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# WCO news

## Coordinated Border Management

World Customs Organization

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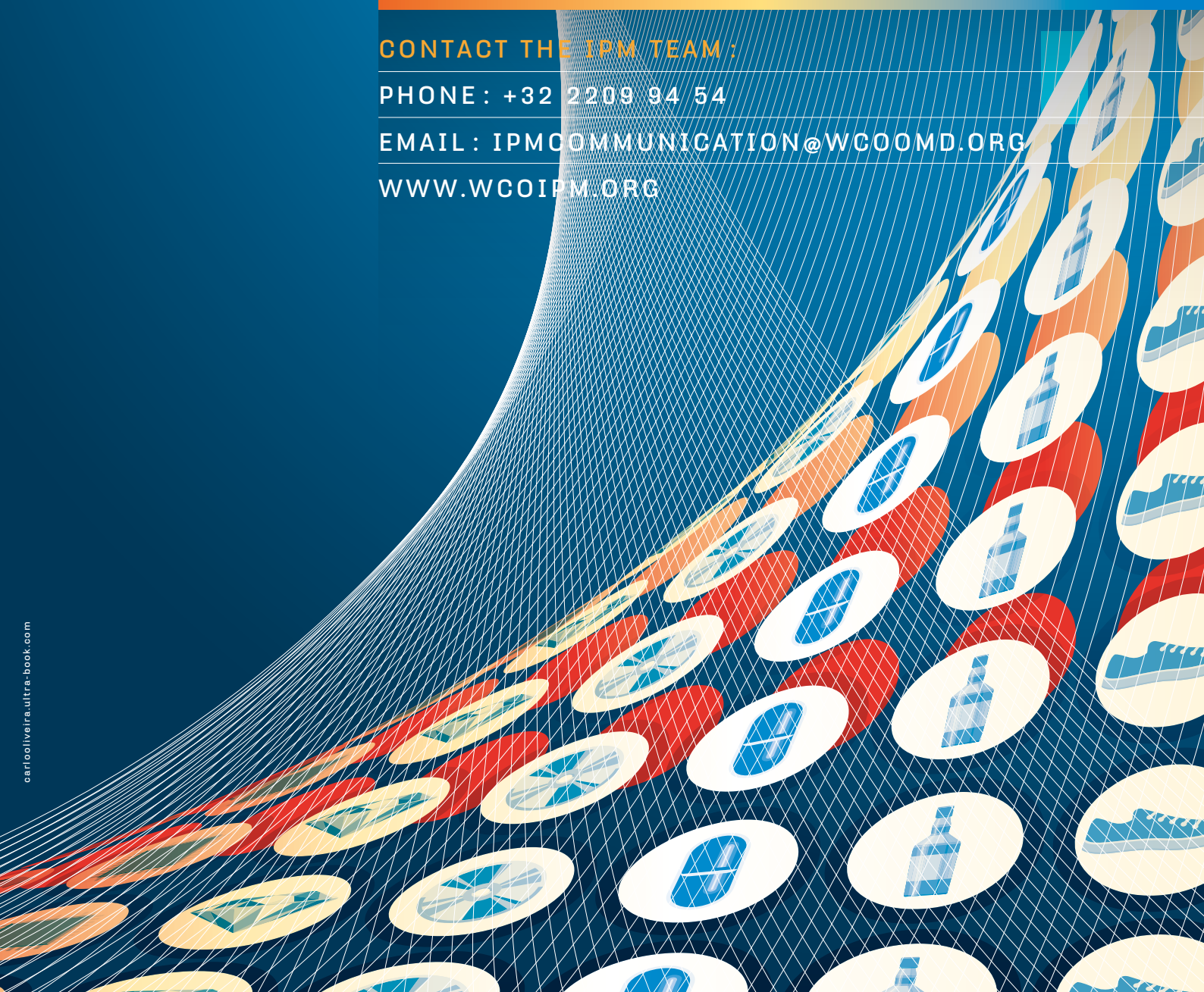

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# WCO launches IRIS, an application exploiting open source information

THE IRIS APPLICATION is a WCO information tool that collects all Customs-related news together, and makes it available in one location. This innovative initiative enables the WCO to monitor open source information round-the-clock, while promoting connectivity and information-sharing.

WCO Members wishing to submit news items to the IRIS system should send an email to iris@wcoomd.org. While doing so, Members should indicate whether the information should be limited to a Customs audience or whether it can be displayed to all Iris users.

**More information**
https://iris.wcoomd.org

* WCO Members that have a username and password to access the WCO website – www.wcoomd.org – must use the same data to login to the IRIS system in order to access all its services.

## IRIS map

News items are displayed in a graphic-style world map in real-time. Items are drawn from open source information published in English and French as well as from information received from Customs administrations. WCO Members also see information on major Customs seizures reported to the WCO Customs Enforcement Network (CEN) database. The map has a free search function.

Access to the map is available to everyone but only WCO Members can see information on seizures reported via the CEN.*

**Daily Newsletter - Wed, 07 Jan 2015**

Hello Laure Tempier,

This is a custom email with news published on the IRIS Platform in the last 24 hours for your selected categories (Drugs, Environment, Explosions, Generic enforcement issues, Improvised Explosive Devices (IEDs), IPR enforcement, Risk Precursors Chemicals, Security ).

NEWS ITEMS

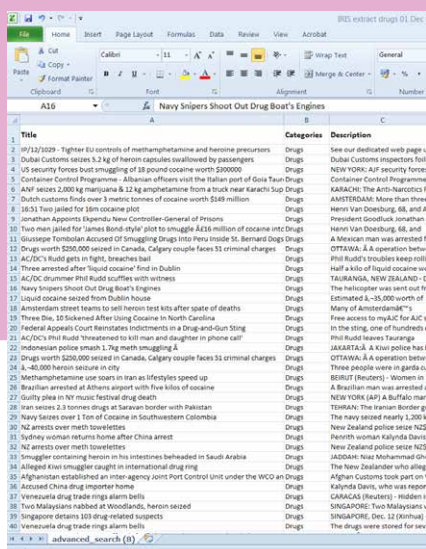
| TITLE | COUNTRY | CATEGORY NAME(S) |
|---|---|---|
| Yémen: des dizaines de morts et de blessés dans un attentat à Sanaa - Le Point | Yemen | Improvised Explosive Devices (IEDs) |
| Indonesia Anti-Narcotics seizes 800kg methamphetamine, arrests 9 people | Indonesia | Drugs |
| Hong Kong Narcotics Agency seizes 800kg meth, nabs int'l drug smuggler | China | Drugs |
| Guyana Customs crabs $13m cocaine from Suriname | Guyana | Drugs |
| Attentat-suicide d'une femme contre la police à Istanbul - Le Monde | Turkey | Improvised Explosive Devices (IEDs) |
| Turkey bombing: Female suicide attacker hits Istanbul police station - BBC News | Turkey | Improvised Explosive Devices (IEDs) |
| US customs seizes 63pc of all nationwide meth in San Diego | United States | Drugs |
| FBI seeks man after explosion near Colorado NAACP chapter | United States | Improvised Explosive Devices (IEDs) |

To see these news items, visit: Iris Platform

## Alert function

Users who would like to follow specific news items can set up an IRIS alert. The system will send these users an email when new results concerning the categories they are interested in appear.

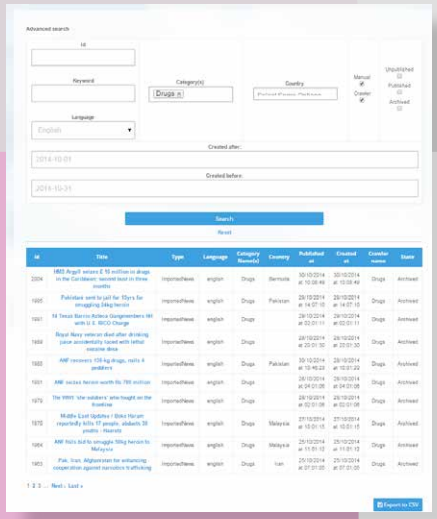
Access to this functionality is restricted.*



## Search database

Historical data which no longer appears on the IRIS map will be stored in the system. Users can search through this news database according to the system's categories that include, for example, drugs, the environment, and improvized explosive devices.

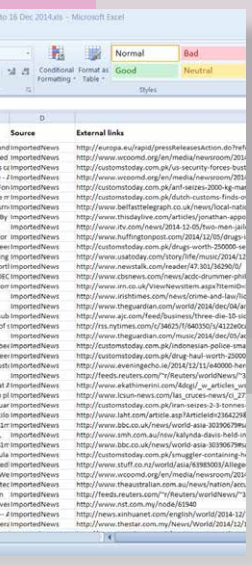
Access to the database and its search engine is restricted.*



## Excel analysis

Search results can be exported to an excel sheet, for example, and later shared with experts and other operational frontline Customs staff. This service will enable users to narrow their search to specific keywords using the Excel search function.

Access to this functionality is restricted.*



# Harmonized System amendments effective from 1 January 2017

THE WCO HAS published the agreed amendments to the Harmonized System (HS) Nomenclature that will enter into force on 1 January 2017. They include 233 sets of amendments, divided as follows: agricultural sector (85); chemical sector (45); wood sector (13); textile sector (15); base metal sector (6); machinery sector (25); transport sector (18); and other sectors (26).

While January 2017 may seem far off, the WCO is already working on the development of the requisite correlation tables between the old and new editions of the HS, and on updating all relevant HS publications, such as the Explanatory Notes, the Classification Opinions, the Alphabetical Index and the HS online database.

Customs administrations also have a huge task ahead of them to ensure timely implementation of the 2017 edition of the HS, as required by the HS Convention. They are therefore encouraged to begin the process of implementing HS 2017 in their national Customs tariff or statistical nomenclatures.

**More information**

**http://www.wcoomd.org/en/topics/nomenclature/instrument-and-tools.aspx**

## Latest accessions to WCO instruments

### Revised Kyoto Convention

**Niger**
Date of accession: 13 February 2015
99th Contracting Party

**Oman**
Date of accession: 6 January 2015
98th Contracting Party

**Cameroon**
Date of accession: 18 November 2014
97th Contracting Party

**More information**
**communication@wcoomd.org**

# From the crime scene to the courtroom: the ICCWC releases guidelines aimed at combating ivory smuggling

THE INTERNATIONAL CONSORTIUM on Combating Wildlife Crime (ICCWC) recently released 'Guidelines on Methods and Procedures for Ivory Sampling and Laboratory Analysis' to support the deployment of forensic technology to combat elephant poaching. This initiative bolsters global momentum for increased use of forensic technology to fight wildlife crime, and for the development of a network of forensic laboratories in Africa.

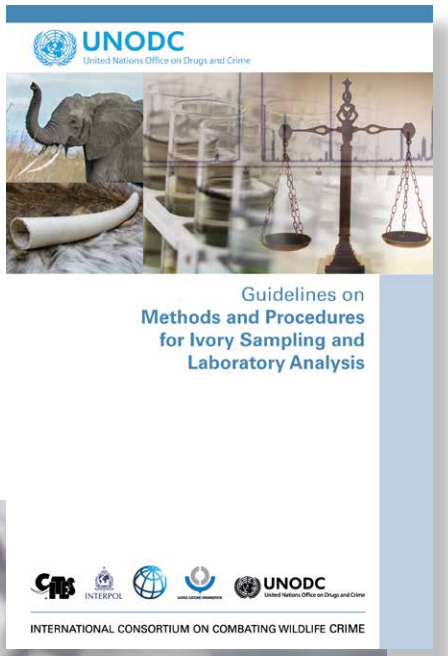
Determining the origin of seized ivory can assist authorities in identifying current and potential poaching 'hot-spots'. Such knowledge can assist law enforcement responses by ensuring that resources are targeted at areas where the most significant poaching of elephants is likely to occur. Moreover, prosecution data gathered through forensic investigation can also greatly assist in linking seized wildlife specimens to crime scenes and suspects, facilitating their identification, arrest, and successful prosecution.

However, law enforcement officers responsible for the investigation of cases involving ivory seizures are often confronted with the challenge of identifying the most appropriate way to collect and submit specimens to appropriate wildlife forensic facilities. The investigation often stops at the point of the seizure, without benefiting from the valuable information that can be garnered from laboratory analysis.

The new ICCWC guidelines cover the whole chain of custody, from supporting law enforcement officers on the ground in collecting samples for forensic analysis and crime scene management, to laboratory analysis, interpretation of results, and data handling. While the emphasis in the guidelines is on the use of forensic technology to combat illegal ivory trade, similar considerations may apply in the investigation of wildlife crime involving other species.

**More information**

https://www.unodc.org/documents/Wildlife/Guidelines_Ivory_OLD.pdf



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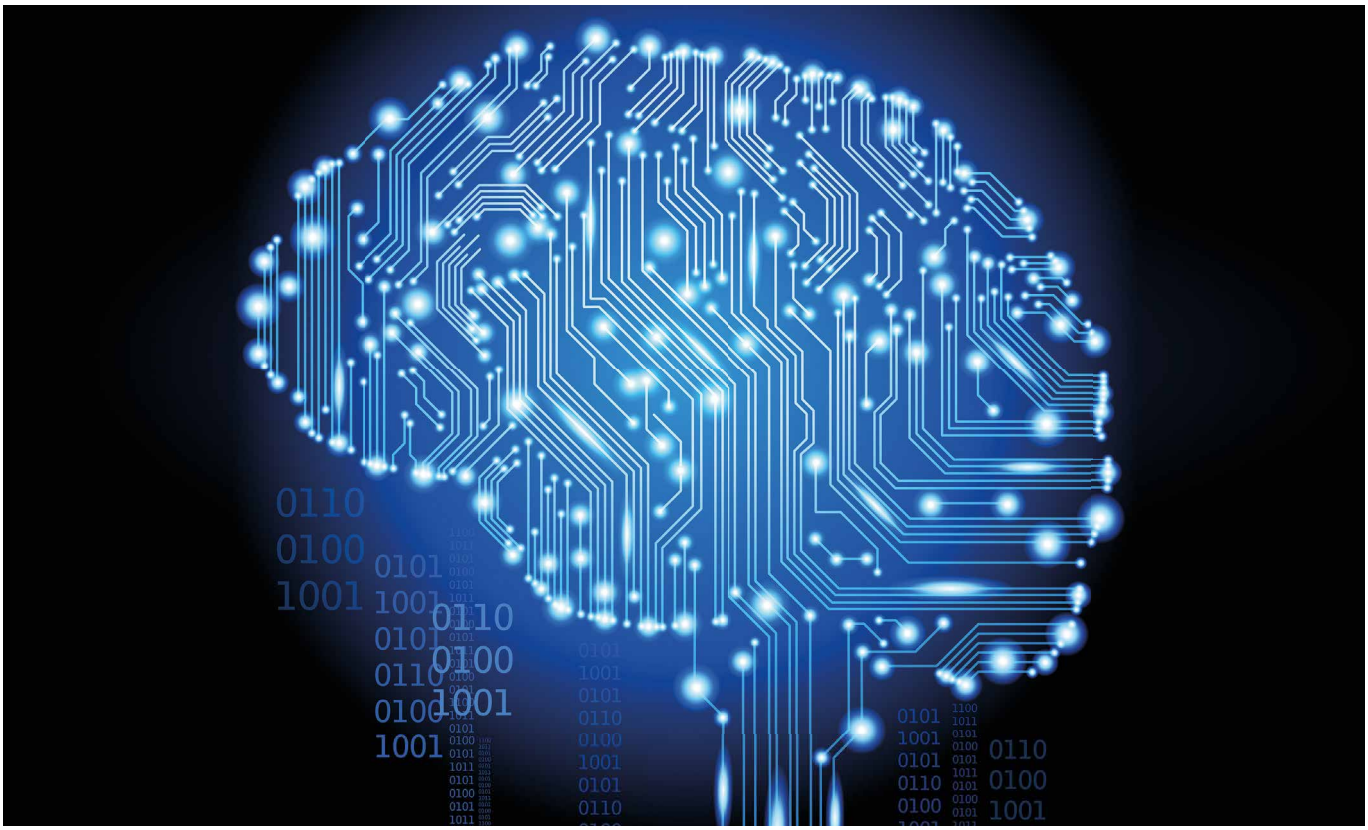

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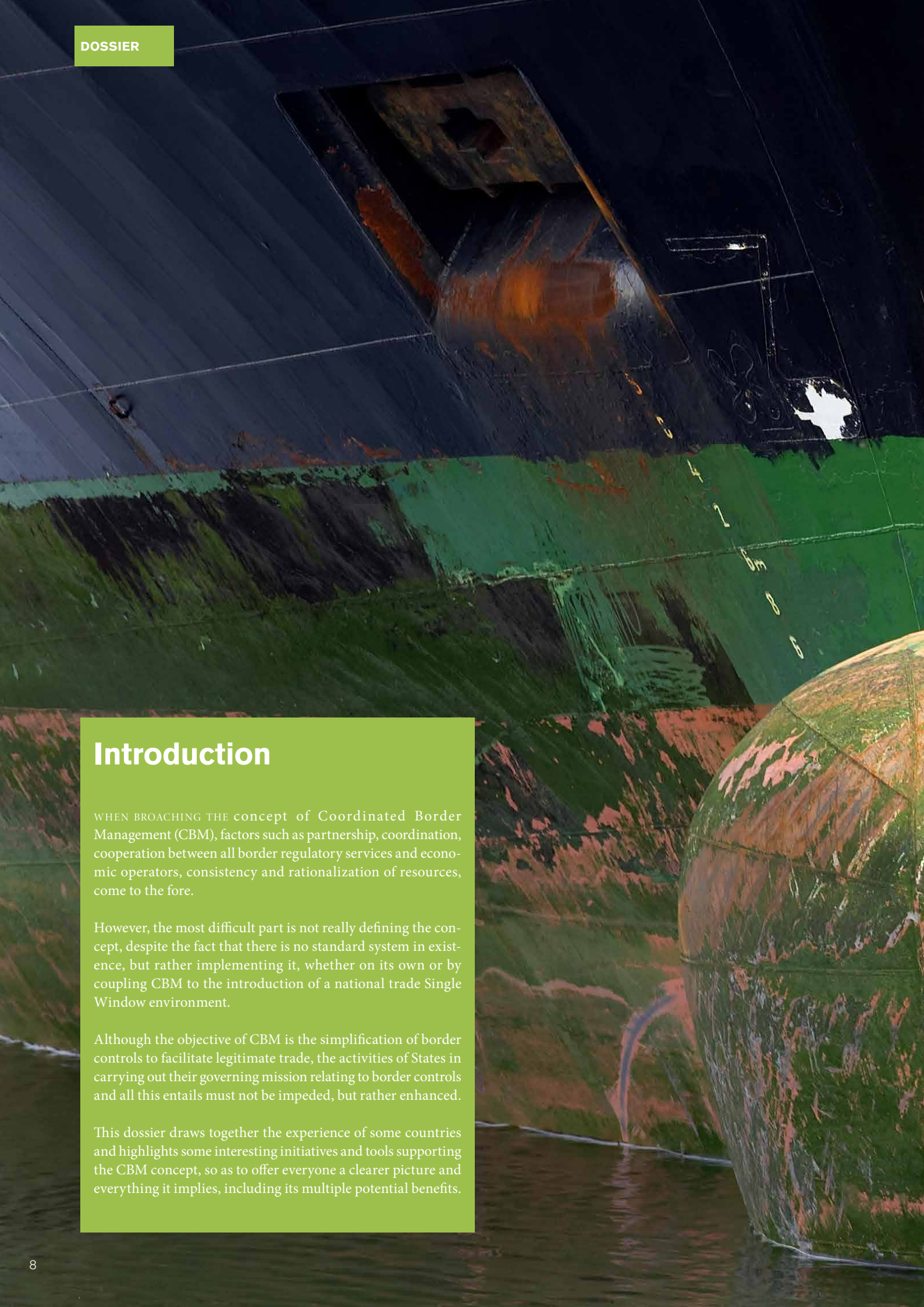

# Introduction

WHEN BROACHING THE concept of Coordinated Border Management (CBM), factors such as partnership, coordination, cooperation between all border regulatory services and economic operators, consistency and rationalization of resources, come to the fore.

However, the most difficult part is not really defining the concept, despite the fact that there is no standard system in existence, but rather implementing it, whether on its own or by coupling CBM to the introduction of a national trade Single Window environment.

Although the objective of CBM is the simplification of border controls to facilitate legitimate trade, the activities of States in carrying out their governing mission relating to border controls and all this entails must not be impeded, but rather enhanced.

This dossier draws together the experience of some countries and highlights some interesting initiatives and tools supporting the CBM concept, so as to offer everyone a clearer picture and everything it implies, including its multiple potential benefits.

# Coordinated Border Management – An inclusive approach for connecting stakeholders

**By Kunio Mikuriya,**
SECRETARY GENERAL, WORLD CUSTOMS ORGANIZATION

COORDINATED BORDER MANAGEMENT (CBM) has long been a core priority for the WCO and Customs administrations. It ensures that the multiple public service functions undertaken at borders are delivered successfully. In recent months, the alignment of constellations made it self-evident that CBM should be selected as the theme for 2015, which was launched on the occasion of International Customs Day (ICD) on 26 January with the slogan 'Coordinated Border Management - An inclusive approach for connecting stakeholders'.

By focusing on CBM we, as a Customs community, are signaling our aspiration to further strengthen our working relationships within and between Customs administrations, and also with other government agencies and our trade partners. During the course of 2015, Customs administrations will have the opportunity to promote their cooperative partnerships, which encourage an inclusive approach and directly enable even more enhanced CBM.

## The importance of CBM

Why is CBM important? The multiplicity of agencies at the border makes CBM a comparative advantage necessity. It would be infeasible for every border function, which requires different knowledge, skills and authority, to be handled by the same agency. Specialization of competencies and specific allocation of responsibilities provide many benefits. What is essential for any cross-border regulatory system to work well is for border agencies to compare their missions, as well as engage, prioritize, reduce redundancies, and streamline procedures.

Border agencies should seek to work together for the common good despite varying regulatory mandates. CBM results in better service delivery, less duplication, cost-savings through economies of scale, fewer but better targeted interventions, cheaper transport costs, less waiting time, lower infrastructure improvement costs, wider sharing of information and intelligence, and strengthened connectivity between all border stakeholders.

CBM helps to preserve value for economic operators. Cross-border regulations are necessary for the greater good of society and a country's economy, as well as for the smooth flow of legitimate goods that are traded across borders. Regulatory services, if efficiently performed, can improve the predictability of delivery times and reduce logistics costs.

Conversely, variations in delivery times and costs diminish the economic value for the trading community and consumers. Hence, the idea of value maximization in cross-border regulations is achieved by preventing unnecessary consumption of resources in the normal

flow of dealing with cargo, and this can only be done if agencies coordinate their operations to reduce duplications and delays for traders.

CBM is not, however, just about benefitting the trade through more streamlined procedures and less hassle at borders. Through greater collaboration, border agencies can tap shared resources and leverage capabilities that are not organic to the administration. This enables them to better respond to emerging threats, and further enhances the value preservation role of border agencies to the trading community.

Overall, while a standardized approach to CBM is desirable, this does not imply that there is a one-size-fits-all solution. While Customs and other government agencies should aspire to a level of formal collaboration anchored by a common sense of responsibility and ownership over border outcomes, it may not be feasible to bring every agency to the same level at the same time. This is where goodwill, collaboration and patience come in to play.

While Customs and other government agencies should aspire to a level of formal collaboration anchored by a common sense of responsibility and ownership over border outcomes, it may not be feasible to bring every agency to the same level at the same time. This is where goodwill, collaboration and patience come in to play.

### WCO CBM Compendium

The above principles have long been a WCO mainstay and these are reflected in the new WCO CBM Compendium, which will be formally adopted by the WCO Council in June 2015. The CBM Compendium consists of instruments, tools and best practices that help WCO Members in their attempts to develop and implement CBM in their countries. The WCO CBM Compendium offers technical guidance for improvements in this domain.

The CBM Compendium references the many WCO instruments and tools that enable better CBM. In particular, the WCO Revised Kyoto Convention (RKC) on the simplification and harmonization of Customs procedures contains several standards that specifically deal with CBM, such as coordinating opening hours, performing joint controls and setting up juxtaposed Customs offices, all of which facilitate trade.

### CBM and trade facilitation

I would also note that CBM is a vital component of the Trade Facilitation Agreement (TFA) developed by the World Trade Organization (WTO). Following a difficult 2014, the TFA is now back on track. Article 8 of the TFA, entitled 'Border Agency Cooperation', states in Paragraph 8.1 that "A Member shall ensure that its authorities and agencies responsible for border controls and procedures dealing with the importation, exportation and transit of goods cooperate with one another and coordinate their activities in order to facilitate trade". This provision is based on the RKC's Transitional Standard 3.35.

This brings me to the WCO Mercator Programme. Designed specifically to assist WCO Members in implementing the TFA while promoting interconnectivity, it focuses on building the capacity of Customs in the area of trade facilitation, providing tailor-made technical assistance, a worldwide network of Customs experts, global standards for Customs modernization, and effective modernization among all stakeholders. Under the Mercator Programme, the WCO is helping to lead the charge on TFA implementation, and has already begun to deliver technical assistance to requesting countries.

### CBM and the Single Window

Integrating stand-alone border agency systems into one unified Single Window system is a core CBM principle. The WCO Single Window Compendium provides guidance to Customs on the policy, legal and technology elements of such systems. In addition, Version 3 of the WCO Data Model covers the data requirements for a Single Window environment, not only for Customs, but also for other government agencies.

### The SAFE Framework: 10 years on

2015 will also be the 10th anniversary of the adoption of the WCO SAFE Framework of Standards to Secure and Facilitate Global Trade (SAFE Framework), which will include the addition of a third pillar on 'Customs to other government agencies', making the CBM annual theme particularly timely.

Considering the spate of recent terrorist attacks in Africa, Asia, Europe, and the Middle East, we are all still living with the threats that necessitated the development of a supply chain security instrument by the WCO. Indeed, the work that culminated in the launch of the SAFE Framework began the day after the world looked on in horror as terrorists attacked the United States on 11 September 2001 in an unprecedented manner. As the SAFE Framework begins its second decade with the addition of an additional CBM pillar, its relevance and importance remain clear.

