Units, an initiative which may inspire other administrations as they attempt to either establish or increase their capabilities in detecting and controlling strategic goods.

Programme Global Shield (PGS)

IEDs can be manufactured from precursor chemicals and other readily-available components. Participants took note of the latest activities undertaken under PGS, the WCO initiative aimed at building capacity to counter the illicit diversion of and trafficking in explosive precursor chemicals, detonators and transmitting devices used to manufacture IEDs. They were also introduced to the training activities being carried out by NATO's C-IED Centre of Excellence and INTERPOL's Chemical and Explosives Terrorism Prevention Unit, as well as to the emerging threats posed by commercial drones, which can be used to deliver IEDs to their target.

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

API and PNR data are an important tool in managing passenger flows efficiently. Indeed, the Group of Seven (G7) leaders called for their use to be expanded in the Action Plan on Countering Terrorism and Violent Extremism, adopted in 2016.

Global Security Conference participants learned how various national targeting systems operate and how passenger data can be used to identify both known and unknown threats. Discussions highlighted the added value of combining API with PNR data and of using link analysis for more effective identification of threats at the border. Maldives Customs shared its experience of using the Global Travel Assessment System (GTAS), which the United States has made available free of charge to WCO Members seeking to collect and explore API/PNR data.

Small arms and light weapons (SALW)

Speakers from Indonesia and Haiti highlighted the threat posed by trafficking in SALW in their respective regions, and the actions that had been taken to restrict illicit trade in these goods. Speakers from the United Nations Office on Drugs and Crime (UNODC) and the Group for Research and Information on Peace and Security (GRIP) discussed some of the existing legal instruments to restrict the trade in SALW, whilst highlighting certain areas where improvements are needed. The WCO Secretariat took the opportunity to introduce its new training material for Customs, focusing on the detection of SALW.

Financing terrorism

Participants discussed how Customs administrations can restrict terrorist financing, and were also provided with an overview of the WCO Action Plan to Counter Customs-based Money Laundering and Terrorism Financing. The importance of ensuring proper cooperation mechanisms, both at the domestic and international level, between law enforcement services when conducting terrorist financing investigations was reiterated.

Recurring themes

Besides interagency cooperation, several topics were repeatedly raised by Conference participants during the discussions, including the need to incorporate robust security elements into Customs' mandate at the national level and to make sure that there is the necessary political will to support this mandate. It is only by ensuring that these prerequisites are met that Customs administrations can realize their full potential in helping to protect society from security threats.

More information

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Calendar of Events

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APRIL

Finance Committee	1 - 4
Revised Kyoto Convention Working Group	3 - 5
Regional Offices for Capacity Building/Regional Training Centres/Vice-Chairs	4 - 5
Capacity Building Committee	8 - 10
Integrity Sub-Committee	11 - 12
Private Sector Consultative Group	15 - 16
SAFE Working Group	16 - 18
Technical Experts Group on Air Cargo Security	29 - 30

JUNE

Revised Kyoto Convention Working Group 3 - 6	3-6
Technical Experts Group on Non-Intrusive Inspection (Azerbaijan)	10 -11
IT/TI Conference and Exhibition (Azerbaijan)	12 - 14
Revised Kyoto Convention Management Committee	17 - 18
Private Sector Consultative Group	24 - 25
Policy Commission	24 - 26
Council	27 - 29

MARCH

4	Trade Facilitation Agreement Working Group
5	Joint Session TFA Working Group and Permanent Technical Committee
6 - 8	Permanent Technical Committee
11 - 15	Enforcement Committee
14 - 18	Harmonized System Committee Working Party
19 - 29	Harmonized System Committee
19 - 20	Working Group on the Use of Additional Languages

MAY

2 - 3	Conference on the future direction of the Harmonized System
6 - 10	Working Group on E-Commerce
13 - 17	Technical Committee on Customs Valuation
20 - 22	Data Model Project Team
23 - 24	Information Management Sub-Committee