### Collectively promoting CBM globally

CBM is here to stay. Indeed, I am convinced that if we are to go forward successfully, and meet the goals we have set ourselves as a global Customs community, it is imperative that we continue to enhance our CBM practices and strengthen our interconnectivity. Therefore, over the course of 2015, I am counting on all WCO Members to step up their efforts to promote and share information on their domestic and international coordination efforts with other border entities, including economic operators involved in cross-border trade.

# Managing land borders, the innovative Finnish model

**By Mika Poutiainen,**
HEAD OF VAALIMAA CUSTOMS, FINLAND

FINLAND IS BORDERED by Sweden in the west, Norway in the north, and Russia to the east, while Estonia lies in the south, across the Gulf of Finland. The Nordic countries – Denmark, Finland, Iceland, Norway and Sweden – are members of the Schengen Area, an area comprising 26 European countries that abolished passport and other types of controls at their common borders.

As a result of the implementation of the Schengen Agreement in 2001 by the Nordic countries, most of Finland's land border controls are, therefore, focused on the Finnish-Russian border, which is 1,324 km long – 1,269km runs on dry land, while the rest is covered by lakes and waterways.

The two main agencies managing Finland's border are Customs and the Border Guard, and in some cases, the Finnish Police. They do this under the framework of the Police, Customs, and Border Guard (PCB) cooperation agreement. PCB agencies are all law enforcement and pre-trial investigation authorities.

The PCB agencies have been cooperating since 1927. Their long history and high degree of cooperation includes established coordination mechanisms and structures at the national and regional level.

This cooperation is based on legislation, with the first decree providing a regulatory basis for such cooperation being promulgated as early as 1949. The current legal basis, the PCB Act 687/2009 was passed by the Finnish Parliament in 2009. Alongside this legislation are the trilateral and bilateral agreements signed by the heads of the PCB agencies.

The national agreement on PCB cooperation was signed on 8 April 2010. Its basic principles focus on deploying resources according to the analysis of the risk, the effectiveness of joint crime prevention control, and the avoidance of duplicated effort and overlapping functions. This agreement provides for:

- common national orders;
- further regional and local agreements;
- more detailed division of tasks in the area of previously overlapping responsibilities;
- intelligence and information-sharing through common use of databases;
- cooperation in the drafting of new legislation;
- a common approach to international cooperation;
- joint use of technology and equipment.

One of the main starting points for PCB cooperation is that each authority is responsible for its statutory duties, but cooperates in areas of overlapping interest in order to carry out its duties in the best possible way.

The article focuses mainly on land borders, and on the cooperation set-up between

"The committee appreciates the model since the combination of Customs and border checks in one step speeds up the total process, and increases the productivity of available staff. It is also a good practical example of a functional CBM concept at the local level."

*Schengen Evaluation Committee Report 2011*

the two main agencies physically present on the ground, namely Customs and the Border Guard. It first sets out the duties of these agencies, and then explains who does what.

### Border Guard

The 2,700 person strong Border Guard is a specialized law enforcement agency under the authority of the Ministry of the Interior. Its most important task is to ensure that cross-border passenger traffic goes through the official border crossings, and that all formalities are adhered to.

The role of the Border Guard includes border surveillance and border checking functions, as well as Customs functions in areas without sufficient Customs staff, maritime search and rescue functions, national military defence functions, and policing functions. Although passport control is usually carried out by the Border Guard, in some locations in Finland it is done by Customs, or even the police, if the Border Guard is not present.

The Border Guard has increased its staff levels in the Eastern region on the basis that the Eastern Finnish/Russian border was assessed as being a higher risk, and therefore a priority compared to the other land borders that Finland shares with Norway and Sweden, which since 2001 have come under the Schengen Acquis.

### Customs

The Customs Service is under the auspices of the Ministry of Finance. Customs is responsible for the control of imported and exported goods, including cross-border traffic, and the enforcement and collection of import duties and excise taxes.

As in many countries, Finnish Customs is mandated by law to perform many duties at the border on behalf of other agencies. More specifically, it carries out what is known as first level controls – depending on the seriousness of the issue at hand, the actual agency in charge may take the case over. Second level controls are, most of the time, not handled at the border as such, but at the final destination of the goods or the place of unloading/loading of the goods.

In 2014, Finnish Customs had approximately 2,300 employees. About 700 Customs officers are directly involved in the area of border controls, which includes monitoring commercial vessels, as well as small aircraft at six inland airports. At land-based border crossing points with Norway and Russia, Customs control the movement of goods.

In view of the assessed risk, Customs has focused its efforts and resources in particular along the Russian border, where about 340 officers are based. A further 340 Customs officers are based at the ports along the Gulf of Finland, operating mainly as mobile units.

### Enhanced cooperation

If both agencies cooperate on a daily basis with other government departments, Customs and the Border Guard have taken the notion of cooperation one step further. An innovative model between the two authorities has been in use for almost five years now, based on the following principles:

- organization of joint training;
- delegation of tasks;
- sharing of equipment and facilities;
- sharing of information and databases;
- creation of joint teams.

### In the field

An overview of the coordination of workflow at a border post gives a good idea of how things work. There are nine border posts between Finland and Russia and, if necessary, 10 additional border crossing points can be opened on a temporary basis to handle specific convoys – for instance, round timber cargo arriving from Russia.

As a large proportion of the trade between north-western Russia and the rest of the world goes through Finnish ports, the traffic of lorries carrying goods can be intense. Travellers are also numerous – Russian tourists undertake shopping trips to Finland and spend time at Finnish ski resorts, while Finns undertake shopping trips and cultural visits to Vyborg and St. Petersburg.

At the border post, passenger and commercial traffic is processed using a one-stop method. A single Customs officer processes the import declaration and the transport driver's passport. To support these checks, the officer has access to both the Customs and Border Guard Risk Management Database.

Customs officers have been trained by the Border Guard to inspect identification documents and visas, among other procedures. Border guards have, in turn, received basic Customs training, which includes the search of vehicles and the recognition of prohibited and restricted goods, such as drugs, alcohol, and counterfeit items.

The approximate time at export for Customs procedures and passport control is about five to eight minutes. At import it varies between three and 25 minutes depending on whether it is an empty truck or whether the goods at the border are cleared for free circulation. There is an additional second level control where detailed inspections are undertaken when needed. Depending on the nature of the control, it will either be handled by Customs or the Border Guard.

Regarding outgoing passenger traffic, the Border Guard performs passport controls, and checks invoices, tax-free cheques, and vehicle insurances, as well as the cats, dogs and pets that passengers have with them. Approximately 85% of the people who cross the border are Russians, and almost all of them have something to declare on their way home – usually some groceries, for which they present an invoice or a tax-free cheque. If the goods need to be controlled more thoroughly or some other irregularities occur then the case is handed over to Customs.

### Sharing equipment

Customs and the Border Guard share common premises and equipment. Each authority has a designated role in the servicing and maintenance of the equipment. X-ray machines are largely the responsibility of Customs. Road-testing equipment, such as lorry brake-testing pads, are also maintained by Customs.

All equipment can be shared and operated by each agency upon request. Thus, although the equipment belongs to one agency, it can be easily relocated to the other agency, which enables smoother processing of the workflow without unnecessary and lengthy administrative procedures, thereby reducing costs.

### Sharing information

Common databases are linked to the different agencies' operational and risk management databases, leading to a common approach when a 'signal' is recorded. Some control and enforcement officers have access to each other's systems on a need-to-know basis, with levels of restricted access determined by rank and functional responsibility.

An example of a 'best practice' is the Joint Crime Intelligence and Crime Analysis Centre, formed as part of the national PCB agreement. The National Bureau of Investigation in Helsinki, one of the main units of the Finnish Police, is responsible for the operation of the centre which in turn is linked to regional analysis groups. There are also five PCB Provincial Crime Intelligence and Analysis Groups. These units are staffed by officers from all three enforcement agencies.

### Joint teams

Joint agency enforcement units have been established, which include officers from the three main agencies forming part of the PCB agreement. This initiative provides a reliable and regular channel for information exchange, more efficient border management, and for targeting organized crime.

### Political will

Strong political will was needed to achieve a deeper level of cooperation between Customs and the Border Guard. Many obstacles, especially related to the sharing of information versus privacy, data protection and confidentiality of trade information, can only be overcome with political will.

© Sparkleice

Agencies involved in managing border flows should not cooperate only because the law or their top management says so, but also because cooperation and division of work is actually the optimal solution for them and for their business environment.

In Finland, cooperation is seen as the way to overcome the challenges of managing an increasing level of traffic with limited – and sometimes reduced – financial and human resources.

**More information**

http://www.tulli.fi/en

# List of control functions performed by Customs on behalf of other government agencies

| Ministry | Government agencies | Control functions performed by Customs |
|---|---|---|
| Finance | Tax administration | • Export control<br>• Corporate audits<br>• Fight against the grey economy |
| Interior | Police<br>Border Guard | • Crime prevention<br>• Vehicle licence plate recognition system (LIPRE)<br>• Passport controls<br>• Fight against the smuggling of weapons and cash |
| Transport and Communications | Transport Safety Agency | • Control of heavy traffic<br>• Safety measures at ports |
| Agriculture and Forestry | Food Safety Authority<br>Agency for Rural Affairs | • Implementation of the European Guidance and Guarantee Fund, which finances the European Union's common agricultural policy (CAP)<br>• Control of compliance with regulations related to food products, plants and animals |
| Foreign Affairs | Department for External Economic Relations, Political Department | • Implementation of regulations related to dual use goods and to weapons of mass destruction<br>• Implementation of international trade regulations, e.g. Customs value and provenance |
| Social Affairs and Health | Medicines Agency<br>Supervisory Authority for Welfare and Health<br>Radiation and Nuclear Safety Authority | • Medicine controls<br>• Alcohol and tobacco products controls<br>• Radioactive material controls |
| Education | Copyright organizations<br>Board of Antiquities | • Fight against copyright infringements<br>• Fight against the smuggling of objects of cultural value |
| Environment | Environment Institute<br>Oil Pollution Compensation Fund | • Fight against the smuggling of waste, chemicals and goods governed by the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)<br>• Enforcement of the oil damage duty |
| Employment and the Economy | Safety and Chemicals Authority<br>Board of Patents and Registration | • Control of the technical safety and conformity of goods<br>• Enforcement of intellectual property rights |
| Defence | Ministry of Defence | • Controls related to defence material |

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# Beginning the CBM process: the Botswana experience

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IMPLEMENTING EFFECTIVE POLICY and practices with respect to the management of cross-border flows is one of the priority work areas identified by the Botswana Unified Revenue Service (BURS) and other border regulatory and enforcement agencies, whilst they seek to create a better environment for traders and travellers alike. This is because it has been established that smooth movement of goods and services, including passengers, between Botswana – a landlocked Southern African country – and her neighbours is, in a lot of cases, hampered by delays at border posts.

Joint cooperation between all agencies involved in the cross-border movement of goods through the implementation of coordinated border management (CBM) will, therefore, go a long way in eliminating current trade barriers, paving the way for Botswana to become more economically productive and enhancing regional integration efforts.

In order to gather ideas and support on CBM implementation from all the actors involved, a policy dialogue attended by key stakeholders was undertaken in May 2014. The event provided an opportunity for senior government officials and executives from leading companies and business organizations, representing manufacturers, importers and brokers, to learn about CBM best practices and to give their input into developing a CBM strategy.

Following the dialogue, the Botswana Government nominated five participants, each from different agencies, to visit ports and borders in Finland, as part of the CBM component of the Finnish-funded WCO East and Southern Africa (ESA) Project: 'Building Trade Capacity through Customs Modernization in the ESA Region'. The study visit took place from 17 to 19 September 2014 and the delegation was led by the Commissioner of Customs who was accompanied by senior government officials from Customs, Immigration, Veterinary Services and the Police.

They visited the Finnish Customs Headquarters and Customs' Risk Management Centre in Helsinki, as well as the seaport of Vuosaari and the model border station of Nuijamma on the Finnish-Russian border. The delegation also met representatives from various border agencies. Participants hailed the study visit as an eye opener to the possibilities and levels of how border agencies can jointly cooperate with each other efficiently and effectively while also individually achieving their statutory obligations. The way Finland's land borders are manned by only two authorities – Customs and the Border Guard – is one of the major highlights that the delegation picked up on, and what they would like to recommend for adoption in Botswana.

For example, preliminary discussions between Customs and Immigration officials showed that it would make sense to allow Customs to handle passport control for truck drivers so that the latter do not have to deal with different offices when crossing the border, first to clear their goods and then to have their passport checked as is currently the case. Implementing this form of interagency cooperation would require the training of officers to do tasks on behalf of other agencies, which could take time. One possibility is to launch a pilot project at one of the borders as a starting point with a view to progressively rolling out the project to the whole country.

Subsequent to a benchmarking exercise, the BURS, with the technical support of the WCO, undertook a diagnostic of Botswana's current border management environment from 13 to 23 January 2015 with a view to recommending actions that should be taken to implement a CBM system. The mission involved interviews with all border agencies and the private sector, as well as visit to a number of Botswana's border posts. A follow-up policy dialogue to consider the diagnostic report and to make firm decisions on the next steps aimed at implementing a CBM system in Botswana is scheduled for March 2015.

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# Inter-institutionality: a distinctive feature of the Colombian AEO model

**Beatriz Junca Rodriguez,**
A MEMBER OF THE TEAM RESPONSIBLE FOR THE DESIGN AND USE OF THE AEO MODEL, COLOMBIAN NATIONAL TAX AND CUSTOMS ADMINISTRATION

Colombia has introduced the inter-institutionality concept in its Authorized Economic Operator (AEO) programme, which came into force a few months ago. In this article, the Colombian National Tax and Customs Administration (Dirección de Impuestos y Aduanas Nacionales, or DIAN) reports on its experience and gives a more detailed explanation of the arrangements that have been put in place to coordinate the activities of all the involved Colombian government services.

DIAN DEVELOPED ITS AEO model, which is based on the WCO SAFE Framework of Standards to Secure and Facilitate Global Trade, by involving all the authorities with direct control over foreign trade in the country, namely the Anti-Drugs Police, the Colombian Agricultural Institute (Instituto Colombiano Agropecuario, or ICA) and the National Institute for the Control of Medicines and Food Products (Instituto Nacional de Vigilancia de Medicamentos y Alimentos, or INVIMA).

Although fairly complex from a technical point of view, the decision to involve all the relevant authorities has major benefits for the businesses concerned, both during the authorization procedure and after the status has been granted.

The sanitary and phytosanitary authorities and the drug control services have already been involved in foreign trade for some time. Colombia also has previous experience in coordination between public institutions involving trade facilitation, under initiatives such as:

- the Single Window for Foreign Trade (Ventanilla única de comercio exterior, or VUCE), which opened in 2004, enables the information required on the

cross-border movement of goods to be submitted electronically and simultaneously to all 21 public services involved in such transactions;

- the electronic simultaneous inspection diary, which was introduced in 2012, works with a module created as an application for the Single Window;

- the Inter-Sectoral Committee on Sanitary and Phytosanitary Measures, which was set up in 2006, coordinates the activities of the following services: the National Institute of Health, the sanitary and phytosanitary authorities, the Institute of Hydrology, Meteorology and Environmental Research, and the National Department of Industry and Trade;

- the Inter-Sectoral Committee on Free Zones, which was set up in 2007, comprises representatives from the Ministry of Trade, Industry and Tourism, the Ministry of Finance, the National Planning Department, DIAN and the Office of the President of the Republic. The Committee analyses, assesses and gives opinions on the viability of applications for recognition of permanent free zones. It also has to approve or reject the master plan for the overall development of the zones and any changes made to it.

It might seem more difficult to work towards a common goal together than to work alone, since that requires the operation of a coordinated policy under which each institution carries out its functions within the limits of its own competences. However, with this approach it is possible to enjoy the advantages of teamwork.

Applied to the AEO concept, it makes it possible in particular to:

1. certify that the undertaking provides a full guarantee of compliance and safety, including meeting any sanitary and phytosanitary requirements, thereby ensuring that its trading partners, the various regulatory authorities that monitor its operations and the countries where it is exporting its goods to have greater confidence in it;
2. ensure more effective use of the public resources invested in the pursuit of a common objective;
3. make progress in the development of a common risk assessment system based on more effective exchange and use of information;
4. ensure that every regulatory body adopts common criteria in the exercise of its functions;
5. establish more fluid and transparent communication with the private sector, enabling it to report its concerns and put forward suggestions;
6. develop courses under training schemes targeted particularly at AEOs that provide full coverage of topics of interest to certified businesses, enabling them to identify gaps and flaws in their procedures.

### Challenges of inter-institutionality

The design phase for the AEO programme did not present any major problems as regards the arrangements for the

coordination and performance of the tasks assigned to each body. That is due to the fact that the exercise itself was not actually new and participants were able to draw on the experience acquired under previous projects described earlier in this article), during which they established close links which they were able to maintain over time.

Under the inter-institutional model, each supervisory authority had to define its criteria for acquiring AEO status and indicate the benefits it was prepared to grant. These were then considered and discussed collectively until a single regulatory framework was agreed upon, which included the decree signed by the ministers of all the services concerned.

The responsibility of each of the actors for fulfilling their commitment achieves full significance when the regulatory framework enters into force. Within the limits of its competences, each service has to ensure that the AEO conforms to the jointly established rules and obligations, and therefore:

- sets aside part of its budget for the AEO programme;
- sets up a team of full-time staff to work on all AEO matters;
- takes an active part in the decision-making and management of the programme;
- draws up and implements a harmonized training programme for officials to enable them to acquire the technical and relationship skills needed for effective performance.

### Requirements

Inter-institutionality requires a particular commitment from participating authorities, depending on their legal powers. For the Customs authority, being the natural leader of the programme might involve greater responsibility for the AEO authorization procedure and in the actual programme administration. On the other hand, the associated services need to take appropriate and effective action, properly coordinated by Customs, in the context of an integrated management system.

In Colombia, Customs and the other supervisory services are involved at all stages of the authorization procedure:

1. General approval of the conditions laid down in Decree 3568 of 2011 governing AEOs;

2. The services will meet again to plan their joint inspections, in the course of which each will assess the applicant's compliance with the requirements in its sphere of competence;

3. Responsible officials for each service will decide on the technical viability of the authorization on the basis of the report presented to it by its team, in accordance with its prerogatives;

4. The publication of a final report, leading to the granting or refusal of AEO status, concludes the stages.

Each service is currently assessing the potential risk from businesses in its sphere of competence, based on the background, level of indebtedness and working history of the businesses. DIAN receives the results of the risk assessment by the cross-cutting risk assessment body for all Customs, tax and/or exchange services. The main requirement is that all the supervisory bodies should be aware of the profile businesses need to be able to claim AEO status, by assessing the situation and deciding whether or not the conditions have been fulfilled.

The inter-institutional dimension of the AEO programme is a further step towards coordinated border management (CBM). It supplements the simultaneous inspection policy currently operating at ports, involving officials from various bodies who have the necessary skills and who are aware of the implications of AEO status and the rights and obligations of authorized businesses.

The inter-institutional dimension of the AEO programme is a further step towards coordinated border management (CBM). It supplements the simultaneous inspection policy currently operating at ports, involving officials from various bodies who have the necessary skills and who are aware of the implications of AEO status and the rights and obligations of authorized businesses.

In my view, to exclude the sanitary and phytosanitary authorities from the AEO programme would be to ignore the important role those institutions play in monitoring foreign trade and would jeopardize the viability and scope of the programme. An AEO business making an international commercial transaction without the knowledge of certain services which are supposed to exercise control will not retain its AEO status for long.

### Important questions

Despite the not insignificant advantages of inter-institutionality in both the public and the private sectors, from a global perspective the Colombian model raises certain questions, three of which are dealt with here.

***Are the sanitary and phytosanitary aspects sufficiently important in global supply chain security to justify participation in the AEO system by the supervisory services concerned?***

As mentioned previously, Colombia believes that the granting of AEO status to a business whose main activity is subject to control by the sanitary and phytosanitary authorities should be approved by those authorities.

Only these authorities have the necessary legitimacy to certify that the AEO conforms to certain rules and best practices. Such approval undoubtedly gives the authorizing services generally, and the trading partners in particular, greater confidence in the business.

***What is the exact scope of inter-institutionality?***
It is legitimate for services monitoring the illegal activities associated with drug trafficking and other activities posing a potential risk to the global supply chain, such as the Colombian National Police, to participate in the AEO programme, since any exporter, importer or other party to a commercial transaction might engage in or be implicated in such practices.

The role of the sanitary and phytosanitary authorities is more limited. They can monitor only those exporters or importers whose activities fall within their sphere of competence; other categories of users, such as freight agents, brokers, warehouses and free zones, are outside their scope.

***Is inter-institutionality an asset in the negotiation of mutual recognition agreements (MRAs)?***
Because of its inter-institutional character, the Colombian programme has no equivalent in the region, or indeed globally. Inter-institutionality could therefore become a competitive advantage for the Colombian model, a distinctive feature of which businesses could take advantage. But in MRA negotiations, it is equally likely that inter-institutionality will have no relevance for third countries, since they cannot, for example, provide sanitary and phytosanitary facilities for a Colombian AEO.

However, even if the MRAs Colombia signs in the future do not provide such facilities for its AEOs, which is perfectly understandable, in my view inter-institutionality still adds value in terms of global supply chain security, especially for businesses whose activities are monitored by the sanitary and phytosanitary authorities.

## Conclusion

The first four Colombian businesses to have fully satisfied the criteria were granted AEO status a few weeks ago. They manufacture and export cosmetic products, paints, chemicals and building materials, and belong to large trading groups that have already demonstrated good international safety, quality, environmental and social responsibility practices over a long period.

It should be pointed out that, in the authorization procedure, one of the businesses requested the involvement of INVIMA, which worked effectively with Customs and the drug control bodies. Other businesses were assessed but, for various reasons, were not granted the status.

Armed with that initial experience, the inspection services are currently working on the development of strategies for their staff to apply rules of conduct and thus consistently improve the coordination between services required by inter-institutionality. In this connection, the responsible officials in each service meet regularly, and practical exercises are arranged for technical staff.

One of the main challenges of the Colombian AEO system, which efforts are currently being made to address, is consolidation of the inter-institutional model. Colombia is, nevertheless, confident that it will meet its goal as its AEO model goes from strength to strength.

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http://www.dian.gov.co/descargas/operador/index.htm

## The electronic simultaneous inspection diary

The electronic simultaneous inspection diary, which was developed with the financial support of the "Government Online" programme, is jointly administered by the Ministry of Trade, Industry and Tourism and the supervisory bodies, namely DIAN, the Anti-Drugs Police, ICA and INVIMA.

The system operates with a Single Window model and is applicable to imports and exports, although at the moment it is used only for export goods arriving at maritime terminals in containers.

It is designed to allow supervisory authorities to carry out joint inspections of a cargo in order to facilitate international trade, improve the level of control by each service, enhance cooperation and optimize the traceability and monitoring of information.

For exports, the process is initiated as follows:

- DIAN's computer system automatically transmits information on any request for permission to board (Solicitud de Autorización de Embarque, or SAE) electronically to the Simultaneous Inspection Module (SIIS) of the Single Window;
- the Customs officer then connects to the SIIS and selects the SAE documents for the cargo that will be inspected;
- if a sanitary inspection is required, the application connects to the computer network of the service responsible and transmits the information to accompany the request for inspection;
- when the cargo arrives at the port, the inspection services wishing to carry out a physical inspection indicate the selected container or containers in the electronic diary;
- on the basis of that information, the Customs officer is able to organize the logistical aspects of the inspection and, in particular, to contact the port to ensure that there is room in the inspection area where the joint inspection is to be carried out;
- the result of the inspection is recorded in the system and emailed automatically to the parties concerned.

# Coordinated border manag in the Netherlands

**By Frank Heijmann, Jos Ensing, Roel van't Veld and Marcel Neggers,**
CUSTOMS POLICY & ENFORCEMENT UNIT, DUTCH CUSTOMS

In executing its various missions, the Dutch Customs Administration traditionally collaborates with industries involved in cross-border trade and increasingly with other enforcement agencies on matters concerning health and safety, the economy and the environment. Dutch Customs believes that efficient use of each other's expertise and information can prevent duplicate checks, and will help to reduce the administrative workload for bona fide enterprises. This article takes a look at the various initiatives aimed at improving coordinated border management in the Netherlands, and gives an overview of the layered approach Dutch Customs has adopted in the supervision of flows of goods.

ONE OF THE key goals of the strategic Customs policy plan of the Netherlands is to improve cooperation between enforcement agencies responsible for matters of safety and security, human and animal health, and the economy and the environment.

The intended outcome is that Customs will be able to work more efficiently while minimizing logistics delays for legitimate international trade, which is of crucial importance for trade and the competitiveness of the logistics industry in the Netherlands as a whole.

Over the past years, Dutch Customs has been actively participating in the work undertaken at the WCO on coordinated border management, and has contributed to the discussions on best practices for creating or enhancing collaboration between Customs and other enforcement or regulatory agencies, including authorities responsible for air freight security.

In this article Dutch Customs shares the experience of the Netherlands, focusing first on projects undertaken at the European Union (EU) level, and then moving to purely national initiatives which might be of interest to Customs administrations around the world.

## Developments at the EU level

The EU has made the improvement of collaboration between enforcement agencies one of the seven key objectives of its new risk management strategy.

In this regard, the European Commission (EC) has launched a series of projects aimed at improving collaboration with EU Customs authorities, various enforcement agencies from EU Member States, and a number of European logistics industry organizations, including the European Shippers' Council, the European Association of Freight Forwarders, and logistics service providers.

Dutch Customs is currently participating in these EU projects, sharing previous experience gained in the Netherlands in order to constructively contribute to the improvement of collaboration between Customs authorities and other enforcement agencies, both cross-border and at home.

### *AEO-RA/KC alignment*

One of these projects relates to finding existing commonalities between enforcement agencies' certification programmes, such as the Authorized Economic Operator (AEO) within the domain of Customs, and the Regulated Agent/Known Consignor (RA/KC) within the domain of civil aviation authorities.

It may be worth repeating that an AEO is an operator who has been granted this status by the Customs authority of an EU Member State, after it has been established that the operator meets the following common criteria: Customs compliance; appropriate record-keeping; financial solvency; and, where relevant, appropriate security and safety standards.

Operators may only receive AEO status after the Customs authority issuing the status has ensured that the operator meets the criteria for the issuing of a certificate. An examination is, in principle, carried out on all the premises relevant to the Customs-related activities of the operator.

An RA is an air carrier, agent, freight forwarder or any other entity who undertakes

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security controls in respect of cargo and mail. A KC is a consignor who sends cargo or mail for his/her own account and whose procedures meet common security rules and standards sufficiently enough to allow the carriage of cargo or mail on any aircraft.

Both entities require approval by the aviation security authority of an EU Member State to become an RA or a KC. Approval may only be granted after an onsite verification of the relevant premises has confirmed that the entity complies with the applicable security requirements. This onsite verification is carried out by the appropriate authority or on its behalf by an EU aviation security validator.

Proposals were made by the EU AEO-RA/KC project group to further integrate Customs legislation and air freight legislation through mutual recognition of certifications, which will help unify the application and monitoring processes of both enforcement agencies, thereby reducing the industry's administrative load and cost.

These proposals led to the publication of the EC's implementing regulation (EU) No. 889/2014 of 14 August 2014 amending Regulation (EEC) No 2454/93, regarding recognition of the common security requirements under the RA/KC programme and the AEO programme.

The new regulation updates the references to the aviation legislation in force, includes recognition of the KC status and its relevance to AEOs, frames the scope of recognition of the common requirements between the respective programmes, and allows for the necessary exchange of information between Customs and aviation authorities.

***Air cargo security and data submission***

Customs, the Ministry of Finance and the Ministry of Security and Justice of the

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Netherlands jointly participate in activities concerning the EU Air Cargo Security Pilot/Study. The aim of these activities is to improve the air cargo security risk based approach by using advance cargo information (ACI) that is submitted pre-loading.

In examining the process flow of the traditional air cargo model, it was found that both the carrier and the freight forwarder already have the data – called 'raw data' as it is yet to be analysed – needed for security risk analysis purposes, but at different points of time.

This raw data, collectively called 7+1, consists of a set of seven data elements (the consignor's name and address, the consignee's name and address, the description of the goods, the piece count, and the weight) and an identifier (the House Air Waybill number, or H.A.W.B. number).

Therefore, with the aim of ensuring that Customs gets the data early enough, and that it is of sufficient quality to enable Customs to conduct the first layer of security risk analysis, a study was undertaken to test the feasibility of gathering pre-loading information and the appropriateness of using the raw data for security purposes.

This ACI, the so called '7 + 1' initial data, forms the beginning basis of the Customs risk assessment process for air cargo security. The data is subjected to an electronic risk analysis process against common risk rules established by the EC and EU Member States' Customs administrations in cooperation with aviation and home affairs authorities.

For subsequent mitigation of air cargo security risks, a first draft of a protocol, i.e. a detailed schedule for adequate operator's responses, was developed jointly by the EC and EU Member States to ensure coherency and alignment between Customs and civil aviation security legislation.

***AEO/ISPS-code alignment***

In the maritime domain, the EC is investigating the overlap between AEO safety criteria and the certification requirements for the International Ship and Port Security Programme (ISPS-code) regarding maritime safety and security, based on EU legislation.

As part of a joint preliminary enquiry undertaken by the Dutch and Belgium Customs authorities, it has already been found that AEO safety criteria largely echo the safety criteria in the ISPS-code, which concern the security of shipping lines, port facilities and businesses operating at ports.

The risk analyses of the security of port sites and businesses that need to be carried out for the ISPS programme to a great extent coincide with the requirements set for the AEO security status. Further steps will be taken to investigate this specific overlap in order to aim for possible improvement in collaboration between enforcement agencies.

***Dual use goods***

In the first half of 2014, the EC launched a project to look at ways to improve collaboration between responsible enforcement agencies in the field of AEO certification and the issuing of licences for 'dual use' goods – goods that can be equally used for civil or military purposes and which in some cases are subject to export restrictions because they can also be used for purposes of repression, aggression or terrorism.

In this project several EC Directorate Generals participate jointly with Customs administrations and other responsible authorities to compare relevant AEO criteria with the criteria for issuing dual use licences, including investigating any possible overlap.

## Developments at the national level

Dutch Customs has been able to improve inspections partly through internal action, for example by training staff, by defining unambiguous work arrangements, and by harmonizing procedures and methods.

Of course, many inspections require extensive collaboration with other inspection services involved in the cross-border transport of goods. Hence, exchanging information, utilizing each other's capacity and combining checks is absolutely necessary.

***Single Window for Trade and Transport***

As part of the Dutch e-government programme, the Dutch authorities have

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designed Digipoort, the government's 'electronic post office' for businesses. It provides the communication infrastructure for the exchange of digital information between companies and government authorities. Digipoort enables companies importing and exporting products to submit information aimed at multiple government authorities once.

To enhance this exchange of information and intensify collaboration with industry, a programme called the Single Window for Trade and Transport (SWTT) has been launched. It will act as an industry-wide IT platform (public and private) to facilitate seamless integration of the logistics network.

Within this programme, the authorities involved in the inspection of international goods flows have agreed to improve their joint service level, by means of coordinated risk selection and efficient calculation and processing of import duties for example. This will eventually result in the one-stop shop concept, and consequently less red tape – physical Customs, environmental and veterinary checks on goods will take place simultaneously.

The SWTT programme is being developed in stages from the following two platforms: the Maritime Single Window (MSW) and the Inland Navigation Single Window (BSW). Both platforms will enable, as of June 2015, all reporting between ships arriving in and/or departing from ports of EU Member States and authorities throughout the EU to be done electronically in a harmonized way, as required by EU Directive 2010/65/EU – commonly known as the Reporting Formalities or 'FAL' Directive.

The development of these platforms will run until mid-2015, after which additional projects will be launched within the framework of the SWTT programme.

***Neutral Logistics Information Platform (NLIP)***

Logistics has been designated as a spearhead industry of the Dutch economy by the government. The re-use of information throughout the logistics industry and between the industry and the authorities could make the logistics industry even more efficient and competitive.

In this context, Dutch Customs is working with several private and public entities to develop the Neutral Logistics Information Platform (NLIP). It will enable all supply chain partners to input information once, and then share it throughout the entire chain.

Originators of information will control who has access to the information, and when. The aim of NLIP is to assist shippers, logistics providers, ports and government departments to optimize supply chains, reduce administration, and work more efficiently.

Within NLIP, various existing information platforms set up by business operators, such as Cargonaut – the information system for the air cargo industry, and Portbase – the information system for the port communities of Amsterdam and Rotterdam, including the government's Digipoort, will be linked. It will only encompass new industry platforms as they are created.

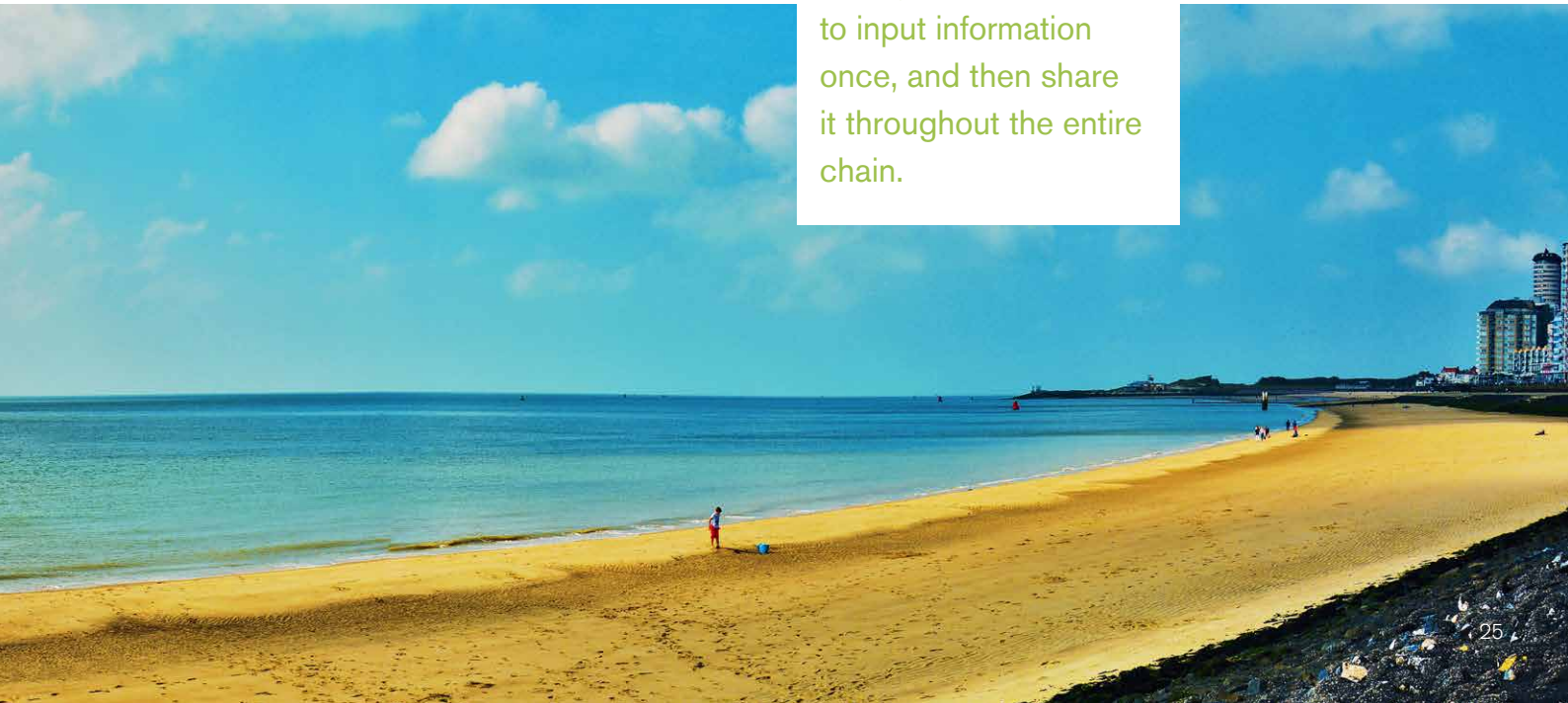
The aim is to enable, through NLIP, the exchange of data stored on all these platforms. This data will then be available for re-use in various applications in use by the economic operators and government parties involved.

***Updating Inspections Programme***

In addition to making preparations for the establishment of SWTT and the NLIP, a number of authorities have spent recent years working on updating maritime inspections to increase their effect and reduce any burden.

This is what the Updating Inspections Programme is all about, with increased collaboration between inspection authorities being implemented in the domain of inland navigation and sea port controls.

Dutch Customs is working with several private and public entities to develop the Neutral Logistics Information Platform (NLIP). It will enable all supply chain partners to input information once, and then share it throughout the entire chain.



In this programme, inspection authorities are increasingly operating as a single enforcement agency. Not only is this a more efficient method for the enforcement community, it also reduces the inspection load for the industry by preventing duplication of controls. By sharing inspection results, surveillance authorities get to know the bad apples in the cart and can improve their targeting. Risk analyses can also be used to set priorities, and compliant businesses, such as AEO certified companies, will be inspected less often.

Another great example of efficient and modern supervision lays in the publication of an annual Transport by Water Surveillance Plan, another collaborative effort between agencies involved in ensuring compliance and fighting fraud in this field.

## Research perspective

***Innovation in Supply Chains Compliance and Border Management (ISCOM)***
The 'Innovation in Supply Chains Compliance and Border Management' research programme focuses on innovation and efficiency improvement in the cooperation between top sector logistics businesses and Dutch Customs.

For this purpose, pioneering academic projects are sought in one or more of the following research areas: compliance management; ICT infrastructure; and legislation and regulations. The research is being conducted by a consortium of academics with at least one business partner that contributes to the research work and funding.

The academic challenge in the area of compliance management is to develop new supervisory models for reducing the administrative burden for international trade and transport on the basis of warranted trust, cooperation between the government and businesses, and determining the business case for enterprises to increase visibility and security in the goods chain so that government supervision can be based on this.

While the academic challenge in the field of ICT infrastructure is to produce innovations that will allow for better data exchange between businesses and the government, and between businesses or government bodies themselves, and to come up with intelligent applications that will enable businesses to optimize their logistics processes and at the same time give Customs access to better data for their inspection tasks, thereby reducing the administrative burden of Customs supervision on businesses.

In this programme, inspection authorities are increasingly operating as a single enforcement agency. Not only is this a more efficient method for the enforcement community, it also reduces the inspection load for the industry by preventing duplication of controls.

Lastly, the academic challenge in the field of legislation and regulations is to remove legal barriers to the use of innovations in compliance management so that there is better data exchange between businesses and the government, and between businesses or government bodies themselves, for the transport of goods being exported from or imported into the EU.

To illustrate this last point, we take a look at the situation in the EU. In Europe, cross-boder operations have to comply with EU Customs legislation which falls within the jurisdiction of the EC, in particular the Directorate-General for Taxation and Customs Union (TAXUD).

To transport these goods, one also has to comply with EU legislation pertaining to product safety, health, economy and the environment on the one hand, and to the transport legislation of national governments on the other. All these different regulations create specific information streams, according to specific data structures and times at which the relevant obligations must be fulfilled.

To achieve effective and coordinated border management, it would be desirable for businesses to pass on information to the government once. This requires legal research into the possibilities of harmonizing data structures and the times at which obligations must be fulfilled without affecting the intended purpose of the relevant legislation and regulations.

EU Customs legislation is now being reviewed in Brussels by the EC in an attempt to modernize the Union Customs Code (UCC). This research into new forms of supervision may eventually lead to new legislative initiatives in the UCC by 2020, or beyond.

***Pushing boundaries***
Dutch Customs has developed a layered approach to enforcement concept that will be of benefit to both Customs and the bona fide business community. This risk-based approach results in fewer – and less disruptive – interventions in the logistics of reliable businesses, and in more inspections of other businesses.

Depending on the information that is available on the underlying parties, aspects regarding the movements of goods are segregated into unknown traders, the known and trusted traders (AEO), and smart and secure trade lanes – the future aim being that Customs inspections, in principle, will take place in exporting countries.

There are three main supervision scheme or commodity flows in this approach, with a different mix of control mechanisms being applied to each of them:

- The blue flow are unknown traders – Customs therefore intervenes intensively in the logistics at the border based on risk analyses;
- The green flow are trusted traders – Customs, based on the proven reliability of the trader, makes observations, preferably outside of the logistics process where appropriate in light of the risk involved, to verify that traders are acting correctly;
- The yellow flow represents trusted trade lanes – Customs works to secure entire chains, in accordance with the provisions of the WCO SAFE Framework of Standards. Customs is cognisant of every link in these chains from beginning to

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end, and can say of these goods entering or leaving the Netherlands that "we know who packed the box". This system, in principle, makes it feasible to restrict the inspection of these goods to one inspection at the time they are loaded in a marine or air container.

***Coordinated border management***

The success of the layered approach in the supervision of goods depends on the willingness of fellow enforcement agencies to keep pace with Customs' vision and operational approach, as this is necessary if the Dutch business community is to gain potential benefits.

It will then be possible to create the SWTT sector, and to set up one checkpoint at the border, with all supervisory authorities carrying out their inspections at the same place in the transport chain and at the same time.

However, the success of this concept is not only dependent on Customs and other agencies, it is equally dependent on the business community's faith in the concept. This is already the case with, for example, the AEO system, which is, in essence, founded on economic operators' trust in the system. Similarly, secure trade lanes can operate solely when businesses perceive the benefits available to them and are prepared to invest in innovation to reap those benefits.

Customs has – under its 'pushing boundaries' motto – set a point on the horizon for a layered approach: a vision that will serve as a benchmark for reviews of all the measures to be implemented in the future, marking the final destination of Customs' approach in the years to come.

Dutch Customs is firmly of the conviction that their adoption of this approach will ensure a balance between continuing support for the Netherlands' leading position in international logistics rankings and protecting the EU and its citizens.

**More information**

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The success of the layered approach in the supervision of goods depends on the willingness of fellow enforcement agencies to keep pace with Customs' vision and operational approach, as this is necessary if the Dutch business community is to gain potential benefits.

# Customs and Post, a new era of cooperation

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**By David Koch,**
STAFF WRITER, UNIVERSAL POSTAL UNION

THANKS TO THE Universal Postal Union's Customs Declaration System, a higher level of cooperation between Posts and Customs is taking shape at the international level, as they confront the challenges of a rapidly changing world. This comes as Customs and Posts both need faster and safer ways to deal with the rising tide of items generated by international e-commerce.

Canada Post's new 700,000 square-foot Pacific Processing Centre, located at Vancouver International Airport, has become the world's first postal facility to implement Universal Postal Union (UPU) software designed to streamline the Customs process using the power of electronic data and automation technology. The software is called the Customs Declaration System (CDS).

When inbound mail reaches the facility, data about its contents has already arrived and Customs has made a decision about how these mail items will be treated as they travel through the plant. As the mail is emptied onto the belt at the facility, the barcodes affixed to individual mail items are scanned while they pass through a six-sided scanning device.

The system can handle 6,000 incoming items hourly at full capacity, and thanks to the CDS, the barcode is linked to data that Canada Post received prior to the item's dispatch from the Post of origin, including Customs declarations, in the form of electronic messages.

This pre-advice gives Customs the time to issue a decision on specific incoming postal items. Low-risk items that have been reviewed by the Canada Border Services Agency (CBSA) are destined for release upon arrival. These items remain subject to visual inspection after which point invoices for any applicable duty and taxes owing are attached prior to being conveyed directly to the domestic sorting area of the plant.

Meanwhile, certain items considered higher-risk and selected for examination are automatically diverted by a 'smart conveyor' system, and examined by Customs officials in a secondary examination area of the plant reserved for the CBSA – postal workers are not authorized to act as Customs officials in Canada.

The use of this technology reflects the shared interests of Posts and Customs, as both parties are notably under pressure to maintain tight security, especially after two bombs originating in Yemen were discovered in 2010 on cargo planes belonging to private couriers bound for the United States (US).

"We have a common goal of improving the efficiency of the postal supply chain for Canadians, while maintaining a robust border security and public safety mandate," says Stefanie Wudel, a CBSA spokesperson.

## Legal change

CDS also responds to an emerging set of rules for Posts worldwide, with governments starting to subject mail volumes to the same rules as cargo. Freight forwarders and private players are already required to send data about shipments to Customs before loading an aircraft, but postal items have traditionally been exempt from this rule.

The shift began as US lawmakers adopted postal reforms that included requiring advance data for items entering the country. Soon, China also began requiring pre-advice as did the Russian Federation, which adopted this requirement in September 2014. And the European Union (EU) is preparing to require Customs data in advance for anything entering the EU.

"The writing is on the wall, and the UPU and the WCO have been busy developing tools to help designated postal operators and Customs adapt to the new rules. This is where the CDS fits in," says Harald Weyerich, Director of the UPU's Postal Technology Centre (PTC).

## Challenges

Today, a handful of Posts are exchanging 1.5 million of those electronic messages

a week, with many destined for Canada. Other Posts are preparing to implement the same kind of data exchange in 2015.

Incomplete data and poor quality data submitted by shippers is one challenge that has emerged with the new system. Data quality and completeness are essential to the pre-arrival assessment of duty and taxes, allowing the facilitation of lower-risk mail. This underlines the importance of ongoing coordination with key partners on quality data.

"With a few changes from some large-volume mailers, we're getting where we need to be," says Stephanie Glover, Director of Customs and Trade Facilitation at Canada Post. Other challenges include training employees on the new equipment, and a higher-than-expected number of small packets that are too small for the conveyor belt, thus requiring manual processing.

"However, these issues are regarded as part of the learning curve for the implementation of a world-first system", says Glover. "And the UPU's work in developing the CDS has been critical to a successful project with a promising future."

### International exchange

The number of Posts conducting pilot exchanges of data in the framework of the CDS reached 16 by May 2014, with the US Postal Service and Canada Post both in production and ready to exchange data with any other CDS user.

Deutsche Post DHL is currently operating in a 'test environment', according to Alexander Edenhofer, a company spokesperson. But stringent data protection standards in Germany prevent the Post from transmitting an entered dataset for outbound items: the names of the shipper and receiver are restricted.

In addition, "implementing the system for inbound items would require German Customs to adapt its IT system, which is connected to that of Deutsche Post DHL, a change that isn't currently planned," says Edenhofer. "This is just one example of how varied situations can be at the national level."

Another country that is also exploring these uncharted waters is Australia Post, which is currently piloting the CDS system for inbound shipments in collaboration with national border authorities. It is also sending data with outbound shipments to selected partner countries. This 'proof of concept' period is geared towards assessment and improvement of incoming data, as Australia Post liaises with data-sending operators to identify problems and improve data quality.

This trial period in Australia is also meant to determine "the best way for operations to change inbound processing to get the most out of data exchange," says Australia Post spokesperson, Jenni Bolton. "Anticipated benefits include cost reduction and better detection by border agencies."

The Australian postal authority is also testing the 'watchdog' function of the CDS, which allows for high-risk items to be identified early and prevented from ever being dispatched. Asked about the significance of the CDS, Bolton underlined the potential for better customer service.

"Australia Post is keen to pursue initiatives that will achieve greater end-to-end efficiencies between designated postal operators and Customs authorities, and subsequently provide greater levels of services to our customers," Bolton says.

### Implementation costs

The CDS is currently the only system of its kind on the market. As an increasing number of Posts adopt the system, they too will benefit from the economies of scale offered by the technology. The costs of developing the required standards and software have already been met.

This means that new users avoid the cost of developing their own bespoke system and benefit from software updates produced by the UPU's PTC, which is governed by the Telematics Cooperative. The first stage of CDS's development was paid for by the UPU's Express Mail Service (EMS) Cooperative, a group with more than 170 members, while the second stage was financed by Canada Post.

"All products developed by the PTC – including the CDS – are available for a sliding-scale annual fee, which is based on a country's gross national income. All designated operators have access to the PTC's products, whether or not they belong to the Telematics Cooperative," says Weyerich.

He added that "the benefits of membership include discounted prices, voting rights and access to meetings where these technical solutions are developed, and since the PTC is not for profit, it can also offer products at a competitive price."

### UPU/WCO collaborative efforts

Getting the CDS off the ground was in no small part due to the joint efforts of the UPU and the WCO under the framework of the WCO/UPU Contact Committee. UPU representatives also regularly attend WCO meetings and vice versa. This close collaboration enabled them to develop the joint standard electronic messages that underlie the CDS.

The development of the CDS is just one of the ways that the UPU is working with the WCO to encourage cooperation at the national level. The two organizations recently published a set of guidelines for the development of memoranda to help foster cooperation between Posts and Customs. These agreements will help clarify terms and conditions governing their functions, as they work towards implementing new technologies like the CDS.

## How the CDS works

Two sets of electronic messages – defined in a UPU standard known as M43 – are involved in the CDS process. The first message replaces the paperwork normally used for Customs declarations. A second message, sent in response by Customs, contains information about whether or not an item should be presented to Customs. This message may also contain additional data, including the value of any duties or taxes the sender may need to pay. The presence of this data could vary depending on the specific agreement between a national Post and Customs authority.

The Contact Committee recently published the Postal Customs Guide, a sort of textbook for the processing by Customs of postal items. This 49-page guide is meant to foster mutual understanding between Posts and Customs about their respective operations. Described as a living document to be updated regularly, it covers everything from the difference between packets and parcels to the fight against the trafficking of weapons across borders.

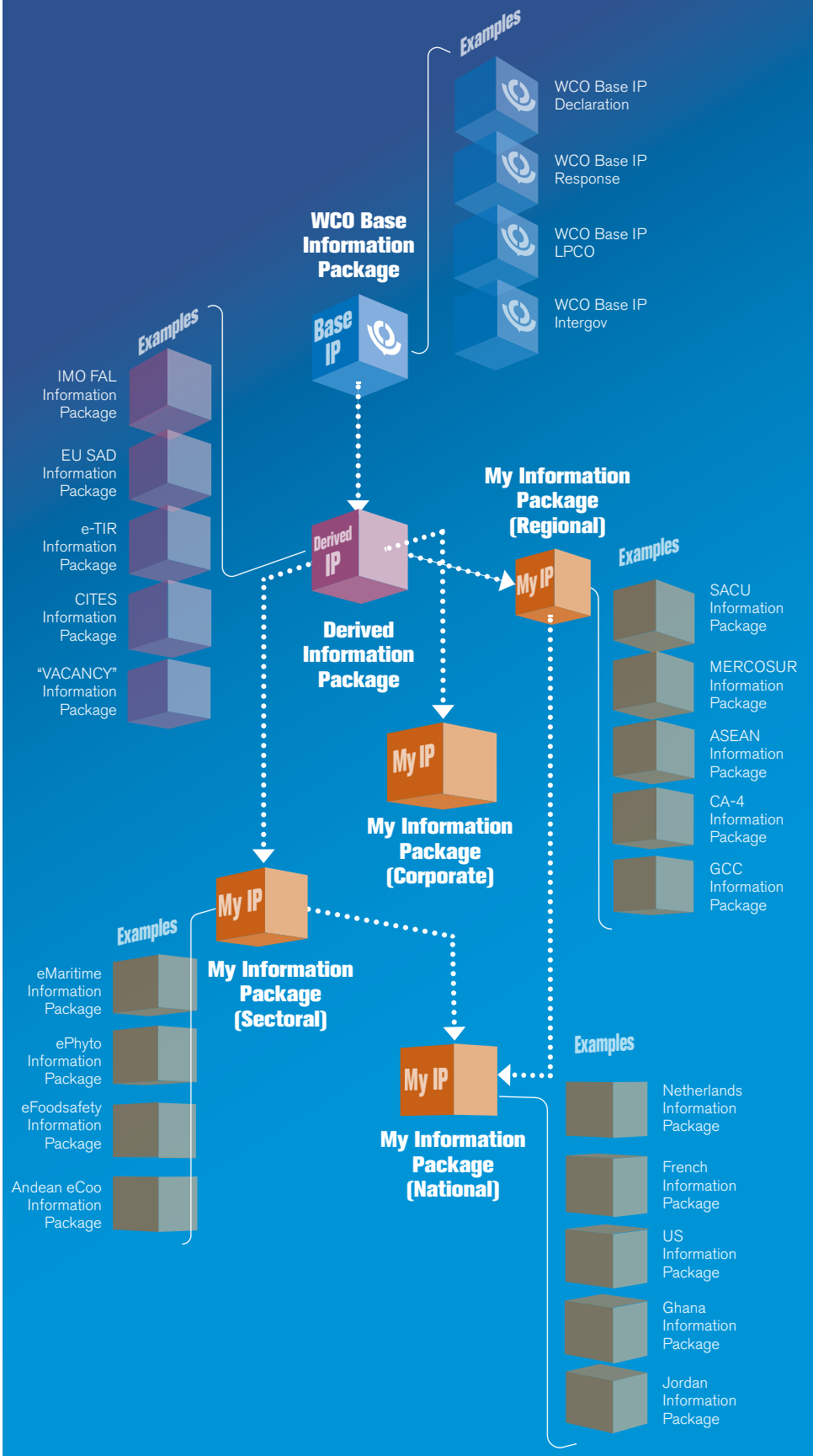
"These joint efforts demonstrate ongoing actions at the international level aimed at ensuring security, while also fostering economic growth, as e-commerce emerges as a vector of growth for micro-, small- and medium-sized businesses," says Akhilesh Mathur, the UPU's Supply Chain Coordinator. "For e-commerce to function, Posts to prosper, and quality of service to be good, the Post-Customs interface must be efficient."