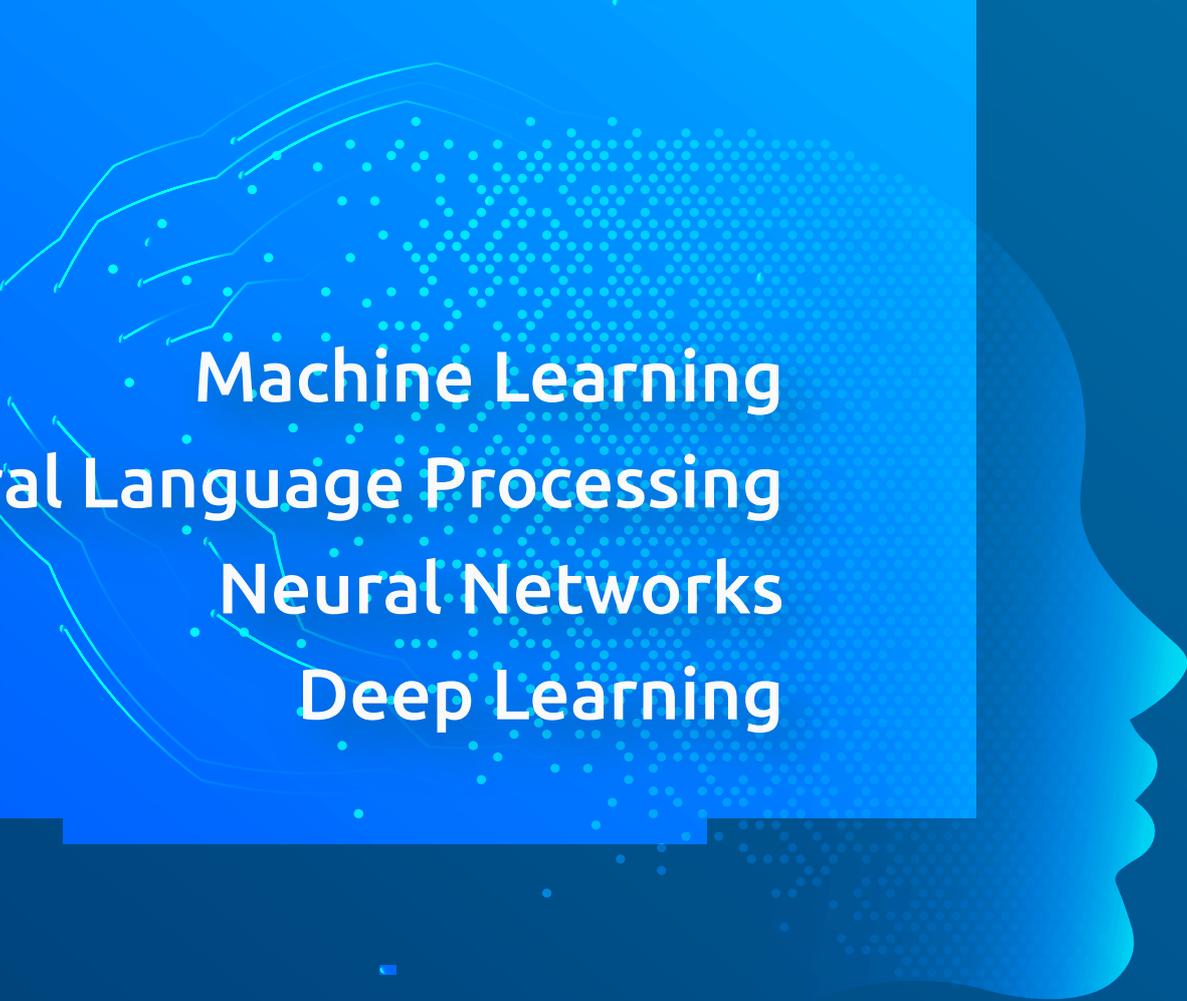
JULY

1 - 6	Knowledge Academy for Customs and Trade
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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.

Artificial Intelligence

State-of-the-art technology for Customs



Machine Learning
Natural Language Processing
Neural Networks
Deep Learning