"Ensuring smooth operations in the global supply chain is also crucial for Customs, especially in the light of the growth of e-commerce," says WCO expert, Pashupati Nath Pandey. "This is something none of our organizations can afford to ignore."

This article is an edited extract of an article which appeared in the September-October 2014 edition of Union Postale, the UPU's official magazine.

**More information**
http://news.upu.int

# WCO Data Model:



# the bridgehead to connectivity in international trade

**By Satya Prasad Sahu,**
COMMISSIONER (SINGLE WINDOW),
INDIAN CUSTOMS

Issues related to complicated regulatory procedures, redundancies in documentation and data required by government agencies, and paper-based processes have been addressed extensively over the last two decades, and several recommendations and guidelines have been developed to reduce the trader's effort, cost and time in carrying out regulatory formalities. Principal among them is the use of international standards for data and documentation. In this domain, the WCO is promoting the use of its Data Model, a collection of international standards on data and information required not only by Customs, but also by government agencies, in relation to the regulation of cross-border trade.

STUDIES CONDUCTED WITH regard to the time and cost involved in carrying out activities related to international trade transactions have underscored the significant impact of tasks associated with 'document preparation' and procedural formalities. It is commonly acknowledged that considerable redundancy exists in the information that a trader is required to provide for carrying out commercial, transport and regulatory procedures.

The initiative by Australia in 2005 to develop a standardized data set for international trade illustrates the scale of the problem. With Customs as the lead agency, the Standardized Data Set (SDS) Project was a whole-of-government exercise to establish a common platform for the submission to government of import, export and transit data.

The SDS project team collected 7,649 data elements from 41 government agencies. This number was reduced to 3,993 with the elimination of "same as" elements within agencies, and harmonized to 650 after a first quick review. To illustrate, 22 agencies collected the name of the exporter on 118 different forms. It was used 212 times on those 118 forms, described in 61 different ways, and required in 16 different formats, ranging from 20 to 300 characters in length. The SDS project team standardized this entry to one data element – 'Exporter Name', 70 characters in length.

Issues related to complicated regulatory procedures, redundancies in documentation and data, and paper-based processes have been addressed extensively over the last two decades, and several recommendations and guidelines have been developed to reduce the trader's effort, cost and time in carrying out regulatory formalities. Principal among them is the use of international standards for data and documentation.

## International data standards

When data is interchanged between trade partners by means other than paper documents, e.g. by teletransmission methods including direct exchange between computer systems, a common "language" should be used with an agreed mode of expressing it, i.e. common protocols, message identification, agreed abbreviations or codes for data representation, message and data element separators, etc.

If a universally accepted standard is not used, the "language" has to be agreed bilaterally between each pair of interchange partners. Taking into account the large number of parties exchanging data for an international trade transaction and the ever increasing number of potential users of teletransmission techniques, it is obvious that such a bilateral approach is not viable.

Currently, there are at least three "data models" for international trade, that is to say, models which organize data elements and standardize how the data elements relate to one another. The oldest is the United Nations (UN) Trade Data Element Directory (TDED). The TDED has 1,083 elements and their definitions are available on the web pages of the UN Economic Commission for Europe (UNECE). The TDED is closely linked to paper-based forms and contains information about the location of each data element on a standard paper layout.

The TDED is just a list of data elements and does not explain how to combine data elements into meaningful information and arrange them on an electronic template. However, TDED continues to remain relevant even in the electronic environment as it provides the basis for the UN Electronic Data Interchange for Administration, Commerce and Transport (UN/EDIFACT).

UN/EDIFACT comprises a set of internationally agreed standards, directories and guidelines for the electronic interchange of structured data, and in particular, that related to trade in goods and services between independent, computerized information systems. TDED helps construct the UN/EDIFACT components which are commonly used in Electronic Data Interchange (EDI).

The Core Components Library (CCL), with over 6,000 elements, could be said to be a further development on the TDED. The CCL has a wider scope and, unlike TDED, includes the concepts of data modelling. By following a set of technical rules, one can build electronic business documents. Of the 6,000 or so elements defined in the CCL, not all TDED elements are explicitly included. This is probably due to a more systematic approach in the CCL, which can represent several TDED elements in a more generalized CCL definition.

The WCO Data Model draws heavily from the above standards. First, it is by and large cross-referenced to the TDED. The WCO Data Model is also expressed through a standard UN/EDIFACT GOVCBR (Government Cross-Border Regulatory) message. The modelling principles of the WCO Data Model are largely similar to the CCL, as both are based on the Core Component Technical Specifications.

The WCO Data Model has been assessed extensively for compliance with the generic international data standards developed not only by the UN, but also by the International Organization for Standardization (ISO), which form its building blocks. ISO codes include Country Code (ISO 3166), Currency Code (ISO 4217), Dates, times, periods of time (ISO 8601), and Trade Data Elements (UNTDED - ISO 7372).

It may be said that the WCO Data Model is a value-added product based on all these well-recognized data standards. It responded to the need for an international data dictionary for the Customs domain that would both harmonize and simplify Customs data requirements. As standards that are well known and widely used become significant enablers of simplification, the worldwide adoption of the WCO Data Model is a strategic goal for the WCO.

## The WCO Data Model

The WCO Data Model is a collection of international standards on data and information required by government agencies in relation to the regulation of cross-border trade. This collection was developed by the WCO after careful examination of all relevant international instruments and guidelines, along with national and industry practice, with the objective of achieving a consensus on the manner in which data will be used in applying regulatory controls in global trade.

The Data Model contains data sets for different border procedures, including definitions of data elements, recommended data formats and suggested code lists. The data elements are logically grouped into units of meaningful information, called "information models". These information models serve as reusable building blocks with which one can build electronic document and data exchange templates.

The Data Model also includes Information Packages, which are standard electronic templates linked to business processes – goods declarations, cargo reports, conveyance reports, licences/permits, and certificates. It is a library of data components and electronic document templates that can be used to effectively exchange business data. The fact that the Data Model uses globally recognized standards as its building blocks provides assurance of worldwide acceptance and adherence.

## Information Packages

As mentioned earlier, the concept of Information Packages is unique to the WCO Data Model. Information Packages describe the various profiles of the different ways in which the Data Model can be used. Starting with very generic templates of information exchange, called Base Information Packages, the WCO Data Model Project Team (DMPT) developed Derived Information Packages reflecting the profiles of usage with well-defined legal contexts.

Each type of business application of the Data Model may have its own Derived Information Package. For example, for the ship-port interface, there is the International Maritime Organization (IMO) FAL Derived Information Package. For import, export and transit goods declarations, there is the Single Administrative Document (SAD) Information Package.

The European Union (EU) has endeavoured to produce specifications for its new Union Customs Code Implementing Provisions based on the WCO Data Model. It is also understood to be considering the production of an EU Customs Information Package that reflects the interface requirements of all its Member States.

## Maintenance

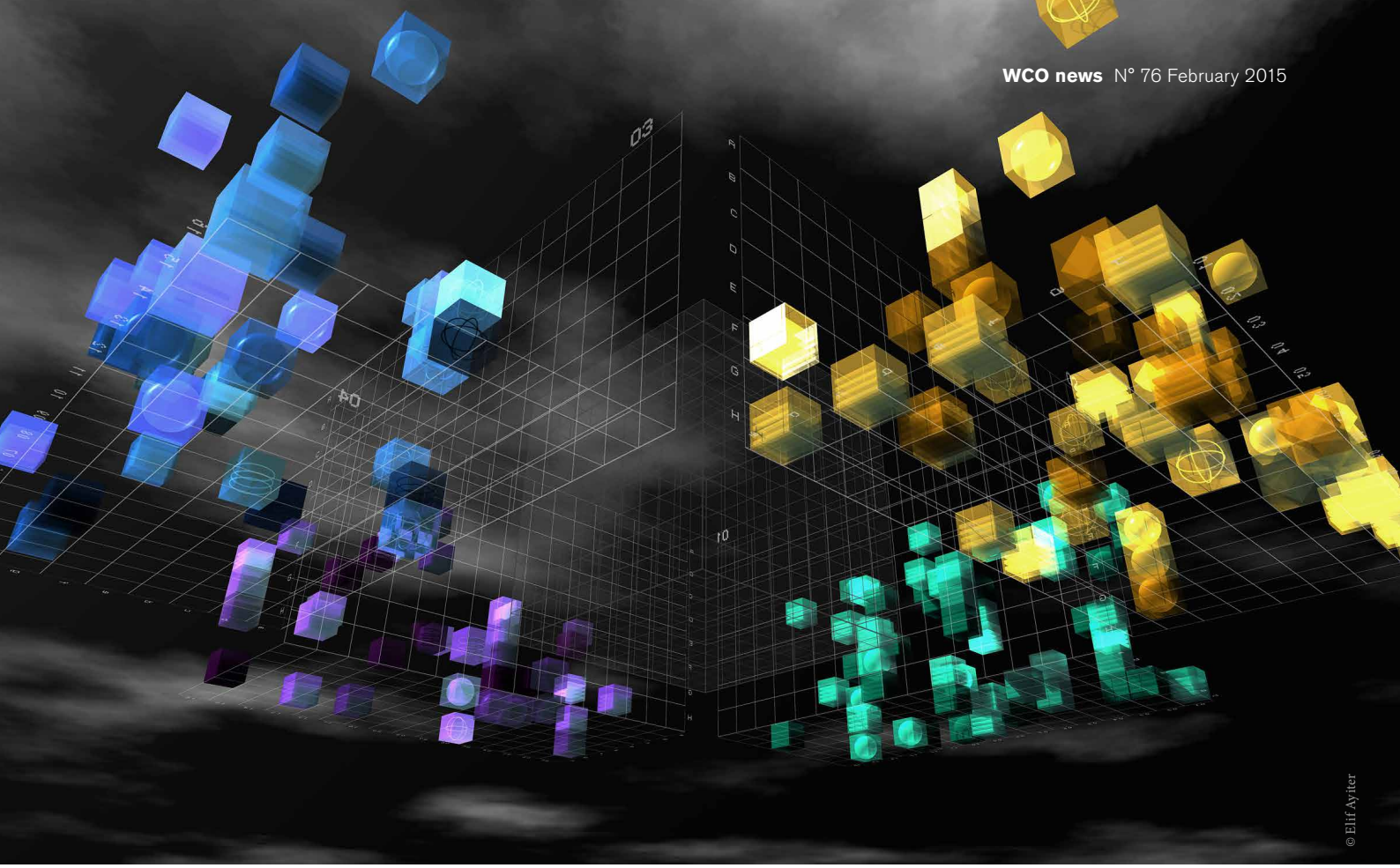
The maintenance of the WCO Data Model is carried out by the DMPT, with the support of the WCO's Information Management Sub-Committee (IMSC). The process of developing and maintaining the standards meets the criteria for openness, as all interested participants can take part in DMPT meetings. Transparent procedures have also been established to deal with enhancements and updates.

Proposed changes to the Data Model are done through the submission of a Data Maintenance Request (DMR) to the DMPT. The DMRs are presented and discussed at plenary sessions of the DMPT, and are incorporated into the next release of the Data Model if supported by at least two WCO Members.

The management of Information Packages has a bearing on how they will be used. The DMPT has adopted a very flexible model. Presently, most of the templates contained in the Data Model – in the form of Information Packages – are managed by the DMPT. However, there are forms which are owned and managed by other organizations. For example:

- The Secretariat of the Convention on International Trade in Endangered Species of Wild Flora and Fauna (CITES Secretariat) owns the formats and templates for the CITES e-Permit and is re-sponsible for the upkeep and maintenance of these templates. The DMPT merely provides a plat-form for the publication of the CITES e-Permitting Information Package;

- The IMO agreed recently to engage the DMPT to manage the IMO FAL Compendium, which is a collection of electronic templates. This model



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ownership and management of templates may apply to a host of other organizations, and points to the potential for a high degree of collaboration between various international organizations.

### User profiles

The WCO Data Model supports a range of functional services of cross-border regulatory agencies inasmuch as it defines standards for real-time transactional information exchange among stakeholders. Not only does the Data Model reduce the cost of developing interfaces, it also helps in reducing the cost of preparing and presenting transactional data to Customs and other regulatory agencies. Because of easier exchange of data related to licences, permits and other authorizations, it potentially reduces trade-related paperwork.

The freight forwarders industry operates interfaces with Customs in order to provide crucial advance cargo information at various entry and exit points. Some of these interfaces may require pre-loading, pre-departure or pre-arrival cargo information, which calls for business agility and global data interoperability for interchange of information. Thus, in a transport contract requiring the provision of advance information to Japan and the EU for example, a freight forwarder can develop an interface based on the Data Model to successfully provide the required information.

Relying on data from export transactions from one country, a Customs broker can rapidly prepare the basic data for import in the country of import. To efficiently manage cross-border information flows, it is necessary to understand the requirements of different countries and legal regimes, using a global framework based on the Data Model and the associated local Information Packages.

The implementation of border controls for certain groups of commodities usually involves licences, permits and certificates, which are issued by government agencies. These documents are interchanged by parties within and between countries. The Data Model Information Packages for Licences, Permits, Certificates and Other Authorizations (LPCO) have been developed precisely for this purpose.

The Single Window (SW) concept implies that one piece of information is submitted to government once. Under a SW, government agencies will have to merge their respective goods declarations through a process of harmonization and standardization of data. The Data Model has been very helpful in harmonizing the documentary requirements of different government agencies. For example, Canada has produced an Integrated Import Declaration, which contains the requirements of all participating agencies.

### Initiating adoption of the WCO Data Model

Whether it is a government agency or an entity in the private sector associated with international trade and transport, the decision to adopt or use the WCO Data Model involves a critical review of internal functional systems and software applications. Since the exchange of information between organizations is involved, it is also necessary to develop an appropriate project concept and stakeholder engagement model. For Customs administrations, this means consulting national cross-border regulatory agencies in particular.

Each organization must review its existing business architecture and analyse its current information flows. Thereafter, the role played by the Data Model should be assessed. If a business model that ensures a favourable cost-benefit situation exists, then the organization should prepare a business plan involving the relevant functional, policy and information technology (IT) managers.

It may also help if users undertake missions to countries that have implemented the Data Model in order to better understand its functionalities and contribution to enhanced border management.

The Data Model is available free of charge to all government agencies and organizations, and to all other interested parties at a reasonable cost. Where an organization in the private sector is considering adopting or using the Data Model, it must develop an appropriate business model and contact the WCO in order to obtain the appropriate terms and conditions of use. The WCO offers the Data Model to all interested private sector entities on comparable terms of use on a non-exclusive basis.

One such entity in the private sector is GEFEG, which has a distribution agreement with the WCO. It is a company that has worked in the area of metadata development software for several years. Using its trademarked product "GEFEG.FX", it currently markets the WCO Data Model in a structured reusable format, which offers efficient options for the rapid production of WCO Data Model implementation profiles, also referred to as Information Packages.

In order to produce conformant e-documents and messages, one must identify, tabulate, map and model the data contained in the prescribed forms with the Data Model. If this is done manually, it could take a considerable amount of time and effort. Using the GEFEG tool, this task is facilitated through a process of rapid customization.

The GEFEG tool is being used by Customs administrations, individual experts, governmental agencies, traders and other parties involved in cross-border processes. GEFEG, through its innovative solutions, has promoted the use of the Data Model by showing how it offers significant interoperability and conformance benefits to Customs administrations and partner governmental agencies by providing standardized cross-border data structures.

### Maintaining outreach

All organizations are encouraged to maintain regular contact with WCO experts through the DMPT to facilitate the take-up of the WCO Data Model at the earliest practical opportunity, for example, when consideration is being given to the installation, revision or replacement of an automated system. All interested parties should take advantage of the WCO's outreach efforts in terms of training, seminars and workshops. It may also help if users undertake missions to countries that have implemented the Data Model in order to better understand its functionalities and contribution to enhanced border management.

The WCO closely monitors the worldwide adoption and use of the Data Model. Since its launch, Members of the WCO have pursued an approach to suit their unique national situations. A number of Members have used the Data Model in national projects to upgrade national IT systems or to develop SW solutions. Other Members have produced concordance tables mapping their national data requirements with the Data Model.

Nearly half of WCO Members have implemented ASYCUDA, which is an integrated Customs automation system developed by the UN Conference on Trade and Development (UNCTAD) and supported by development partners globally. UNCTAD is working closely with the WCO in order to ensure continued conformance with the WCO Data Model. Thus, it would be fair to say that in due course, it will be possible for ASYCUDA users to develop and publish WCO Data Model Information Packages that describe typical national requirements.

The DMPT ensures that its work does not conflict with other standardization work being carried out and/or duplicate existing and ongoing work on standards. In fact, the DMPT ensures harmonization with existing standards, such as the TDED and UN/EDIFACT.

The WCO standards development process, as documented in the Data Model Maintenance Procedures, provides a high level of quality assurance. The adopted technical and procedural specifications are technology-neutral and assure stability and interoperability, while enabling the end-products to undergo quality assurance processes. Quality assurance for the standard is carried out both by the DMPT, as well as during the inter-sessions by participating experts.

### The future

The WCO Data Model has made extraordinary progress in developing requirements not just for Customs, but also for a number of other government agencies. The DMPT has developed into a well-organized and efficient vehicle for the development and publication of this work, with each annual release resulting in improved versions of the Data Model, and each year bringing new adherents. Be that as it may, one must ask: what does the future hold for this body of work, and how does it fit within the emerging technology landscape?

The future of computing will be defined largely by ubiquitous, highly available computing facilities that will be used by mobile users to access applications on a variety of devices. These applications will depend upon, and result in, real-time information flows in step with progress in the execution of business processes. This is largely reflected in trends in the sphere of online commercial procurement, electronic invoicing, supply chain finance, the management of transport service requests, real-time inventory tracking and warehouse management solutions, fleet and load management, etc.

All these developments point to an environment where supply chain information will be available to be exploited in real-time for regulatory purposes. This concept is explored in projects that are testing 'data pipelines' that carry business data across the entire length of the logistical supply chain and can provide real-time, "on-demand" data to Customs and other regulatory agencies.

This data is understood to be obtained first-hand from the source, uncontaminated by quality issues that creep in due to repeated transcription and interpretation by participating supply-chain actors.

With minimal intervention, data entry and other costs, this approach is a win-win for both industry and government as it leaves fewer activities requiring intermediating efforts in data handling, allowing the industry and the Customs brokerage community to deploy its resources on crucial issues of local compliance.

This futuristic scenario is already a technological reality which is being exploited by an increasing number of business applications. Customs and regulatory agencies are still some distance away from realizing its benefits. The Data Model, with its Information Packages, promises to be just the right resource to capture and convey critical local knowledge to help build local interfaces based on global information flows that the "plumbers" of the internet age can use to quickly help offer seamless flows of information, as envisaged in the 'data pipeline' concept.

To participate effectively in these types of initiatives, the ongoing work on 'Reference Information Packages', which explains the relationship between commercial data and regulatory requirements, is relevant. Considering that the bulk of Customs and regulatory data is sourced from commercial and transport documents, the initiative of the DMPT to produce Reference Information Packages is both welcome and timely.

In addition, it would behoove the DMPT to carry out future work with a view to assessing whether there are gaps that exist in its coverage, especially those that relate to Customs and other regulatory procedures which are used less frequently. Information Packages that have not yet been developed need to be identified and taken up as part of the DMPT's work programme. Once these are completed, the DMPT could then perhaps be renamed the "Data Model Management Team", with a stakeholder engagement model similar to that of the DMPT.

The goal of achieving low-cost interoperability and trade through ubiquitous devices and non-redundant regulatory procedures can be achieved only when there is the will and drive on the part of all stakeholders in international trade. The inexorable march towards greater connectivity and sharing will ensure that this goal is achieved. The only question is: how quickly will all this happen?

*Mr. Satya Prasad Sahu previously served as a Senior Technical Officer and Acting Deputy Director for Facilitation at the World Customs Organization. This article expresses his personal views.*

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# Implementing New Zealand's Joint Border Management System

NEW ZEALAND'S ECONOMIC competitiveness relies on efficient and secure supply chains, and its reputation as a trustworthy trading partner and a popular tourist destination. The country's border management is among the best in the world.

Each year the New Zealand Customs Service (NZCS) facilitates over 150 billion New Zealand dollars (NZD) in trade, handles 50 million mail items, and processes approximately 10 million travellers, as well as collecting over NZD 11 billion in revenue. The Ministry for Primary Industries (MPI) manages the biosecurity risks posed by cargo, craft, passengers and mail items, including the risks associated with imported food.

Together, over the past four years, the two authorities have been developing a Joint Border Management System (JBMS) to modernize and integrate border clearance processes for people, goods and craft, as well as improve data and technology sharing between the NZCS, the MPI and other agencies with an interest in border security.

Development of the JBMS is partly funded by the central government and through baseline funding provided by the NZCS and the MPI. Industry is also required to fund some of the costs of the JBMS, through transaction fees.

### The JBMS has two key components:

- the development and implementation of the New Zealand Trade Single Window (TSW) and other craft and cargo processing components, which connect to existing systems;
- the foundation for advanced risk and intelligence (R&I) capability, including new tools to provide sophisticated data mining, risk rating and pattern analysis.

The TSW uses electronic craft and cargo reporting and clearance messages based on Version 3.2 of the WCO Data Model (WDM3). This enables information to be harmonized across border agencies, and will also improve risk management and the facilitation of compliant trade. New Zealand border agencies have been closely involved in the development of the WDM3, New Zealand being one of the first countries to adopt this new standard and use its new message formats.

Within New Zealand, the TSW enables more information to be shared electronically with industry partners, such as ports and transporters, to support logistics planning. In the longer term, the TSW provides the foundation for better trade facilitation through country-to-country data sharing, an objective of both the WCO and the Asia Pacific Economic Cooperation (APEC) bloc. It also meets the WCO's 'Customs in the 21st Century' challenges concerning Coordinated Border Management (CBM) and the Globally Networked Customs (GNC) concept.

### Key achievements to date

A significant proportion of the new TSW has been delivered for food safety, biosecurity and Customs purposes, immediately making it easier for industry to do business with government: four of the top five lodgement types (the term used to describe the different sets of information required by border agencies to assess risk, collect revenue and/or release goods entering or leaving New Zealand) account for 71% of transaction volumes, i.e. import and export declarations, and inward and outward cargo reports.

Over 1.4 million inward transactions from traders have been processed via the TSW in the first 18 months since its launch. Around 60% of inward transactions are completed via the TSW and 100% of outward messages are sent through the TSW. Median processing times remain under 20 seconds per transaction, and volumes continue to increase.

While the majority of the advanced R&I functionality will be launched towards the end of the delivery schedule, offline data analytics R&I software is being used by a joint NZCS and MPI data analytics team. A simplified module has also been implemented to support R&I capability for food import declarations.

### Next steps

Work is underway to deliver the remaining TSW functionality over the next 18 months. At present, NZCS issues client codes to importers, exporters and overseas suppliers, and to organizations or individuals who want to submit messages to the system. These are currently applied for on forms that are generally faxed or emailed to NZCS for data entry.

A six-week pilot with selected traders is to begin shortly, allowing them to apply for their own client and supply codes online and manage some of their own information. Applications for most supply codes will be reduced to minutes from the current 24-working-hours service target, and there will be a quicker turn around for client code applications too. For users who meet quality and reliability standards over time, automated approval of some client code types will be possible, as some applications will be able to be processed after hours.

Remaining TSW lodgement types are being developed and should be available to industry by the end of 2015, thus completing the TSW. It is important that more traders begin to use the WCO Data Model so that Customs and the MPI can gather richer and more accurate data for R&I analysis. There will, however, be a transition period before the use of WDM3 messages becomes mandatory for industry.

The focus of the NZCS and the MPI remains on developing a real-time R&I model that will facilitate the collection, evaluation and analysis of data, enabling Customs and the MPI to quickly determine the appropriate operational response to possible risks.

### Supporting coordinated border management

The JBMS is expected to deliver significant benefits to importers, exporters and others in the international trade supply chain. It will also drive changes to service delivery in New Zealand, through more integrated and easily accessible services.

For government, the JBMS will provide a new capability to strengthen existing services and manage the border more effectively:

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- the advanced risk management tools will strengthen the protection by Customs and the MPI of New Zealand's trade and biosecurity, benefiting the economy and all border stakeholders;
- the JBMS will provide better value for money through multi-agency use of capital assets and more efficient agency processes;
- the JBMS will help support New Zealand's trade policy objectives and obligations.

Industry too will benefit from a single point of data submission to government border agencies, cutting out costly duplication. The potential benefits for industry will depend on how individual participants use the information from the TSW to increase their supply chain efficiency. The NZCS will also have to consider how it can help industry to realize the benefits.

Use of the new WCO Data Model allows New Zealand to improve border security data collection and its ability to integrate with its partner countries, by implementing the WDM3 message standards in their entirety. It also enables the country to collect higher quality and richer data, which in turn allows more targeted, accurate risk and intelligence interventions, and better business analysis.

Some JBMS benefits are already being realized. These include a reduction in staffing costs for the NZCS and the MPI, as well as minimizing the risk of the possibility of software failure of existing border information technology (IT) systems.

### Knowledge acquired

Large IT system change is challenging and New Zealand has learned a number of things that will be useful for other jurisdictions considering the development of their own trade Single Window (SW).

### Opportunities and challenges: implementing the WCO Data Model

The close relationships established by New Zealand's thematic experts at meetings of the WCO Data Model Project Team (DMPT) were invaluable in assisting with problems and gaining knowledge and tools to do the work.

Being the first to fully adopt the WDM3 enabled New Zealand to pick up any flaws, making it easier for the WCO to improve the Data Model. However, this did delay the implementation of New Zealand's own programme while 'maintenance requests' were raised with the WCO. Although these delays were unavoidable, it does highlight the risks of being the first to use a new model.

### Developing risk and intelligence capability

Given the challenges posed by a constantly changing border environment with increasingly sophisticated risks, New Zealand found that it was unrealistic to try and develop the R&I component in a single phase.

R&I is now being undertaken in smaller iterative releases to ensure that the most appropriate elements are prioritized, created and enhanced as the knowledge and skill level of Customs and the MPI increase.

New Zealand has learned that R&I is expensive and complex, with long-term challenges, which can be minimized by collaborating with other organizations. The R&I workstream is now being supported by engagement with other government agencies, to leverage their experience and expertise in developing similar business products, as well as improving understanding across government.

A more sophisticated R&I system requires staff with different skill sets, and this takes time to develop. It is, therefore, important to invest strongly in developing human capability early on in the programme.

### Stakeholder engagement

Support from industry and central government agencies has been essential to the programme's success, and this support was actively sought.

Internal and external stakeholders have been involved throughout the design and development phases of the JBMS, which is key to getting the design and delivery right. The use of a select group of pilot partners enabled the JBMS programme team to work closely with industry to find and resolve issues.

Early consultation with major industry stakeholders indicated that there was general support for the JBMS. Strong relationships and consultation ensured that industry accepted the cost recovery principle. An increase in transaction fees was largely facilitated through stakeholder involvement and the focus by authorities on the benefits and value, rather than the costs. In time, the benefits for industry will exceed the increased charges.

The NZCS has also improved its focus and capability in managing its contracts for the JBMS programme. This includes elements such as delivery and procurement, change management, responsibilities, and costs.

### Leading a major joint programme of work

Although the NZCS is the lead organization for the JBMS, dual ownership of the programme with the MPI has led to a unique acquisition of knowledge.

It was important for each side to understand their shared attributes and their own unique features, to enable them to mutually recognize each other's contribution. The impact of differences in organizational culture was under-estimated and not identified until the JBMS programme was well underway.

The MPI and the NZCS will continue their partnership with joint ongoing management of the JBMS when it is in full operation. It will thus be important to have clarity and agreement regarding the management model for joint services between all the agencies involved.

**More information**

www.customs.govt.nz

# Uganda's AEO programme leads trade facilitation in the region

**By Dicksons C. Kateshumbwa,**
ASSISTANT COMMISSIONER: CUSTOMS AUDIT,
UGANDA REVENUE AUTHORITY

IN 2005, THE Uganda Revenue Authority (URA) embarked on a massive modernization programme aimed at repositioning it to be more effective and efficient, while offering more user-friendly services to its clients. It therefore undertook a number of reforms to modernize and adopt world-class best practices in its processes. Customs is one of six departments in the URA.

Following the adoption of the WCO SAFE Framework of Standards (SAFE Framework) in June 2005, the URA found that the principles espoused by the SAFE Framework were in line with its strategic vision, and decided to implement its provisions immediately as one of the reforms being undertaken in the Customs department.

A letter of intent to implement the SAFE Framework was submitted to the WCO. This paved the way for implementation, starting with the creation of a project team in 2009 charged with tasks including the application of one of the main provisions of the SAFE Framework – the Authorized Economic Operator (AEO) scheme.

As the AEO concept offers a new approach to managing Customs compliance, emphasizing partnerships, benefits to participants, relaxed controls, and audit-based approaches, there were, in the beginning, some reservations about its implementation and viability among certain stakeholders. This meant that a careful introduction and implementation plan was needed.

To achieve rapid implementation, a special project team was set up and given terms of reference which included "developing an AEO programme that strictly adheres to the standards provided for in the SAFE Framework, and keeping a line of sight with the East African Community (EAC) regional AEO Programme, while maintaining relevance and therefore suitability with the local Customs environment". Funding was secured through a development partner to supplement Customs' resources.

The AEO programme has been up and running since 2011, and there are currently 22 companies participating in the programme. They cover various functions in the supply chain and include manufacturers, brokers, warehouse keepers, couriers, importers, and exporters.

## Key factors for successful implementation

***Change management among Customs staff and traders***

The long-cherished Customs control culture is sometimes difficult to navigate while introducing any notion of relaxed controls or simplified procedures, yet most AEO benefits involve simplifying Customs procedures and minimizing Customs controls. A careful change management plan was, therefore, of great importance. The change management strategy targeted Customs officers at different levels, starting with the top managers and moving down to the officers on the ground, as well as the staff who support Customs functions. The change management plan also covered traders and other cross-border regulatory agencies.

The main challenge in implementing the changes was scepticism amongst staff about the whole concept of trusting the business community and easing controls. Some staff thought this was taking away their powers, and that it was too risky to trust businesses. The business community, in turn, doubted whether Customs would live up to its word, not to mention nurture them into better compliance.

The URA mitigated these challenges by getting Customs' senior management involved in some key change-management activities aimed at staff and business representatives. Management also participated in the media publicity campaign to raise awareness of the concept and allay the fears of the public, particularly the business community.

***Attractive benefits***

Extensive consultations were needed with traders and other regulatory agencies, and within Customs, to ensure that the benefits tabled were competitive. The benefits granted include reduced physical examination of cargo, simplified procedures, automatic renewal of licences for brokers and warehouse keepers, and operator-managed bonded warehouses.

> "Today, I am saving at least 300 US dollars per container in processing costs. The AEO programme will improve trade facilitation across the East African region, allowing investors, time to concentrate on improving their businesses."
>
> **Ms. Mwijukye Jennifer,**
> MANAGING DIRECTOR, UNIFREIGHT CARGO HANDLING LIMITED

Some of the regulatory agencies also offered benefits such as priority treatment to AEOs in cases where controls were necessary. After implementation, a feedback system was employed to evaluate the suitability of the benefits. This involved continuously soliciting ideas and feedback from the AEOs on what other benefits they wished to receive. This was premised on the fact that the business community knows what it wants and what may be useful to it.

Since implementation, there has been a tremendous response from the AEOs. Some of the results recorded include:

- a reduction in clearance time for AEOs from 4 days to 1 day;

- a reduction in compliance costs for AEOs of between 100 and 300 US dollars per consignment;

- a reduction in the physical examination rate for AEO consignments from 60% to under 5%.

***Engagement with other players***

In conducting its operations, Customs interacted with many players including other regulatory agencies, such as the security agencies, the Quality Standards Agency and other border authorities. Customs began by engaging the top management of these institutions to introduce the AEO concept. This was followed by joint dialogue with these agencies in the capital Kampala, where details of the implementation were discussed, and ideas sought from them.

There was overwhelming buy-in from the agencies, and Customs agreed to hold further sensitization sessions for their staff at the different border stations. Although these agencies do not participate in the AEO accreditation process, Customs does consult them on an occasional basis where input from them is believed to be necessary or potentially useful.

Media engagement was also secured through various media to increase visibility and garner support for the programme. A media publicity strategy covering all the major media channels was launched. It included holding talk shows, conducting interviews, and issuing press releases, as well as the use of television and social media.

In some of these programmes, Customs appeared jointly with the private sector, who gave their side of the story, describing the benefits obtained and challenges encountered thus far. This boosted public confidence and strengthened belief in Customs' message. Engagement with all players was pivotal to the success of the AEO implementation plan.

***Continuous stakeholder engagement***

At the inception of the project, Customs undertook a stakeholder mapping exercise to identify their needs by category of business. After starting the implementation process, continuous engagement was required with the different stakeholders.

Customs has to keep the lines of communication open with all stakeholders in order to ensure that the programme continues to address their concerns. These include, among others, delivery of promised benefits, compliance support, and enhancements to the programme. In addition, officers acting as 'client relationship managers' are attached to the various entities that express an interest in becoming an AEO.

***Transparency***

For the AEO programme to appear credible there is need for maximum transparency. In Uganda's case, a deliberate effort was made to ensure that every stakeholder understood what was going on with the programme. The authorization criteria were made public and provided to every stakeholder. Extensive consultations are carried out with all relevant stakeholders before AEO status is awarded.

Communication to stakeholders has to be accurate, and this means communicating not just what can be done but also what cannot be done. Procedures and standards have to be applied fairly, in line with what has been laid down and communicated. Customs also developed an AEO Procedure Manual and Standard Working Papers to guide staff on the authorization process. This manual guides all Customs staff, as well as others interfacing with AEOs in whatever manner.

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### Operationalization of benefits

A special AEO Logo was developed and entered into the Customs management system – when an AEO captures a declaration, the logo is inserted on the Customs entry. This makes it visible to all officers, who are then aware that the company is an AEO and has to be granted the agreed benefits. AEO liaison officers were also appointed in different Customs stations, specifically to handle any issues arising with AEOs.

If, for example, an AEO experiences a delay at the border as a result of a system or network interruption, the AEO can approach the liaison officer who will intervene to ensure that the AEO does not suffer any undue delay. They may, for instance, be allowed to proceed without completing Customs procedures at that stage, instead carrying them out later at their own premises.

### The EAC regional AEO programme

The URA is working with the revenue authorities of Burundi, Kenya, Rwanda and Tanzania, in conjunction with the EAC Secretariat and the WCO, to implement a regional AEO scheme. Under the scheme, AEOs will be mutually recognized in all five EAC member countries, with uniform benefits. The EAC is also looking at negotiating Mutual Recognition Arrangements (MRAs) as a region in the future.

To be eligible, applicants must already be accredited as AEOs in their home country. The AEO regional programme is managed by a regional project manager at the EAC Secretariat, supported by national regional managers. Applications are first discussed among all regional project managers before being presented to a committee where all the region's Directors General of Customs are present. Applications are vetted using regional criteria, and accredited companies receive regional benefits such as mutual recognition within the region and priority treatment, in addition to national benefits.

In 2010, a pilot was launched with key operators. Some of its key achievements include:

- 3,413 pilot consignments;
- release times cut by 80-90%;
- compliance costs decreased by 400 US dollars per consignment;
- turn-around time reduced by 50% for some operators;
- out of the savings realized, one operator was able to set up a new production line that has employed an additional 10 staff.

### A promising future

Implementation of the AEO programme is expected to dramatically improve the efficiency of Customs processing in Uganda and the region. For a small, landlocked country like Uganda, which has embraced regional integration as a core element of its development strategy, the AEO programme holds many promises.

**More information**
http://ura.go.ug

# Israel launches a campaign to educate future tax-payers

**By Yitzhak Leon,**
SENIOR DIRECTOR OF ORDERS, LICENSED WAREHOUSES AND UNCLAIMED GOODS, CUSTOMS DIRECTORATE HEADQUARTERS, ISRAEL TAX AUTHORITY

TAXES AND MANDATORY payments are a part of everyday life. Every transaction, from the most basic ones that involve purchasing products such as bread, milk, chocolate, televisions, cars or even apartments, to more complex and significant transactions, involves value-added tax (VAT), and occasionally purchase or real estate taxes as well. The same principles apply to the salaries of individuals and the profits generated by companies.

Israel Customs, income tax, real estate tax, purchase tax, VAT – mention any one of these terms to working citizens and you will be sure to evoke unpleasant responses, to say the least. While the State of Israel has successfully instilled the affinity between citizenship and army service in the majority of its citizens, it seems that a lot of work remains to ingrain in people's minds that payment of taxes enables the government to provide education, police protection, and other necessary services that benefit or will benefit all citizens.

Yet taxes are a key reflection of an ancient moral idea that is deeply rooted in the Jewish tradition, namely mutual responsibility for one another. Each and every citizen in the State of Israel is morally responsible for the welfare of the whole community. This moral and ethical principle is reflected in taxes, and has been rooted in Jewish tradition since ancient times – documented in the Bible, the Mishna (the first major written redaction of Jewish oral traditions), the Talmud (the central text of Rabbinic Judaism), and the Responsa literature (a body of written decisions and rulings made by scholars in historic religious law).

One of the missions of the Israel Tax Authority is to "integrate the obligation and social value of honest tax payment". This, we believe, can only be done through education. In order to develop a positive attitude towards payment of taxes, it is important for young citizens to understand, even from school age, what services the government provides and how these services are funded. But education is a long, painstaking process, which goes beyond posting a message on Facebook or a "tweet" on Twitter, although using these modern social media platforms is important as well.

In order to develop a positive attitude towards payment of taxes, it is important for young citizens to understand, even from school age, what services the government provides and how these services are funded. But education is a long, painstaking process, which goes beyond posting a message on Facebook or a "tweet" on Twitter, although using these modern social media platforms is important as well.

Against this background, the Israel Tax Authority has launched an education project as part of its overall strategy to reduce friction between the Authority and the Israeli population, and to build the public's confidence in the Tax Authority. To do this, a tax education project team was set up within the Authority to manage a comprehensive campaign, explaining the connection between tax collection and the State's ability to guarantee satisfactory standards of living to all its citizens.

Among other things, a new section on the Tax Authority's website has been developed with didactic material. The website defines basic principles related to the payment of taxes, discusses budget legislation and the different considerations applied when determining types of taxes and their rates, provides information on the State's income from taxes, and much more.

This website was designed to assist teachers – every teacher, educator or counsellor, and not necessarily only those who specialize in social studies and economics. It provides tools for answering students' questions, raising the level of the discussion, and expanding teacher understanding, and the students' understanding, of taxes.

Material is also available to help teachers, educators and counsellors empower students to grapple with moral dilemmas that demonstrate the conflict between the need to encourage financial activity, and the need to reduce inequality in incomes, support developing areas, and assist the needy using taxes, while understanding that addressing these different needs requires fair and honest payment of taxes by all citizens, or otherwise facing the alternative of increasing taxes or lowering the level of services provided to the entire population.

Another strand of the campaign is Tax Authority employees giving lectures in high schools. Young people in Israel must understand the different considerations expressed by various parties, weigh the costs and benefits of various solutions, and take the social impact of each solution into account. Tax education is a long journey. However, investing efforts now will bear fruit in the long run and develop an understanding of the importance of paying taxes, as today's young people are tomorrow's tax payers. Although tax education is a long and detailed process, it should be initiated as soon as possible.

It is Israel Tax Authority's goal to fight against the shadow or underground economy, which deprives governments of much-needed taxes and hampers their efforts to provide services to their citizens. This project is one of the milestones towards achieving that objective. But as the results of these efforts will become apparent only in the long-term, when today's young people become the tax payers of the future, the Tax Authority has set out on a very long journey.

**More information**
http://taxes.gov.il/Pages/TaxesEducation.aspx

# Qatar's Single Window system continues to deliver improved results

In a bid to provide the State of Qatar with one of the world's most efficient, reliable and trustworthy Customs clearance services, the Qatar Customs Clearance Single Window – an automated system known as Al Nadeeb – was officially launched in September 2013 to deliver better communication and integration with the trade community. This article focuses on the system's recent and future developments.

AL NADEEB, WHICH was first deployed at the port of Doha, has lately been deployed at a major land port on the border with Saudi Arabia, as well as at Qatar's express courier terminal. As shown in Table 1, as the system is rolled-out, and more transactions processed, the average clearance time is decreasing. The system has also been improved to provide a better user interface and new value-added services.

Table 1

| Data period | Finalized declarations | Registered users | Average clearing time | Ports of entry |
|---|---|---|---|---|
| 2011* | 15,201 | 12,731 | 11 days and 5 hours | 1 |
| 2012* | 130,347 | 15,133 | 3 days and 17 hours | 2 |
| 2013 | 336,936 | 37,630 | 2 days and 12 hours | 3 |
| 2014 | 543,469 | 31,821 | 1 day and 16 hours | 5 |
| Total | 1,025,953 | 97,315 | | 11 |

**Data gathered during the pilot run in 2011 and 2012*

## New deployments

### *Abu Samra land port*

Qatar's only land border crossing sees a steady stream of lorries, full of construction materials and food, rumble across the border from Saudi Arabia every day. Other than liquefied natural gas and petroleum, the country produces very little. A substantial portion of Qatar's imports – mainly consumer and industrial goods – arrive from UAE ports or on trucks through Abu Samra.

About 800 trucks pass through the crossing each day and thousands of passenger vehicles enter and exit the country around the clock, making it one of the busiest ports of entry in the country. This substantial flow of goods and people has historically created a bottleneck at the border. However, since the implementation of Al Nadeeb at Abu Samra in July 2014, Qatari Customs has been able to ensure faster clearance times for goods and eased the process for travellers.

### *Express couriers*

An automated electronic clearance process has been introduced to clear express courier shipments at Doha International Airport, resulting in rapid turnaround times for the clearance of shipments, as well as a reduced dependency on human input.

## New functionalities

***Mobile application***

Due to the extensive use of mobile devices by the clearing agent community and all users of Al Nadeeb, and the consequent strong demand for a mobile application, a mobile version of the system has been developed. It provides full system functionality and a streamlined user experience, as well as a highly-developed user interface.

***e-AWB***

Since the beginning of 2014, the adoption of the electronic air waybill (e-AWB) developed by the International Air Transport Association (IATA), which replaces paper air waybills, has been steadily on the rise around the world, with more and more industry participants taking it on board and adopting it.

Al Nadeeb enables airlines to submit an e-AWB for shipments originating and transiting through Doha, as well as for import shipments into Doha. The adoption of the e-AWB is not only another significant step towards a paperless system within the air cargo process, but has also resulted in:

- leaner and smoother procedures;
- the elimination of the transport, handling and archiving of paper AWBs, including the associated cost savings;
- greater data accuracy;
- stricter confidentiality.

## The way forward

Qatar Customs has committed to reforming and enhancing its existing processes through the development of Al Nadeeb, which is in line with the QATAR 2030 national vision and the country's Digital Inclusion Strategy for a fully e-government. These reforms will address the rising demand from the trading community for an easier Customs clearance process, and also cater to Qatar Customs' plans to offer new value-added services.

Al Nadeeb already allows traders and clearing agents to pay duties and submit declarations online. Traders are also able to authorize clearing agencies online, and to follow up on the status of their Customs declarations 24/7.

Moreover, the system displays real-time information which enables shipments to be tracked while providing up-to-date revenue data, thus facilitating the monitoring of import and export costs. There is also a Call Centre providing 24/7 customer service. In addition, users are able to access a personal smart card to monitor all their import/export movements.

The new services to be added in the coming months will include the following key functionalities:

1) Customized reporting
   Al Nadeeb will provide customized trade reports to the business community and government agencies/ministries currently participating in the system. The reports will cover, for example, import/export volumes, the amount of duties paid, payment channels, and the most imported/exported goods categorized by Harmonized System codes;

2) Data integration
   Customs clearing agents will be able to upload information on the goods they are clearing, such as item lists, invoices and certificates, in any standardized file format (xls, pdf and xml), and the system will adapt the files and input the information directly into the Customs declaration;

3) Clearing agent management module
   As Customs clearing agents are Al Nadeeb's primary users, Qatar Customs has developed a dedicated module for them which provides the following services:
   - online registration;
   - licensing approvals;
   - issuing of licences;
   - systems training;
   - system use reports (submitted and finalized shipments against each trader/customer, submitted and finalized shipments for each clearing agent/employee, paid duties and payment channels categorized by customer/agent/port, and licence expiry dates for companies and agents, etc.);
   - managing Custom clearing agents.

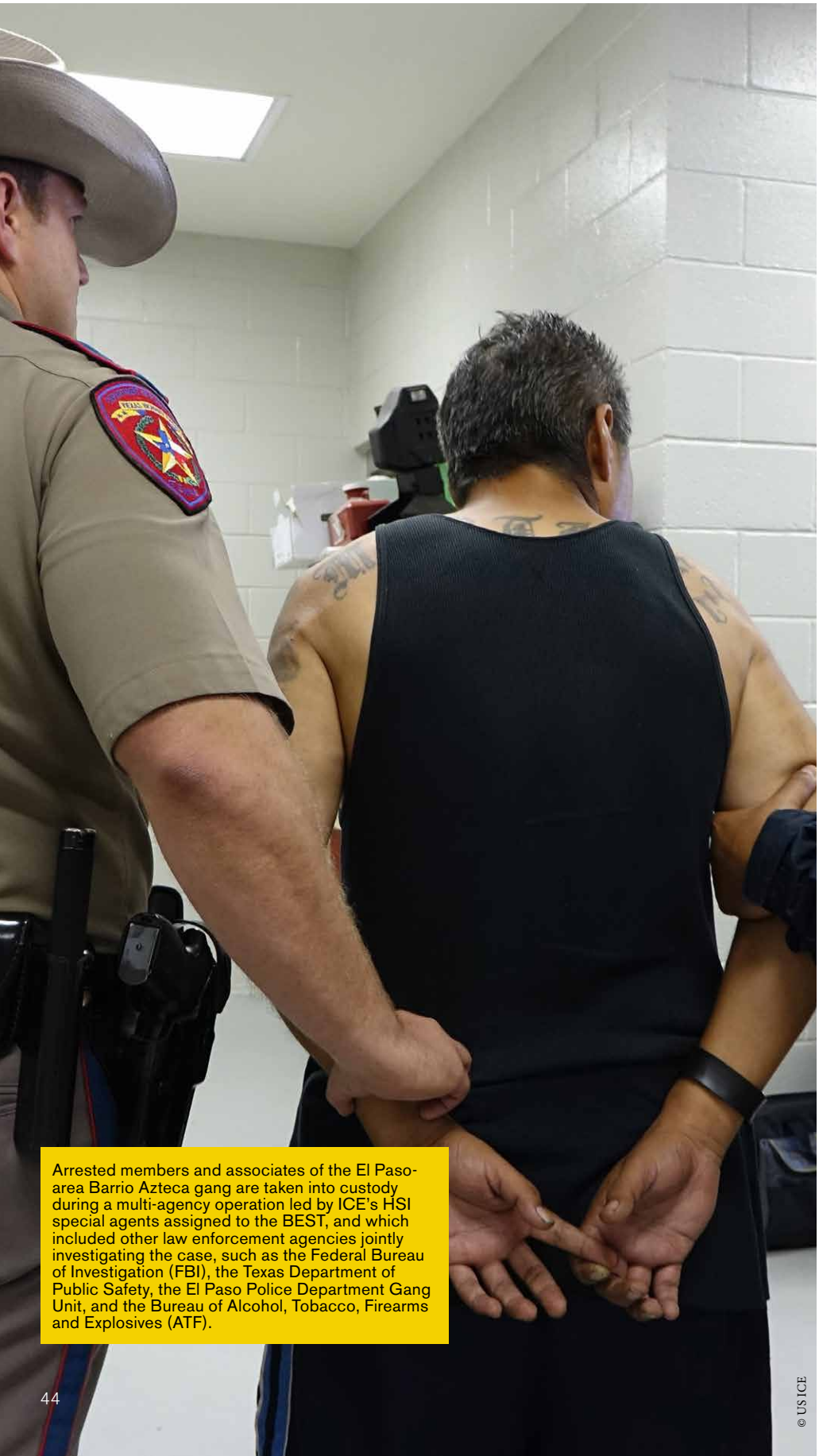
Al Nadeeb has developed significantly over the last few years, with positive new advances and feedback from both the government and the private sector. Considered a flagship e-services project, it is an integral element in the ongoing development of the services offered by the country, resulting in Qatar becoming a highly efficient, safe and globally recognized trade-friendly country.

Qatar's efforts have led to an improved ranking in the World Bank's Logistics Performance Index (LPI) for the country – increasing its ranking from 55th in the world with a Customs score of 2.25/5 in 2010 to 29th with a Customs score of 3.52/5 in 2014. The Qatar Customs Clearance Single Window is certainly delivering improved results, not only for the State of Qatar, but also for Qatari Customs.

**More Information**

www.customs.gov.qa

# BEST, an interagency collaboration model that's keeping the United States safer



Arrested members and associates of the El Paso-area Barrio Azteca gang are taken into custody during a multi-agency operation led by ICE's HSI special agents assigned to the BEST, and which included other law enforcement agencies jointly investigating the case, such as the Federal Bureau of Investigation (FBI), the Texas Department of Public Safety, the El Paso Police Department Gang Unit, and the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF).

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**By Bernadette Smith,**
WRITER, US IMMIGRATION AND CUSTOMS ENFORCEMENT

Border Enforcement Security Task Force (BEST) units in the United States (US) gather officers from more than 100 different law enforcement agencies under one roof, with the objective of identifying, investigating, disrupting and dismantling transnational organizations posing the greatest threat to border security, public safety and national security, by employing the full range of federal, state, local, tribal and international law enforcement resources. Over the years, BEST has become a successful interagency law enforcement collaboration model that's keeping the US safer.

THE BORDER ENFORCEMENT Security Task Force (BEST) units, established by US Immigration and Customs Enforcement (ICE) and led by ICE's Homeland Security Investigations (HSI), operate on the premise that in today's world, partnership is key to confronting the increased level of transnational crime. Hence, BEST's motto: 'United We Defend'.

BEST units were designed to identify, investigate, disrupt and dismantle transnational organizations posing the greatest threat to border security, public safety and national security, by employing the full range of federal, state, local, tribal, and international law enforcement resources. And therein lies the backbone of BEST.

These units conduct investigations using a threat-based, risk mitigation investigative task force model that recognizes the unique resources and capabilities of all participating law enforcement partners. BEST combines law enforcement resources into a comprehensive approach in order to tackle some of the most entrenched and toughest of crimes, including border violence, drug trafficking, bulk cash smuggling, arms smuggling, and illegal alien trafficking, smuggling and kidnapping.

While BEST's mission has remained the same since its inception in 2005, the units have grown, evolved, and become a highly formidable force. There are now 35 BEST units in the US, with four positioned at the northern border, 14 along the southwest border, and 17 located at seaports. On the international front, police offices from Brazil, Canada, Colombia and Mexico partner with BEST, with 100 agencies and 1,000 members participating.

## History of BEST

In 2003, ICE was established under the Department of Homeland Security (DHS) to focus on smart immigration enforcement, prevent terrorism, and combat the illegal movement of people and goods. Two years into its role protecting the US and its people, ICE laid the ground work for the BEST initiative under Operation Black Jack. This investigation was molded into an international investigative task force to respond to evolving violence along the southwest border in Mexico.

That first task force, operating from Laredo, Texas, seized caches of grenades, assault weapons, and bulk cash, resulting in arrests. The task force also helped to ensure that violence did not spill over the border, while assisting the Government of Mexico to address the escalating violence perpetrated by drug cartels, known for their flexibility, wealth, organization, intelligence, and ruthlessness.

The success of this operation prompted ICE to formalize BEST, incorporating personnel from US Customs and Border Protection (CBP) and other key US federal, state, local, and international law enforcement agencies. These multi-agency task forces began collaborating and sharing information to fulfill an overarching goal: to interrupt the flow of cash, weapons and ammunition that fuel the illicit trade of drug cartels.

## Operational principles that make BEST unique

BEST interagency collaboration takes place under one roof, with officers and agents from different agencies sitting across from each other every day working side by side. The absence of interagency conflict and employing the same methods of operation opens the door to enhanced law enforcement operations.

BEST units cut across 'red tape' when different layers of government and levels of bureaucracy at the city, state, and federal levels work together. The outcome is a robust team player attitude that drives the investigation, with every agency devoting their full magnitude of resources to accomplish the mission.

HSI Assistant Special Agent in Charge in Los Angeles Erik Cortes served as the task force supervisor of the Los Angeles BEST in 2008 before serving at ICE headquarters in Washington, D.C., as the unit chief for the National BEST where he oversaw all 35 BEST units.

Cortes said, "When investigations are free of agency egos, the result is more effective, productive and accomplished case work. BEST units give credence to the adage 'It is amazing how much can be accomplished if no one cares who gets the credit'."

Today, criminals travel not only from state-to-state, but from country-to-country; hence the critical necessity for officials to share law enforcement information and intelligence across state lines and beyond borders.

However, as Cortes explains, "Law enforcement information is generally shared from counterpart to counterpart." For instance, a sheriff's office in one jurisdiction tends to share information and communicate with other sheriffs' offices. "That's the natural way law enforcement agencies communicate with one another," Cortes added. "A hidden benefit of BEST," said Cortes, "is that it breaks through these barriers, transcending agency and office levels of information-sharing, keeping the investigation at the task force level."

He recalled a case that began in March 2009 in which the Los Angeles BEST and the Los Angeles Sheriff's Department's Cargo Criminal Apprehension Team (Cargo CATs) investigated a commercial cargo theft organization based out of Florida. The result was eight individuals convicted and sentenced, and the recovery of all the stolen merchandise totaling more than 2 million US dollars (USD).

While conducting surveillance, Los Angeles BEST and the Cargo CATs witnessed individuals breaking into a commercial warehouse in Brea, California. The suspects entered through the roof, and later loaded two stolen tractor trailers full of merchandise.

Law enforcement authorities recovered the tractor trailers, along with six pallets of stolen phones, three vehicles, and additional phones, clothing and equipment used during the burglary. Seven of the eight perpetrators were sentenced to 60 months in custody with three years' probation, and ordered to pay more than USD 43,000 in restitution.

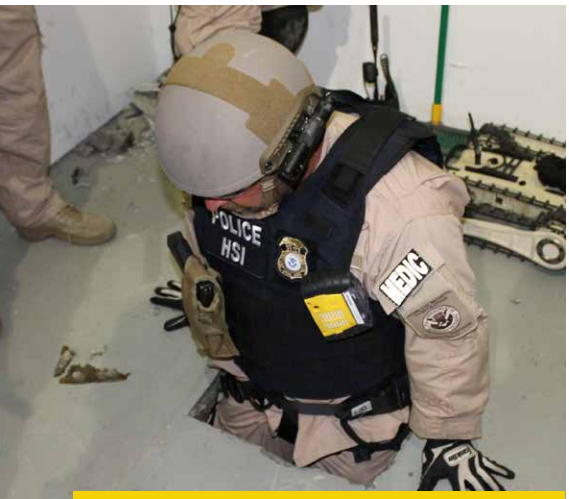
Juan Orrantia, the HSI special agent who led this case said, "The state and local officers were amazing. They were familiar with all elements of the crime at the local level, and we depended on their expertise."

## BEST Investigations

In an age in which smugglers and traffickers are getting more clever, creative and high-tech in their methods to move narcotics and other contraband, the cat and mouse game gets trickier. BEST units are increasingly discovering new criminal tactics, and shutting down one criminal enterprise after another. Examples of their investigative work include the following:

***Two San Diego-area smuggling tunnels shuttered***

Over the course of four days in April 2014, members of the BEST San Diego Tunnel Task Force unit, in collaboration with their enforcement counterparts in Mexico, uncovered two sophisticated smuggling tunnels connecting commercial buildings in San Diego's Otay Mesa industrial park with warehouses in neighbouring Tijuana, Mexico.




Members of the San Diego Tunnel Task Force, in collaboration with their enforcement counterparts in Mexico, uncover two sophisticated smuggling tunnels connecting commercial buildings in San Diego's Otay Mesa industrial park to warehouses in neighbouring Tijuana, Mexico.

The first tunnel, approximately 600 yards (548 meters) in length, was equipped with lighting, a crude rail system, and wooden trusses. The entrance point was a 70-foot (21 meters) shaft secured by a cement cover, and had a pulley system at the tunnel's US entrance to hoist contraband up into the warehouse. The second tunnel discovered was equipped with a multi-tiered electric rail system, and an array of ventilation equipment.

***22 arrested in car trafficking ring connected to the Sinaloa drug cartel***

The BEST in Albuquerque, New Mexico, together with the Albuquerque Police Department, conducted an extensive 10-month investigation into a car theft scheme in which stolen luxury vehicles from New Mexico were shipped to Mexico in exchange for methamphetamine and heroin.

During the enforcement action, more than 300 law enforcement authorities executed 12 simultaneous state search warrants, resulting in 22 arrests in June 2014. Authorities also recovered about 34 luxury vehicles with an estimated value of USD 2 million.

***Violent street gang members and associates indicted for a host of crimes***

The BEST in El Paso, Texas, conducted a multi-agency investigation that led to the arrest of 14 El Paso-area Barrio Azteca gang members and associates who were federally charged with conspiracy to violate the Racketeering Influenced Corrupt Organization (RICO) statute. In September 2014, the gang members were indicted for murder, extortion, robbery, assault, drug distribution, and money laundering.

***Online seller of fake Cisco cables sentenced to prison and to forfeit more than USD 700,000***

Following an investigation by BEST Seattle, a Seattle-area electronics company – Connectzone.com, LLC – and its owners were sentenced for conspiracy to traffic in counterfeit goods. In July 2014, Connectzone's owner, Daniel Oberholtzer, was sentenced to 37 months in a federal prison and three years of supervised release, and ordered to forfeit the proceeds from the counterfeit sales amounting to nearly USD 717,000.

The company conspired with a Chinese company to produce counterfeit Cisco Systems network products that were later sold as genuine products on websites operated by Connectzone. The BEST Seattle investigation revealed that the company obtained its counterfeit products from multiple foreign sources.

***Canadian and US authorities shutter USD 30 million cross-border smuggling ring***

In an investigation that crossed the US' northern border, BEST Massena worked with Canadian authorities to bring down a USD 30 million cross-border tobacco smuggling operation. In April 2014, 25 individuals were arrested, including an influential member of the Italian mafia in Montreal, and the alleged leader of the operation.

In this case, the mafia allegedly purchased contraband tobacco in the US and subsequently smuggled it into Canada through the Akwesasne Mohawk Reservations. Tribal organized crime assisted the mafia in importing and selling the contraband. During the investigation, more than 40,000 kg of tobacco was seized, worth USD 7 million on the black market, and representing an estimated tax loss of USD 10 million for the Government of Canada. Nearly USD 450,000 in cash was also seized.

These BEST-led investigations, and thousands more, based their strategy on maximizing resources to create a strong law enforcement presence, combining criminal and administrative authorities, granting cross-designation authority to other federal, state and local law enforcement officers to investigate and enforce Customs laws under Title 19 of Section 1401 of the US Code (a consolidation and codification by subject matter of the general and permanent laws of the US), and using asset forfeiture authorities to offset expenses.

Since its inception, BEST investigators have initiated more than 13,100 cases. These actions have resulted in more than 16,200 criminal arrests with more than 8,500 convictions and 8,000 administrative arrests. Specifically, BEST units have seized more than 3.2 rounds of ammunition, 19,600 weapons, 5,700 vehicles, USD 194.9 million in currency and monetary instruments, and thousands of pounds of illegal drugs, including cocaine, ecstasy, heroin, marijuana and methamphetamine.

**BEST member HSI Special Agent Jaime Zapata memorialized**

BEST members serve courageously on the frontlines every day and put their lives on the line to keep the US and its people safe. HSI Special Agent Jaime Zapata was a BEST member whose name will be forever memorialized. Zapata was assigned to the BEST unit in Laredo, Texas. He was killed on 15 February 2011 after being shot by drug cartel members while he was on duty in Mexico.

On 7 December 2012, US President Barack Obama signed into law the Jaime Zapata Border Enforcement Security Task Force (BEST).The law amends the Homeland Security Act of 2002 to formally establish the BEST within DHS, authorizing the Secretary of Homeland Security to provide critical financial assistance for operational, administrative and technological costs associated with participation in the BEST.

'United We Defend' continues to be the BEST methodology and mindset that keeps these task forces at the top of their game.

**More information**

http://www.ice.gov/best

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# Cape Verde strengthens partnerships with stakeholders and enhances engagement with the public

**By Richard Chopra,**
WEST AFRICAN CUSTOMS ADMINISTRATIONS
MODERNIZATION PROJECT MANAGER

In cooperation with the WCO, the Cape Verde Customs Administration has developed strategies to establish a stronger partnership with stakeholders, and to enhance engagement with the public. This article describes the action and initiatives taken under the framework of the WCO West African Customs Administrations Modernization (WACAM) Project.

AT A PRESS briefing on the Customs services' plan for greater transparency that was held on 6 November 2014, Cape Verde's Director General of Customs, Marino Vieira de Andrade, said, "The Cape Verde Customs Administration is primarily a public service. In order to provide a service to members of the public, you need to be able to get close to them."

A survey carried out in Cape Verde a few months earlier showed that, sadly, Customs was one of the most unpopular services. The aim of the press conference was to show all citizens of Cape Verde that the Customs administration, like any public service, considered itself to have a social responsibility, and that it was making an effort to improve its relations with users.

Cape Verde Customs representatives had been made aware of the concepts of openness and partnership at a regional workshop that was organized in Abidjan, Côte d'Ivoire in November 2012 for 10 countries in the region under the framework of the WCO WACAM Project.

The WACAM Project, funded by the Swedish Government, was designed to support modernization in West African Customs administrations till the end of 2014 in the fields of human resource management, stakeholder relations, and resource mobilization. The support took the form of regional workshops for discussion of best practices related to those areas, together with national support missions.

In the light of the lessons learned from the workshop, Customs has been working to analyse the reasons for its negative image with the Cape Verde public. One possible explanation was that the public were unaware of Customs' work and procedures, which might be due to the lack of regular, structured contact between Customs and its commercial stakeholders, and the absence of any well-planned and regular communication with users.

The conclusion was simple: the Cape Verde Customs Administration – as the main provider of government revenue,

Top: Poster illustrating Customs' values: "Service-oriented, Impartiality, Integrity, Professionalism". Left: Cover of leaflet on "cans"

accounting for 52% of collections – had no formal consultation mechanisms, and no means of publicizing its activities and its important contribution to the country's development. That lack, therefore, needed to be remedied.

As a result, Customs, supported by the WCO under the WACAM Project, decided to start focusing in 2013 on stakeholder engagement and communication, not just with the public, but also with all private and public bodies involved in the management of international goods and passenger movements. The aim was to establish Customs in Cape Verde as a credible key partner in facilitating trade, collecting revenue, and protecting society.

## Dialogue with stakeholders

The Cape Verde WACAM team, made up of local officials and WCO experts, has devised a strategy for stakeholder engagement which will equip the Customs administration to meet priority organizational challenges. The main aim was to improve relations with forwarders in order to encourage voluntary compliance with Customs procedures.

A Working Group was set up with forwarders for that purpose. It has met three times since August 2014 and, as one Customs broker explains in the text box published with this article, the discussions have already generated joint solutions to specific problems faced by those involved in the Customs clearance process.

Another aspect of the strategy, namely Customs relations with the other bodies regulating cross border flows at the port of Praia and across the Archipelago, has also been reviewed. In this regard, a Consultative Committee with private sector representatives was set up in November 2014. Bottlenecks were identified in the whole Customs clearance process, that includes other government agencies and the private sector, and the Committee has been tasked to find solutions.

In order to ensure that Customs can continue an effective and sustainable dialogue with stakeholders in the future, the WACAM Project experts have taken steps to build the capacity of a number of officials responsible for implementing the stakeholder engagement strategy across the Archipelago. They have been given training in techniques for consultation and chairing consultative committees, and for conflict management and negotiation – all essential skills for effective stakeholder engagement.

## Communication campaign

Apart from the stakeholder engagement strategy, there was a consequent need for a public communication strategy. The main priorities of the strategy were quickly identified through consideration and discussion. They included improving the image of Customs in Cape Verde, publicizing the specific aim of its work, and helping to facilitate procedures for Customs users using communication and guidance.

That then raised a fundamental question: does the Cape Verde Customs Administration have sufficient capacity of its own to implement any communication strategy? The answer to that question was generally negative.

It was thus necessary to set up a communication training module for staff with specific personal skills. Under the WACAM Project, a "communication" expert was assigned in August 2014. The preliminary findings were quickly confirmed, leading to around 12 officials being selected to attend a communication training seminar at Customs' head office in Praia.

Training is only worthwhile if the knowledge acquired is then put into practice. To make sure of that, the WCO expert responsible for the content and organization of the training worked with four officials on the preparation of the future strategy and the communication plan. This method has the advantage of ensuring that the communication objectives are understood within the organization and that the action to be taken on the strategy is subsequently followed up.

In addition, the four chosen officials are expected to provide the WCO with feedback, enabling it to learn from experience in the field. Cape Verde Customs' communication strategy covers a range of activities, including the preparation of tools to promote the work of Customs – posters, brochures, etc., reporting on Customs' results, and the production of documents with guidance on Customs procedures.

### Perception and snapshot

It soon became clear from the interaction between stakeholders and the public that the dissatisfaction felt by some users and the public with Customs officials and the Customs authorities generally, was the logical effect of a misunderstanding of the work and values of Cape Verde Customs, together with certain failures which harmed the reputation of the Customs administration as a whole.

The receipt of personal packages, commonly known as "cans" in Cape Verde, was a typical example of users' lack of understanding of Customs procedures. People from Cape Verde living abroad send consumer goods to their families by boat in metal and plastic containers. Special arrangements apply to these packages sent from one individual to another. If a person wishes to collect the can sent to them, they have to go to the port, where the can will be inspected and its value assessed by a Customs officer.

Owing to the system's dysfunctionality, administrative procedures were a real maze, which inevitably caused confusion to people who were occasional users of facilities at the port of Praia. Furthermore, there was some confusion in the port's Customs warehouse, which, with the presence of police and port management (ENAPOR) officials, merely added to the problems experienced by users.

In view of this finding, several solutions were proposed: a video clip for guidance; the preparation of information posters for display along the goods collection route; and the production of a leaflet explaining the process step-by-step. For practical reasons, it was quickly decided to opt for leaflets. A practical guide explaining the Customs formalities for the receipt of cans is now available to every user.

The WACAM Project experts also helped the Cape Verde Customs Administration design two posters, one illustrating the security role of Customs, and the other illustrating Customs' values: "Service-oriented, Impartiality, Integrity, Professionalism".

A communication structure is being set up in the Customs administration, and other specific tools are likely to be introduced in the months ahead. On the basis of the WCO's recommendations, the Customs administration in Cape Verde should soon be able to establish fruitful partnerships, and improve its image with users. It has already made a start!

**More information**

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## The WACAM Project encourages the creation of an Association of Customs Brokers in Cape Verde

"The Working Group recently set up by Customs in Cape Verde with WCO support is constructive. I particularly welcome the participation by private sector representatives involved in the management of trade flows (importers, exporters, Customs brokers, the port authority), as well as the major public sector players (Customs, Fiscal Police).

The Group is a way of finding joint solutions to specific problems faced by those involved in Customs clearances. For instance, it has been decided to design passes for the port of Praia to improve access to the port, and identification of those working there. That will also improve the organization of all services operating in the port area.

The creation of the Group has also had a secondary effect. The Customs brokers in the Group have joined together and decided to put the idea of an Association of Cape Verde Customs Brokers into practise. We have been talking about that for 10 years, without actually taking the necessary steps. The Customs Working Group has given us a fresh impetus, and the plan now seems to be nearing fruition."

*Jose Maria LBV, Customs broker, Praia, Cape Verde*

**WCO West African Customs Administrations Modernization (WACAM) Project** - Project Components

| Human Resource Management | Stakeholder Relations | Resource Mobilization |
|---|---|---|
| Regional workshops<br>• Best practices in recruitment<br>• Best practices in staff motivation | Regional workshops<br>• Best practices in stakeholder relationship management<br>• Best practices in consultative mechanisms and dialogue platforms | Regional workshops<br>• Best practices in developing and costing a sound business case to secure internal buy-in and external support<br>• Best practices on donor engagement and techniques to prepare funding and project proposals |
| National level assistance<br>• Support implementation of a fair and merit-based recruitment process<br>• Support development of staffing policies to meet organizational needs<br>• Support development of strategies to secure staff motivation, professional development, and an improved workplace environment | National level assistance<br>• Support establishment of structured stakeholder consultation mechanisms<br>• Expert advice to improve negotiations skills<br>• Expert advice on communication strategies and tools | National level assistance<br>• Advice in identifying potential donor funding<br>• Advice in developing a funds mobilization strategy<br>• Support to develop proposals |

# Sri Lanka's prestigious Customs

IN A TINY corner on the ground floor of Sri Lanka Customs' newly opened Headquarters building stands an impressive life-like exhibit depicting how Customs operated in an ancient port around the 1st Century CE (or AD). The exhibit portrays an official flanked by two guards calculating the taxes payable on commodities brought ashore by a Roman ship, which is docked in a port observable in the background, while a Roman merchant waits on one side as an interpreter translates on his behalf.

This is the scene-setter at the entrance to Sri Lanka's Customs Museum, offering visitors a hint of what awaits them as they embark on a journey through the past and present glory of Sri Lanka Customs and the history of its evolution. A visit to the museum is a truly remarkable and unique experience, and after visiting the museum, visitors could quite easily ask themselves why it took Sri Lanka Customs so long to open one, with its interesting displays of historical and cultural masterpieces, including exhibits of significant seizures.

The usual practice of disposing of forfeited artefacts of cultural and national significance by Customs was to hand them over to the Department of Archaeology for exhibition at the National Museum. However, the Department of Archaeology and experts in the museum field continuously stressed that a museum within Customs itself would enhance the value of these "nearly lost" artefacts, and provide a platform for conveying a firm and clear message about the threats that have been confronted in protecting and preserving them for posterity.

During Sri Lanka's decade-long battle against the trafficking in illicit wildlife and forest products, seized goods have been meticulously stored in a repository under the care and protection of officers working in Customs' Biodiversity, Cultural and National Heritage Protection (BCNP) branch. However, faced with an escalation in this type of criminal activity and the growing successes of officers in detecting and intercepting illicit traffic, it became clear that the important work of Customs in this area, including the complexities of organized crime, should be presented to members of the public.

Spurred on by this goal, Sri Lanka Customs made a policy decision to incorporate a Customs Museum into the new Customs Headquarters building project. The Head of the BCNP, Deputy Customs Director Mr. Samantha Gunasekara, and the Customs Museum Committee, under the leadership of present and past Director Generals, saw their dream come true when the museum was unveiled to the public on 14 July 2014 by H.E. the President of Sri Lanka, Mr. Mahinda Rajapakse, in parallel with the opening of the new Customs Headquarters building.

Research substantiates that Sri Lanka has been involved in international trade

# Museum opens to wide acclaim

as far back as the 15th Century BCE (or BC), whilst the museum proudly accommodates numerous masterpieces symbolizing the entire spectrum of the evolution of Customs in Sri Lanka over the past three millennia. This is a real treat for museum enthusiasts, and of even greater interest to people partial to the rich history of Customs across the globe.

An imported stone necklace dating back to 800 BCE/BC is the oldest among all the exhibits. In addition, a cross-section of forfeited objects pertinent to the biodiversity, cultural and national heritage of Sri Lanka are also on display, and the dominant role played by Sri Lanka on the "Maritime Silk Route" from the 4th Century BCE/BC to the 12th Century CE/AD has been exemplified in the form of panels, and in interactive digital maps.

The publication "Nearly Lost", launched in parallel with the inauguration of the museum and encompassing all the fine details with vibrant photographs of the unique artefacts, is of an international standard as well. It, together with the published catalogue, are publications which will undoubtedly serve as handbooks for those who are fascinated in related research. Moreover, each individual artefact has been assigned a unique QR Code, linking it to a comprehensive online gallery, thereby facilitating the needs of enthusiasts around the world.

Sri Lanka Customs Museum is the latest addition to the global Customs museum family, and is the outcome of the unprecedented dedication of Sri Lankan Customs officers to the protection of the biodiversity, cultural and national heritage of their country and of the world at large.

**More information**

**www.customs.gov.lk/museum**

# Cambodia's 'accession journey' to the WCO Revised Kyoto Convention

IN CAMBODIA'S STRATEGY and Work Programme on the Reform and Modernization of Cambodia Customs (2009-2013), Cambodia Customs set an important goal under Strategic Objective 3 to modernize its Customs system, procedures and techniques in order to maximize trade facilitation by becoming a Contracting Party to the WCO Revised Kyoto Convention (RKC) on the simplification and harmonization of Customs procedures.

After more than two years of hard work and well-planned preparations, Cambodia finally became the 94th Contracting Party to the RKC on 28 June 2014, during the 123rd/124th Sessions of the Customs Co-operation Council held at WCO Headquarters. The Royal Government of Cambodia acceded to the Convention by way of Article 3 of the Protocol of Amendment, thereby accepting the Body and the General Annex of the RKC.

Furthermore, in expressing its consent to be bound by the Protocol of Amendment, in terms of Article 4 Cambodia also accepted, without reservations, Chapter 2 of Specific Annex A (Arrival of goods in a Customs territory: Temporary storage of goods), Chapter 1 of Specific Annex B (Importation: Clearance for home use), and Chapter 1 of Specific Annex C (Exportation: Outright exportation) under Appendix III.

The RKC entered into force for Cambodia three months after the deposit of its Instrument of Accession. However, prior to accession, Cambodian legislation was already 84% compliant with the provisions of the RKC's General Annex in 2013, according to Chea Samnang, a Cambodia Customs official who participated in the 61st WCO Fellowship Programme [Chea Samnang, 61st Fellowship Research Paper on the Accession to the RKC and Cambodia Customs Reform and Modernization, 2013].

## Accession process

Becoming a Contracting Party to the RKC required a number of important tasks to be fulfilled, such as the assessment of national legislation, the identification of legislation and regulations that needed to be amended and developed, and the establishment of a management and expert team to prepare for Cambodia's accession. The main processes are summarized in the Table below.

**Table**

| Date | Steps | Process |
|---|---|---|
| January 2012 | 1 | • Project team established |
| February 2012 | 2 | • Gap analysis conducted, with the support of the WCO and the WCO Regional Office for Capacity Building for the Asia/Pacific region |
| 2012 | 3 | • New regulations on Advance Rulings and the Authorized Economic Operator (AEO) adopted<br>• Translation into the national language |
| 2013 | 4 | • Ministry of Economy and Finance requests the Prime Minister's approval in principle, 24 December 2013<br>• Prime Minister's approval given, 29 December 2013<br>• Review and decision on Specific Annexes and/or Chapters to be accepted |
| January-June 2014 | 5 | • Preparation of accession documents<br>• Approval process:<br>- Discussion by the Legal Committee at the Council of Ministers<br>- Approval by Council of Ministers, 18 April 2014<br>- Adoption by Parliament, 20 May 2014<br>- Approval by Senate, 29 May 2014<br>- Promulgation by His Majesty the King, 14 June 2014<br>- Instrument of Accession signed, 24 June 2014 |
| 28 June 2014 | 6 | • Instrument of Accession deposited with the Secretary General of the WCO |

## Challenges and obstacles

As shown in the Table, administrative endorsement and the legal approval process were the most challenging steps, as they required rigorous discussions and reviews by the relevant Committees of the Council of Ministers, the National Assembly and the Senate respectively, before passing to their plenary sessions for formal approval. The Table indicates that the Cambodian project team spent about two years convincing the relevant executive and legislative institutions in order to obtain their administrative endorsement and legal approval.

The main obstacle identified during the process was the project team's difficulty in quantifying explicitly the impact of RKC implementation, rather than just its general implications. Lawmakers, in particular, needed to make sure that Cambodia's accession to, and implementation of, the RKC benefitted all players – business, Customs and the country as a whole, in terms of improving trade competitiveness, increasing revenue collection, reducing transaction costs, improving the business climate, attracting foreign direct investment, and promoting trade and sustainable economic development.

## A foundation for further economic development

Accession to RKC is an important historical event for Cambodia as this Convention is the only blueprint for modern Customs procedures, containing over 500 international standards and best practices. The provisions of the RKC will be used as a foundation for the reform and modernization of Cambodia Customs. In addition, accession to the RKC also sends a positive message to the global business community about the Government's commitment to improving trade facilitation and the reform and modernization of Customs. Moreover, it demonstrates that matters relating to international trade, including business transactions and the investment framework in Cambodia, are carried out in a rule-based environment using global standards.

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According to the World Bank, Cambodia's Logistics Performance Index (LPI) ranking rose spectacularly by 46 places, from 129th in 2010 to 83rd in 2014, out of 160 countries. This improvement can be linked to Customs clearance times, which fell from 5.9 days in 2010 to only 1.4 days in 2014, while the average GDP growth of 7% in the same period was maintained. The volume of international trade has also increased from 10 billion US dollars in 2010 to more than 20 billion in 2013, resulting in increased Customs revenue collection. The World Bank also reported that the poverty rate in Cambodia fell from 45% in 2007 to 20% in 2011. Further improvements that will contribute to sustainable economic development are expected now that Cambodia has acceded to the RKC.

### A key trade facilitation tool

On 8 January 2015, after evaluating the 2009-2013 Strategic Plan, the newly appointed Director General of Cambodia Customs, Dr. Kun Nhem, announced the introduction of the 2014-2018 Strategic Plan in the presence of H.E. Dr. Aun Pornmoniroth, the Minister of Economy and Finance. The new Plan incorporates all the country's obligations under the RKC, and also includes preparations for the implementation of the World Trade Organization's Trade Facilitation Agreement (WTO TFA).

As the RKC is a key WCO tool for implementing the TFA, being highly compliant with the RKC will pave the way for Cambodia Customs to implement the TFA. In addition, Cambodia Customs legislation is already 70% compliant with the TFA, according to a self-assessment exercise conducted in June 2014. Nevertheless, Cambodia Customs has expressed concerns about applying information technology (IT) in Customs practices due to its limited IT capabilities, resources, and funding.

Before the TFA came into being, trade facilitation had already been identified by Cambodia as a key area to promote international trade and the country's competitiveness. The acknowledgement of the importance of trade facilitation was included in Government policy in 2004, when the Government established Sub-Steering Committees on Trade Facilitation, with clear objectives and responsibilities, namely: to reduce all complex and lengthy processes related to imports and exports, to abolish duplicated tasks, and to tackle the negative aspects that impact business activities.

**More information**

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# Heightened controls on light aviation in West Africa

OWING TO THE low level of monitoring of small-scale aircraft traffic in their respective countries, nine West African Customs administrations recently undertook an exercise to gain a greater understanding of light aviation movements in their region.

Although there is no legal definition of the term at the international level, light aviation is widely acknowledged as a general aviation sector encompassing sports aviation, aeronautics, and private aviation. Light aircraft, helicopters, gliders and microlight aircraft fall within this category.

Any flaws in the management of small-scale aviation entail risks: fiscal risks – ensuring that the aircraft have indeed been declared to Customs and that the correct tax system is applied to them; and commercial fraud/security risks – ensuring that the aircraft are not used to convey prohibited goods or undeclared individuals.

To meet the needs expressed by the countries of the West Africa region in this respect, French Customs, in close cooperation with the WCO and the United Nations Office on Drugs and Crime (UNODC), organized an enforcement operation aimed at raising the awareness of operational airport services in the nine countries of the region and at building their capacity to detect offences.

The operation was financed by the Interministerial Mission for Combating Drugs and Addictive Behaviour (MILDECA), a French agency under the authority of the Prime Minister of France which runs and coordinates activities by the French State to fight drugs and substance abuse.

From 9 to 16 April 2014 the operation, codenamed "African Wings", rallied the Customs services of Benin, Burkina Faso, Côte d'Ivoire, Guinea, Mali, Mauritania, Niger, Senegal, and Togo. The Customs services in these countries were joined by the relevant security services, including the Air Police and the Gendarmerie, as well as the airport authorities responsible for air traffic.

## Preparatory and operational phase

The preparatory phase in Dakar, Senegal from 25 to 27 March 2014 brought together experts from "Coopération Française" [French Cooperation], the WCO and the UNODC, as well as Customs officers from each of the participating administrations for a training and awareness-raising workshop on issues related to light aviation traffic. Once back in their respective countries, these national "contact points" went on to train their colleagues in the airports taking part in the operation.

At the preparatory meeting, experts and representatives of the administrations discussed the working methods that would underpin the operation, focusing in particular on tools that would facilitate inspections and information-sharing.

A joint database listing all the aircraft registered or spotted in the targeted airports was set up by France, in close collaboration with Senegal Customs, for participating countries, and information would be shared using CENcomm, the WCO's secure communication tool.

During the operational phase from 9 to 16 April 2014, enforcement services in the participating airports carried out controls with the support of French, Belgian and Swiss technical experts, as well as international technical experts from French Customs assigned to the Directors General of Customs of the countries involved in the operation.

An Operational Co-ordination Unit (OCU), set up in Dakar at the headquarters of the WCO Regional Intelligence Liaison Office (RILO) for West Africa, enabled information to be shared with participating airports by circulating a daily newsletter on seizures, litigation, and other interesting facts arising from the inspections.

## Encouraging results

The initial objectives of the operation were achieved. They included raising Customs' awareness of the risks of fraud linked to this means of transport, enhancing long-term surveillance, promoting information-sharing between Customs administrations, encouraging cooperation between all law enforcement agencies in the region's various airports, and gathering information on light aviation movements in the region.

The relevant services were able to regain their control powers, and the

© Jim Sher

Impounded aircraft in Burkina Faso

non-compliant status of many aircraft was highlighted. The inspections took the majority of operators by complete surprise. Some had never made a Customs declaration for temporary admission. Compliant operators expressed their satisfaction at these controls which uncovered cases of unfair competition.

Among the aircraft impounded for tax evasion and breaches of Customs regulations, pending the payment of duties and taxes owed by their owners, were a Boeing 737 and a private jet inspected at Abidjan airport in Côte d'Ivoire, as well as two air taxis, a CESSNA 172 and a PIPER PA30, inspected at Cotonou Flying Club in Benin. A number of investigations were in the process of being wound up at the end of the operation. In Benin, for example, Customs is still trying to locate the owners of three other aircraft.

Cooperation between services at the international level (various airports) and at the local level (within the same airport) also gave genuine cause for satisfaction. At this juncture, it is worth underscoring that there was previously little or no monitoring of this sector and, as a result, even less information-sharing between countries The amount of messages shared during the operation exemplifies the level of cooperation established – 1,935 messages were exchanged between the 45 CENcomm users over the seven days of deployment and the five days given over to follow-up of cases.

185 aircraft are now registered in the African Wings database. The movements of a number of them have been recorded by analysing requests to fly over airspace, and logged arrivals. This endeavour highlighted certain source countries considered as "sensitive" owing to the illicit trafficking witnessed there. Even though no goods were seized during the operation, there is a real risk of private aircraft being used to transport prohibited goods.

The operation also proved beneficial to all airport stakeholders. For example, the airport authorities were able clarify the issue of aircraft parking positions, with some aircraft using the positions reserved for the military to avoid paying the parking fee or to exit via unmonitored access routes.

## Outlook and future plans

The information gathered during this operation revealed:

- the sensitivity of this means of transport which had not previously been inspected on a regular basis by Customs services;
- the relevance of the findings made and the strengthening of services, with the focus on coordinating the various administrations involved;
- the justification for supplying information to a dedicated database which will offer a more comprehensive overview of air traffic in the zone.

All the procedures put in place during the operation, including those relating to the collection of information from airport authorities (flight plans, etc.), were new to the majority of participants. The organizers hope that, armed with their experience, participants will take ownership of these working methods, and continue to apply the responses developed.

The African Wings database itself offers a range of possibilities. The continued input of data should give a clear view of the aircraft fleet per country and provide new opportunities for work and regional cooperation as a result, especially in the area of temporary admission. The upgrading of the database with the addition of new fields will also offer insight into light aircraft movements, and establish a more detailed picture of air traffic.

Other similar operations are planned, not only to ensure the ongoing application of the responses developed by officials, but also to highlight risk profiles that will help all the services operating in airport zones to hone their targeting and inspection techniques.

**More information**

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CBP officers S. Burns and Cory Bratton inspect shipments of DVDs from China at the Cincinnati DHL facility, one of the busiest express courier hubs in the US. Photo: Brian Bell

# Fighting film thieves: how CBP works with others to prevent motion picture and television piracy

**By Marcy Mason,**
A WRITER WHO COVERS TRADE
FOR US CUSTOMS AND BORDER PROTECTION

IT WAS THE summer of 2012 and 'Theo Fletcher,' a US Customs and Border Protection (CBP) International Trade Specialist on the West Coast, was poring through data from thousands of Customs seizures of counterfeit goods at US ports. Fletcher, who asked to have his name changed in this article for personal safety, flagged something suspicious. He saw a high concentration of seizures of DVDs in a small city in the Pacific Northwest. Then, he noticed similar patterns in other cities in a neighbouring state.

"I suspected that there was a relationship between these seizures," said Fletcher. "I noticed commonalties in the types of descriptions used on the shipping documents, the commercial quantities of the products, and the parties involved overseas." That led Fletcher to conduct additional research to try to associate the different importers and shipping addresses. "I wanted to see if it was a conspiracy or a counterfeiting ring," he said.

The Motion Picture Association of America (MPAA), was beginning to conduct its own investigation. One of the association's members, a major film studio, had received notices from CBP, alerting them that pirated knockoffs of their films had been seized at the border. The MPAA, a trade association that represents six of the major Hollywood studios, asked Fletcher for help.

Fletcher, in turn, reached out to Homeland Security Investigations (HSI) – the Department of Homeland Security's (DHS) investigative arm. "I realized that there's a certain segment of importers that are knowingly importing counterfeit goods to finance lucrative businesses,"

he said. "To stop them requires criminal investigation, indictments, convictions, jail time and the seizure of assets to put the counterfeiters out of business."

Within months, through the use of different databases, Fletcher and HSI special agents confirmed that a network of individuals was involved in a sophisticated film piracy operation. One of the importers had set up nearly 20 companies, using multiple names and identities. "We're looking at a moving target. The criminals are always trying to be one step ahead of us," said Fletcher. "They use methods and strategies such as setting up different businesses and business fronts, which make them suspect for money laundering."

Fletcher worked with HSI to identify other rights holders who were potential victims. HSI reached out to several other federal law enforcement agencies for assistance. Their joint efforts culminated in the successful execution of federal search warrants in multiple locations. While the case is still pending, it underscores how a team approach is critical in fighting piracy crimes related to motion pictures and television (TV) shows.

### Age-old problem

Piracy, the unauthorized reproduction or use of motion pictures, TV programmes or any other type of creative content, is not a new concept. The film industry has been plagued by piracy from its beginnings. However, Hollywood was hit especially hard when video cassette recorders, video cassettes, and camcorders came onto the market. The technology enabled people to duplicate content without payment, which led to financial losses for the industry and illegal film distribution became rampant.

As technology has improved, the ability to steal products has become more and more sophisticated. "Today, we see criminal businesses that are established specifically to steal and upload pre-released or unauthorized content such as movies before they are released on DVD, while they're still in the theatres or sometimes even pre-released," said Lev Kubiak, the Director of the National Intellectual Property Rights Coordination Center (NIPRCC), a multi-agency task force managed by US Immigration and Customs Enforcement (ICE)/HSI in Arlington, Virginia.

"Today, we see criminal businesses that are established specifically to steal and upload pre-released or unauthorized content such as movies before they are released on DVD, while they're still in the theatres or sometimes even pre-released"

**Lev Kubiak,**
DIRECTOR OF THE NATIONAL INTELLECTUAL PROPERTY RIGHTS COORDINATION CENTER (NIPRCC),

"Traditionally, movies were illegally copied here in the United States (US). Someone would press discs or produce fake cover art for the films and then sell them on the street corner. But now, very little production is done in the US. Most counterfeits are illegally produced in China," said Kubiak. "During the 2013 fiscal year, CBP and HSI seized 1.7 billion US dollars' (USD) worth of counterfeit goods; the vast majority were confiscated by CBP at the ports of entry, 92% of which we believe came directly or indirectly from China," he said.

A substantial number of those goods fell into the category of optical media, which includes creative content such as movies, TV shows, video games or music in a format that is read through an optical ray on DVD, CD and Blu-ray disc equipment. During the last five years, optical media has been in the top 10 ranking of goods seized by DHS for infringements on trademarks and copyrights. The largest number of seizures, 49%, were major motion pictures or boxed DVD sets of premium cable TV shows.

### Higher quality knockoffs

"It used to be that a lot of the counterfeit goods weren't as high quality as they are now," said Michael Robinson, the MPAA's Executive Vice President of Global Content Protection. "The spelling on the packaging would be wrong or a Disney movie would have a Warner Bros. logo on it, so it was pretty easy to tell the genuine from the fake. But now, we're facing the same problem that a lot of rights holders have. The counterfeits are exact copies of the originals with no misspellings, so it's hard to tell just from looking at them."

According to Robinson, the majority of movies are pirated in theatres. "It happens when somebody goes into a theatre with a recording device and records it off the screen," he said. To protect movies, Robinson says the association's studio members watermark their films. "If a camcording theft occurs anywhere in the world, we're able to identify the theatre where the movie was shown," he said. "The watermark is a fingerprint embedded in the film. We work with law enforcement authorities around the globe to put a stop to it."

"Most illegal camcording occurs in Eastern Europe," said Kubiak. "The illegal copy is then uploaded on the Internet and distributed globally through streaming or downloading from illegal websites," he said. "These websites don't charge a fee. They make their money through advertising – the higher the popularity of the website, the higher the advertising revenue," explained Kubiak. "So the bad guys make their money by stealing Paramount's newest movie, giving it away for free on their website, and then profiting from the website's advertising," he said. "Websites like these become very, very popular and can make millions or hundreds of millions of dollars a year."

Another way that content is often stolen is during the legitimate manufacture of DVDs. "Some weeks prior to the legitimate release date of the DVD version of a film, when the public can go into a store in the US and buy it off the shelf, the DVD has to be produced and shipped," said Robinson. "There's a whole supply chain process. Somewhere during that process, one of those DVDs could be stolen," he said. "And it just takes one. After the DVD is stolen, it can be shipped or uploaded on the Internet and delivered to anyone."

### Deep economic loss

While many see piracy of movies and TV shows as harmless, it's not. The economic loss to the US is staggering.

According to a report issued by the US Department of Commerce in March 2012, called 'Intellectual Property and the US Economy: Industries in Focus,' intellectual property-intensive industries support at least 40 million jobs and contribute more than USD 5 trillion to the US gross domestic product. "When foreign countries steal that intellectual property or duplicate it illegally, they're undermining the security of the US and its economy," said Kubiak.

The victims are numerous too. "What a lot of people fail to understand is that this is not a victimless crime. There are directly or indirectly two million people in the US who work for the film industry, and we support more than 100,000 businesses in all 50 states," said Robinson. "It's not just the big-name stars you see walking across the red carpet. It affects carpenters who are building sets, seamstresses who are sewing costumes, truck drivers, lighting experts, sound engineers and everything that you can imagine. It's a huge industry and it takes a lot of people to produce films."

Robinson also noted that the motion picture industry pays more than USD 16 billion in state and federal income taxes each year. "People look at it as entertainment. They don't necessarily look at it in the same way as they do other manufacturing jobs. But it's just as important to the US economy. We're one of the industries that has a positive trade surplus around the world. We export more content than we import. So it's a huge driver for the US economy, and therefore, warrants protection."

Piracy also has a chilling effect on independent film producers. A case in point is what happened to Ellen Seidler, a Harvard-educated filmmaker, journalist and journalism teacher, who, in 2006, decided to make a feature movie with her directing partner, Megan Siler, a University of California, Los Angeles (UCLA) film school graduate. The two put up USD 250,000 of their own money to make their film – 'And Then Came Lola,' thinking they would at least be able to break even. "I took out a second-mortgage, borrowed against my retirement, and went into credit card debt," said Seidler, who is still paying off the debts she incurred during the film's production.

At first, the film showed promise. In 2009, it debuted in front of a sold-out crowd at the Frameline Festival, a premier film event in San Francisco. Other festivals followed, but then within 24 hours of the film's release on DVD, Seidler began seeing links to pirated copies on the Web. The download links were rapidly propagating and popping up everywhere. After a couple of months, the filmmakers had found more than 56,000 pirated copies and stopped counting. Seidler found the film on websites in a number of languages including Arabic, Chinese, Czech, Russian, Spanish, Swedish and Turkish. Seidler tried to fight back. "Initially, when I found illegal copies, I tried to have them removed," she said. But her efforts were futile. "You take one down and 10 more pop up."

"What I quickly discovered was that other people were making money off the theft of my film, including a number of legitimate companies. It didn't seem right to me, so I created my first blog to document the connection between piracy and profits, and to show how mainstream companies were profiting from this black market."

**Ellen Seidler,**
FILMMAKER, JOURNALIST AND JOURNALISM TEACHER

But what really infuriated the filmmaker was when she noticed corporate advertisements on the illegal sites that featured her film. "What I quickly discovered was that other people were making money off the theft of my film, including a number of legitimate companies," said Seidler. "It didn't seem right to me, so I created my first blog to document the connection between piracy and profits, and to show how mainstream companies were profiting from this black market." Seidler, who wants to educate others, has continued to write about piracy. "This is not just about something that happened to our film. This is the scenario that happens pretty much with every film."

### Motivating factors

Film piracy is fueled by a number of factors. One of the key motivators is when movies and TV shows are not released at the same time in different geographical territories. The time lag spurs viewers to watch pirated content because they don't want to wait. One of the most publicized instances occurred last April, when the piracy rate of HBO's fantasy series, 'Game of Thrones', reached such epic proportions in Australia that US Ambassador Jeffrey Bleich made a plea to Australians to stop watching pirated episodes. In 2012 and 2013, 'Game of Thrones' was ranked the No. 1 pirated TV show by TorrentFreak, a file-sharing news site.

Pirating films is also a good source of money. "On average, it costs a hundred million dollars to make a film and bring it to market," said Robinson. "If all you need to do is steal the film off the screen and remarket it, you don't have all of the expense that goes into the production."

It is also a matter of perception. Many people don't perceive piracy as a crime. "The public doesn't seem to have a problem with piracy because they have this naive view that if something is on the Internet, it's there for the taking," said Seidler. "Companies like Google help perpetuate this because links to pirated sites are typically at the top of their search results. People think that if they find it on Google, it must be ok."

But sometimes people aren't aware that they're buying pirated items. "Some of these sites look so legitimate that it's hard for the average person to differentiate between an illegitimate site and a legitimate site," said Robinson. "It's much more difficult to know which sites are reputable on the Internet than walking down the street and deciding which shop to go in."

More than 100,000 fake DVDs seized during a sting operation at Joseph Palmisano's home in a northwest suburb of Chicago. Photos: Bartlett Police Department, Illinois

### Fighting piracy at the port

Combating piracy requires a coordinated effort. At the border, CBP evaluates goods to see if they pose a threat and if they violate any laws enforced by CBP. If copyrights or trademarks are infringed, the goods are seized and prevented from getting into the stream of US commerce.

The majority of pirated and counterfeit goods are shipped to the US through international mail and express courier facilities such as Federal Express, DHL or UPS. One of the busiest, the DHL facility in Cincinnati, has the largest number of flights from Asia. During the 2013 fiscal year, a total of 16.4 million imported shipments came into the facility and 13.7 million exports went out.

"It's pretty fast-paced. There are a lot of packages coming through here," said Cory Bratton, one of the CBP officers assigned to the Asia team at the DHL facility. "Every package that comes here is subject to inspection and we select what we want to look at," he said. "It's just mind-blowing the amount of packages that go through here. There are boxes going in every direction."

CBP officers work closely with DHL. "We'll go to the examination floor where DHL has already put aside each package we've selected to look at," said Bratton. "Without their help, we wouldn't get nearly as much done. But we also have to understand it's a business for them and they're trying to get as many packages through as possible," he said. "We need to release the packages in a matter of minutes, sometimes less. They have to get everything out of here at a certain time so that it can be routed to the correct location to guarantee delivery for their customers."

The number of intellectual property seizures at the DHL Cincinnati facility is high. "Our targeting percentage is about 60%, which means that out of every 10 shipments we look at, we hold six of them for violations," said Eugene Matho, the Assistant Area Port Director for Cleveland, who oversees the Cincinnati DHL hub and two other express courier facilities in the region. "We don't have enough officers in these locations for the volume that comes in and the turnaround time. If we had more staff, we could do a lot more."

According to Matho, the trends for counterfeited and pirated goods are parallel to the trends for legitimate products. "When something is a very hot product, shortly thereafter we see the counterfeit or pirated version coming across the border," he said. "For example, about five years ago, when cable TV shows became popular, we saw the trend reflected in our seizures. Boxed sets of TV and premium cable shows, such as 'The Sopranos' and 'Sex and the City' were among the most pirated. Today, some of the hot items are 'Game of Thrones,' 'Breaking Bad,' The Walking Dead,' and Disney movies – always popular and infringed."

### Investigating criminal activity

When CBP finds illegal shipments that appear to be involved in criminal activity, HSI is contacted for further investigation. To expand its reach on intellectual property rights cases, HSI started working more closely with state and local law enforcement. "We realized that we were never going to arrest or seize our way out

of this problem, so it was critically important that we got state and local law enforcement involved," said Kubiak.

One significant example occurred in 2011, after CBP officers at the Cincinnati DHL facility noticed hundreds of shipments were being sent to someone by the name of Joseph Palmisano in Bartlett, Illinois, a northwest suburb of Chicago. "I was targeting shipments from Asia and saw that Palmisano had received about 800 shipments over the last five years. He was a heavy importer," said CBP Officer S. Burns. Burns stopped a number of the shipments. All had shipping labels that described the contents as 'teaching supplies' or 'bread boards.' But when he examined the packages, he found DVDs of movies and TV shows inside.

Burns knew something was wrong. "There were misspellings in the film descriptions on the back covers," he said. "The lettering was crooked and the routing of the packages was from Hong Kong." Burns sent a sample to a CBP import specialist in Cleveland. "The packaging looked like it could be counterfeit, but a CBP officer can't make that determination. The only one who can determine that is an import specialist," he said.

After Burns' suspicions were confirmed, he seized the shipments. He also contacted HSI's Chicago office. The special agent assigned to the case, Uday Devineni, immediately saw there was a problem. "There were 25 seizures over a six-week period from mid-August 2011 until the end of September 2011. And that's just what we caught," said Devineni.

The HSI special agent decided to contact the Bartlett Police Department. "We were looking to foster relationships with local agencies and we felt this was the most effective route for us to go," said Devineni, who explained that oftentimes more violent crimes take precedence over counterfeit investigations. "It's a matter of allocating resources. In the city of Chicago, there are so many other crimes, such as gang violence and murder."

### Local assistance

The Bartlett Police Department was receptive to taking the lead on the case, and quickly noted that there was something odd about the recipient's mailing address. "The packages were all addressed to Joseph Palmisano, Joseph, Joe Joe, or Joe," said Detective Tom Alagna from the Police Department. "He was using three different addresses – his actual address and two fake addresses that would have been located next door to his house if they existed." But within a month, the shipments stopped. "We hit a dry spell. Nothing was coming in," said Alagna. "I was in constant contact with CBP and HSI, and we did several hours of surveillance on the house. Cars never moved. Nothing happened."

Then, as luck would have it, the detective drove by the house on patrol one day and saw that Palmisano's garage was loaded with boxes. "We knew we couldn't get a search warrant just based on seeing boxes in a garage," said Alagna. However, shortly thereafter, on 29 June 2012, Alagna received a call around midnight from CBP Officer Burns. "He told me he was doing a routine check of imports and noticed that there was a package scheduled to arrive at Palmisano's address from Hong Kong," said Alagna. "He said that the package was seized. When he opened it, it contained 130 counterfeit DVDs."

The next day Burns contacted Alagna again. Another shipment from Hong Kong addressed to Palmisano was arriving in Los Angeles. "He had the package rerouted to Cincinnati so that he could seize it," said Alagna. Then Burns sent the shipments to Alagna so that the detective could obtain a search warrant for Palmisano's home and on 5 July 2012, law enforcement, with help from the MPAA, made a controlled delivery of the counterfeit goods.

More than 100,000 DVDs of counterfeit movies and TV shows were found in Palmisano's home, making it one of the largest counterfeit DVD seizures in the Midwest. "We had two 24-foot (7 meter) moving trucks completely filled with DVDs," said Alagna. The estimated manufacturer's suggested retail price for the DVDs was USD 1.35 million. "When we spoke to Palmisano, he told us that last year he had sold more than USD 660,000 of counterfeit films in a 10-month period. It's just jaw dropping," said Alagna, noting that most of the merchandise was sold on Amazon.com.

The case was prosecuted at the state level and Palmisano, who was charged with one count of unlawful use of recorded sounds and images, pled guilty. He was sentenced to 30 months probation, 120 hours of community service, and was required to pay USD 5,200 in fines to the MPAA, and USD 9,800 in restitution to the Bartlett Police Department. Despite the fact that Palmisano did not go to jail, the case was successful. "It was a team effort," said Alagna. "Everybody's contributions were substantial and very, very critical. Without one of those pieces, the investigation would not have had a successful end."

### Partnering internationally

CBP, HSI, and other law enforcement agencies also fight film piracy at an international level. "We share data with a vast number of countries to help them increase their seizures through our Customs mutual assistance agreements," said Kubiak. "We also provide training overseas to state, local, federal and regional investigators, as well as to Customs officers globally. Both CBP and HSI work with the Department of State, the US Patent and Trademark Office and the Department of Commerce."

In December 2013, CBP and HSI partnered with 10 law enforcement agencies from Europe and Asia in a 'Cyber Monday' sting operation that resulted in shutting down 706 websites that were selling counterfeit goods, including pirated movies and TV shows. The worldwide operation, the largest to date, was part of an online digital theft initiative called 'Operation in Our Sites,' which was launched by the NIPRCC in June 2010.

### Training at the ports

Rights holders also play a key role in fighting film piracy. "We partner with other brand holders and conduct training sessions for CBP officers and import specialists," said Marc Lorenti, the MPAA's Director of Investigations for North America. The training, which is organized by the International AntiCounterfeiting Coalition, is not limited to motion

**Top 10 most pirated movies of 2013**

| Rank | Film | Number of downloads (in millions) |
|---|---|---|
| 1 | The Hobbit: An Unexpected Journey | 8.4 |
| 2 | Django Unchained | 8.1 |
| 3 | Fast and Furious 6 | 7.9 |
| 4 | Iron Man 3 | 7.6 |
| 5 | Silver Linings Playbook | 7.5 |
| 6 | Star Trek Into Darkness | 7.4 |
| 7 | Gangster Squad | 7.2 |
| 8 | Now You See Me | 7.0 |
| 9 | The Hangover Part 3 | 6.9 |
| 10 | World War Z | 6.7 |

Source: TorrentFreak.com

**Top 10 most pirated TV shows of 2013**

| Rank | Show | Number of downloads (in millions) |
|---|---|---|
| 1 | Game of Thrones | 5.9 |
| 2 | Breaking Bad | 4.2 |
| 3 | The Walking Dead | 3.6 |
| 4 | The Big Bang Theory | 3.4 |
| 5 | Dexter | 3.1 |
| 6 | How I Met Your Mother | 3.0 |
| 7 | Suits | 2.6 |
| 8 | Homeland | 2.4 |
| 9 | Vikings | 2.3 |
| 10 | Arrow | 2.2 |

Source: TorrentFreak.com

pictures. It includes products produced by companies such as Louis Vuitton, Burberry, Chanel, Rolex and others. "It's a very aggressive programme," said Lorenti.

"From a visual perspective, we teach CBP officers and import specialists how to determine a genuine DVD from a fake, not only by looking at the packaging, but also by looking at the disc itself." One key component that quickly identifies if a film is genuine is the IFPI code, issued by the International Federation of the Phonographic Industry as a means of authentication. "It's like a fingerprint etched on the core of the disc," he said.

According to Lorenti, the training, which began in September 2013, is already paying off. "The leads are coming in on a regular basis from CBP officers in the field who identify suspect shipments being imported. Recently, CBP officers at Bradley International Airport in Connecticut reached out to us directly to authenticate shipments that had arrived at that port. We responded the next day," said Lorenti. "We were able to authenticate the shipment on site as being counterfeit, and then worked in conjunction with CBP to refer the case to HSI."

The MPAA is also developing a software tool that will help CBP officers identify counterfeit DVDs more quickly. "We're testing this tool right now," said Robinson, who hopes to share the technology more broadly with CBP. "We want to be part of the solution and we recognize that we have a responsibility to do that," he said. "We're not just going to CBP and other agencies and saying, 'help us, we're a victim, it's your problem to correct.' We're in this together."

### Closing the gap

Others such as HBO, a premium TV network with reported earnings of USD 1.8 billion in 2013, and 127 million subscribers in nearly 70 countries worldwide, have found ways to close the gap on the delivery of their programming as technology has evolved. "Our studio production team has worked extremely hard to streamline the process for getting the content to all of our international affiliates and distribution partners in a way that allows them to air the show much closer or exactly the same day, date and time as it is shown in the US," said Stephanie Abrutyn, Vice President and Senior Counsel of Litigation and Anti-piracy for HBO. "Over the last 10 to 20 years, we have literally shifted from a model where someone had to take a hard copy of a programme and put it on a plane to every single one of these countries to a system where we can push a button and deliver it digitally in seconds."

Still other challenges remain. "One of the biggest challenges we have is the volume of counterfeit and pirated goods that are coming into the country," said Therese Randazzo, CBP's Director of Intellectual Property Rights Policy and Programs in Washington, D.C. "The laws under which we're operating were put in place long before the Internet enabled easy sale of counterfeit and pirated goods directly to consumers. These shipments come in small packages at mail and express courier facilities as opposed to cargo, so it takes a lot more resources to examine and make infringement determinations," she said. "We need a simpler, more streamlined process where we don't jump through quite so many hoops. The Internet has changed importation of counterfeit and pirated goods, but the laws haven't kept up," she said.

But the real key is enlisting the public's help. There are a number of resources to access movies and TV shows legally. The MPAA's website – www.wheretowatch.org – is one of them. "Film piracy is not going to be eradicated until we eliminate consumer demand," said Randazzo. "If we're ever going to be successful in solving this problem, we need to educate the public and get them onboard."

**More information**

www.cbp.gov

# "In Australia, introducing 'plain packaging' is unlikely to be followed by the entry of new competitors or a substantial increase in the supply of illegal cigarettes"

**Harry Clarke and David Prentice,**
RESEARCHERS FROM LA TROBE UNIVERSITY'S SCHOOL OF ECONOMICS, MELBOURNE, AUSTRALIA

CIGARETTE SMOKING IS an activity that directly leads to significant health problems, such as lung cancer. The World Health Organization (WHO) estimates that tobacco kills up to half of its users, and nearly six million people each year. The trade in tobacco is also a concern for Customs administrations, particularly aspects related to tax evasion and counterfeiting.

A recent development in tobacco health regulations is the introduction of 'plain packaging' (PP) of cigarettes, which requires the removal of all branding except for the brand name in a mandated size, font, colour, and location on the pack. In 2011, the Australian Government passed the Tobacco Plain Packaging Act, becoming the first country requiring tobacco products to be sold in PP. Ireland and the United Kingdom (UK) are currently considering PP legislation too. An interesting question for Customs is whether PP will affect the level of tobacco smuggling and revenue collection.

Economists Harry Clarke and David Prentice from La Trobe University's School of Economics in Melbourne, Australia, published a paper presenting their empirical research on PP and its implications, including the overriding issue of public health, but also the sale of illegal cigarettes: Clarke, H. and Prentice, D. (2012), Will Plain Packaging Reduce Cigarette Consumption?, Economic Papers: A journal of applied economics and policy 31: 303–317.

Robert Ireland, the WCO Head of Research and Communications, conducted the following written interview with Dr Clarke and Dr Prentice.

***What are the main purposes of tobacco PP?***

The main purpose of legislating tobacco to be sold in PP is to discourage smoking and, in particular, to discourage young people from taking up smoking. This is done by removing what was, in Australia, the last form of advertising of tobacco products, namely its packaging. It is important to note four features of the Australian cigarette market that motivated the legislation as, in effect, almost all other major policies available to discourage smoking have now been implemented:

- First, cigarette smoking is now largely concentrated among three groups within Australian society: indigenous Australians; migrants from certain countries, and less-educated Australians working in low-prestige occupations;
- Second, all other forms of advertising by manufacturers and retailers are now prohibited, and there are restrictions on smoking at work and in other public places;
- Third, cigarettes are heavily taxed;
- Fourth, almost all smokers begin when they are young.

Hence, restricting packaging, in conjunction with other measures described below, appears to be almost the last regulatory intervention, short of prohibition, available to discourage smoking among these groups that have continued smoking.

***Could you summarize the main components of Australia's PP legislation?***

The Tobacco Plain Packing Act took effect on 1 December 2012. Its main components are: to make it an offence to sell tobacco products not in plain packaging; to require packaging to be a standardized, featureless (except for prominent graphic health warnings), drab dark-brown with the font for the brand name also standardized, and cigarette sticks standardized without trademarks, etc.; and to impose penalties for non-compliance of 220,000 Australian dollars for individuals and 1.1 million dollars for corporations.

The legislation was also accompanied by three sets of complementary policies: a large increase in the excise on tobacco in April 2010; negative advertising campaigns, both general and targeted (at groups like indigenous Australians, for instance); more extensive inclusion of anti-smoking treatments, such as nicotine replacement therapies, under Australia's Pharmaceutical Benefits Scheme, making them more accessible. Since then there have been further tax increases.

***What were the questions you investigated, and the main findings of your paper on PP?***

Our paper set out to do two things. First, to provide an economist's review of the legislation and its policy context. Second, to empirically analyse one of the main criticisms of PP, namely the tobacco industry argument that PP might actually increase quantities of cigarettes demanded because it would induce lower prices. This was claimed to be plausible because, with more standardized packaging, PP would increase competition among existing manufacturers, from new firms, and from illegal unbranded and counterfeit cigarettes.

Our analysis was conducted using Australian data on cigarette prices, brand numbers, and market shares following two earlier episodes of increased restrictions on advertising. These were, respectively, the restrictions on electronic advertising in the mid-1970s, and restrictions on print advertising in the early 1990s.

The research showed that there was evidence of price-cutting following each of the earlier advertising restrictions. This

took the form of quantity discounting with firms offering larger numbers of cigarettes per pack with a lower per stick price. However, there was no evidence of competitive entry or of substantial changes in the supply of illegal cigarettes.

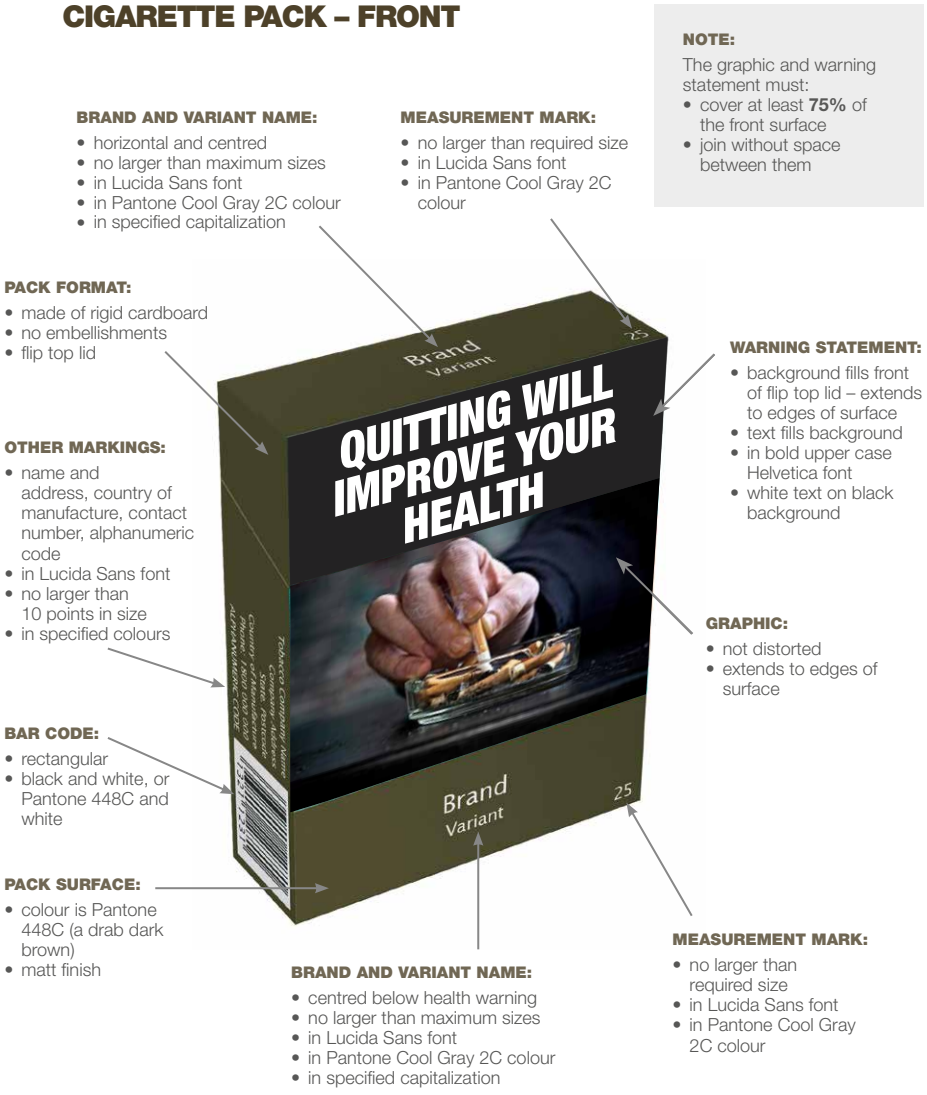
There has been no substantial legal entry into Australia since the early 1970s and, not long after print advertising was prohibited in the early 1990s, the cigarette companies almost completely ceased introducing new brands. This is consistent with advertising restrictions increasing price competition and making the market less profitable. Less profitable markets are less likely to see entry – legal or otherwise.

Our results suggest that, introducing PP will be followed by some price-cutting. This can readily be addressed by increasing cigarette excises. But, importantly, our results also suggest that it is highly unlikely that there will be entry by new competitors or a substantial increase in the supply of illegal cigarettes.

***What is the likely impact of the PP law on counterfeit and illegal unbranded cigarettes in Australia?***

The PP law is unlikely to have a substantial effect on the market for counterfeit and illegal unbranded cigarettes for three reasons:

- First, although removing the packaging of legal brands will make illegal cigarette brands relatively more attractive, this will be offset to some degree by the lower prices of the legal brands, resulting from greater price competition among them;
- Second, the cost of supplying illegal unbranded cigarettes has increased and will continue to increase post PP. The cheapest source of tobacco for illegal cigarettes used to be those supplies diverted from the legal domestic production of tobacco. However, it has been illegal to grow tobacco in Australia since 2006, and so tobacco for illegal cigarette production either has to be produced illegally itself or imported. Both of these activities are costly;
- Third, tobacco is bulky and relatively low value compared with other illegal imports, and Australia's borders are relatively easy to police compared with other countries.




*Source: "Tobacco Plain Packaging - Your Guide", Australian Government, Department of Health (image has been altered)*

Following PP, the cost of supplying imported illegal cigarettes to Australia will increase further as manufacturers have to produce them specifically for Australia, rather than coming from larger production runs for multiple countries. Anecdotes in a Deloitte 2011 report prepared for the tobacco industry are consistent with illegal manufacturers not making Australia-specific packages before PP as they omitted the health warnings.

***The three largest Australian cigarette firms funded a 2011 study by Deloitte that claimed the share of illegal cigarettes in Australia is significant and increasing – 6% of cigarette sales in the country in 2007, and 15.9% in 2010. Based on your research, what conclusions did you reach about these aspects of the Deloitte study?***

Our analysis of Euromonitor (an independent company that specializes in strategy research on consumer markets) data on brand market shares suggests that there was no substantial increase in the share of illegal cigarettes between 2005 and 2010. If there had been a large increase in the share of illegal cigarettes, it is likely that there would have been changes in the market shares of the large market-share brands.

Even though we cannot observe the market share of illegal cigarettes, large changes in their demand will affect the sales, and therefore market shares, of individual brands differently. This is because illegal cigarettes are more likely to take market share from some brands (probably discount brands) than others (premium brands).

A somewhat analogous situation occurred when the discount legal brands were introduced from the late 1970s. This was followed by large changes in the market shares of existing large brands. However, on examining Euromonitor's data between 2005 and 2010, the market shares for existing large brands are extremely stable.

This suggests that there has been no large change in the share of illegal cigarettes.

***We note that Ireland and the UK are considering legislation similar to that adopted in Australia. Do you think the findings of your research are generalizable to other countries that are considering PP laws?***

The main results of our work will be largely generalizable to Ireland and the UK. This is because our results are consistent with features of the cigarette market that are common to any market for a differentiated product. Removing advertising reduces differentiation and increases price competition. However, greater price competition also makes a market less profitable, which means entry by new firms and the introduction of new brands are less likely. Furthermore, PP also discourages the importing of illegal cigarettes by raising the costs of doing so, and reducing the profit margin.

One potential difference is that Ireland and the UK's proximity to the rest of Europe make it likely that competition from illegal cigarettes will be a greater problem with PP. Indeed, illegal sales in the UK via illegal imports and counterfeiting legally produced brands exceed 10% of total sales. There are several points here. It might be necessary to intensify efforts to restrict smuggling, and to make it more difficult to reproduce standardized PP packaging – which can be "aversive" but still difficult to duplicate.

As remarked above, these difficulties can be exaggerated. Their illegality places a natural cap on their share, as the larger the market share the easier it is to detect and punish illegal cigarette importers. Of course, the best long-term defence against illegal imports is to encourage high taxes and PP in other European countries.

***Are there any updates you would like to share since the publication of your 2012 paper?***

A major issue that has become clear both before and after the introduction of PP in Australia has been the sustained campaign of negative publicity launched by tobacco companies to discredit PP policies, both prior to and after PP implementation. This is particularly likely in the UK given the influential role that successful PP laws in the country might have in spawning the same types of policies in other European countries.

This tobacco company campaign in Australia included disinformation, often derived from industry-funded data sources, about the effects of PP on legal sales, on the livelihood of small retailers, and even the (false) claim that in Australia PP increased legal tobacco sales because prices fell. Policymakers need to anticipate such responses by having reliable, accurate statistical data available to them, and by arguing clearly prior to policy implementation that PP is a long-term policy that seeks long-term reductions in the prevalence of smoking, particularly among young people.

Any available idiosyncratic short-term data trends will be exploited by tobacco companies to create public opposition to PP. As mentioned too, if greater competition does reduce prices then tobacco excises should be increased.

**More information**

**http://onlinelibrary.wiley.com/doi/10.1111/j.1759-3441.2012.00186.x/abstract**

Removing advertising reduces differentiation and increases price competition. However, greater price competition also makes a market less profitable, which means entry by new firms and the introduction of new brands are less likely.

Dr Harry Clarke is a Professor of Economics at La Trobe University in Melbourne, Australia. He obtained his PhD from the Australian National University. His current research work concerns resource and environmental economics, and the economics of global climate change. Dr Clarke has authored over 100 scientific publications and two books.

Dr David Prentice is an Associate Professor of Economics at the University of Nottingham's Malaysian Campus. He obtained his PhD from Yale University. His current research focuses on the development of the American Portland and natural cement industries, and pricing and mergers in differentiated products markets. Dr Prentice has published extensively in numerous journals.

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# Protecting intellectual property, the 'missing partner'

**By Dan Baldwin,**
PRINCIPAL GLOBAL TRADE CONSULTANT, BALDWIN GLOBAL TRADE CONSULTING

OVER THE PAST several months I have attended numerous law enforcement events focusing on the protection of intellectual property rights (IPR), highlighting the battle that Customs and other law enforcement agencies face from those that have no consideration for the safety or economic problems they create.

The most significant of these events, the 2014 International Law Enforcement Intellectual Property (IP) Crime Conference, hosted by INTERPOL and the Underwriters Laboratories in Hanoi, Vietnam, was attended by several hundred law enforcement professionals, Customs officials, rights holders, private investigators, and IP attorneys. As I pored over the list of attendees and presenters, I suddenly noticed a group that was conspicuously missing. Where are the importers? Where are the retailers? And most importantly, where are the e-commerce giants?

The growth in IP as a cornerstone of economic development is clearly apparent, given the tremendous increase in IP applications over the last decade. According to the World Intellectual Property Organization (WIPO), the number of trademark filings has grown exponentially over the past ten years. From 2003 to 2013, the number of annual trademark filings in the United States (US) increased by over 90% – very impressive growth for a developed economy, but by no means the most accelerated growth.

Brazil, the Russian Federation, India, China, and South Africa (known as the BRICS grouping) collectively had an astounding annual growth rate in trademark filings of over 261%. Not to be left behind are developing nations such as Vietnam, whose annual filings having grown by 188%. The conclusion to be reached from this tremendous growth in economies capitalizing on IP applications is that they will also be looking to regulatory and law enforcement agencies for protection. Of course, this growth provides a golden opportunity for those that choose to ignore the rule of law to exploit these 'business opportunities', leaving it to Customs and other law enforcement agencies to try to ferret out these criminals.

In 2013, the US Customs and Border Protection (CBP) and US Immigration and Customs Enforcement (ICE) agencies seized in excess of 25,000 shipments of infringing imported products, over 400% more than those seized a decade earlier. Yet CBP and ICE are challenged by the vast number of infringing goods crossing the US border every day. To quote a former CBP executive on the fight against IP rights, "you can't seize your way out of this problem".

While the traditional model of manufacturer-to-importer relationships is still prevalent, the ever expanding e-commerce model is presenting new challenges to supply chain management, including IP protection.

## E-commerce: new challenges and opportunities for IP enforcement

The last decade has not only seen explosive growth in IP, but also a dramatic shift in how infringing products are moved throughout the world. Earlier in the decade there was a clear focus on ocean cargo. Customs' focus was based on the greatest volume of cargo imported into the country, rights holders were looking for the most significant number of detentions, and investigators and prosecutors were looking for the most significant economic harm, strengthening cases up for prosecution. Yet today, the majority of Customs enforcement actions on individual shipments occur in the express and mail environment – over 80% of US seizures now involve small shipments transported in this way.

With the e-commerce revolution has come a new model for how goods are imported and exported. Certainly, ocean carriers, air carriers and postal unions are still the key to how cargo is physically moved from point of manufacture to point of consumption. But the control of this cargo has taken on a new dynamic, with e-commerce giants and express carriers controlling a substantial part of the global supply chain for consumer products. Virtually every developed country is developing strategies to promote the rapid growth of e-commerce in order to streamline the supply chain, and get products to markets and consumers faster than ever before.

For Customs purposes, the most impactful forms of e-commerce would be business-to-business (B2B) and business-to-consumer (B2C), which make up the vast majority of commercial traffic in the e-commerce world. The variety of business models employed by e-commerce companies is as wide as any other businesses, but what is nebulous is precisely how Customs can engage with these businesses to address the IP problem.

Some major e-commerce companies effectively manage a reasonable inventory while others market the fact that they manage no inventory at all, functioning in many ways as a freight forwarder. While the traditional model of manufacturer-to-importer relationships is still prevalent,

the ever expanding e-commerce model is presenting new challenges to supply chain management, including IP protection. So what does this have to do with Customs' obligations to protect IP?

### Partnership between Customs and e-commerce: key to solving the problem

The traditional approach for Customs and IP enforcement has focused primarily on the detection and interdiction of individual shipments. Customs, however, has limits on its traditional authority based on national laws and trade agreements. While some countries have provided their Customs services with ex officio powers, and made them competent authorities for determining infringements, others have strictly adhered to the minimal standards contained in the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) developed by the World Trade Organization (WTO).

As for international law enforcement efforts targeting cybercrime, Customs is not the principal enforcement investigative authority. Performance metrics and statistics are invariably calculated in a transactional way, whether it be the number of seizures or detentions, the number of arrests or convictions, or the number of forfeitures or destructions. In short, Customs' traditional approach to IP protection has been limited to a very transactional approach.

However, the WCO SAFE Framework of Standards to Secure and Facilitate Global Trade (SAFE Framework) and the lessons learned in supply chain security have taught us one thing – there is no single solution to such a complex problem. As an example, we have seen tremendous benefits in partnering with freight forwarders in the area of aviation security, even though they may never physically handle a shipment.

Since freight forwarders control a significant amount of information which can be of tremendous use to Customs in its targeting and interdiction efforts, leveraging their capabilities could produce significant intelligence. In addition, there are significant investments made by these companies to ensure the integrity of the products they move to market. In return for these investments, Customs has committed to provide incentives, primarily through early and expedited cargo processing, to give these companies a return on their investment.

The model is, of course, very similar to that of the Authorized Economic Operator (AEO) concept which forms an integral part of the SAFE Framework, and which is employed by dozens of countries around the world. The real question here is: could an AEO model possibly help Customs in carrying out its IP protection mission?

Recently, one of the largest e-commerce companies in the world, Alibaba, reported astonishing numbers in its efforts to minimize the impact of counterfeiting and piracy in its supply chain:

- From January 2013 to November 2014, Alibaba expended more than one billion Chinese yuan, or approximately 163 million US dollars, on IP protection programmes;
- Over 80 million products were removed by Alibaba for IP infringement;
- Over 2,000 specially trained personnel were used by Alibaba to protect the consumer from IP problems.

These are remarkable figures when taken at face value, and would certainly rival governmental investment in IP protection in many developed nations. But I would like to offer another point to consider. If Alibaba and other e-commerce giants were to make this kind of investment to protect their supply chain from infringing

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products, could their efforts be leveraged by Customs in a way similar to how it leverages AEO companies in matters of security, narcotics interdiction and smuggling?

In this respect, the WCO could play a significant role in exploring the possibility of a stronger, more collaborative partnership with the e-commerce community in the fight against counterfeiting and piracy. Using the AEO concept as a guidepost, Customs administrations now have greater influence on, and visibility into, the e-commerce supply chain. With this in mind, the WCO is in a perfect position to lead a dialogue with this burgeoning sector. Such a dialogue should include the following key elements:

- Convening a joint IP protection in e-commerce roundtable: organizing an open discussion between international enforcement agencies, interested rights holders, other interested parties and the e-commerce giants, along with the primary carriers used by these e-commerce companies, would provide a venue for an exchange of ideas on where such a partnership has the greatest opportunity. The session would need to clearly focus on mutual interests and benefits, and not be constricted by attempting to impose unrealistic obligations;

- Applying supply chain principles to IP protection: the complex mission and role of Customs are most effective when the latter applies an array of practices that focus on prevention and protection, as well as prosecution. Supply chain security principles could serve as a model for a more layered approach to IP protection;

- Identifying common standards for supply chain/IP protection: providing a platform for collaborating on a series of standards deemed essential to protect the international supply chain from infringing products is critical. Reaching concurrence on those standards that both Customs and e-commerce employ would be an important step in creating efficiencies and limiting redundant activities in this shared effort;

- Proposing creative incentives: e-commerce partners that voluntarily join the fight against counterfeiting and piracy should be incentivized for their efforts, just as Customs provides benefits to companies that join international security efforts. The SAFE Framework highlights many potential benefits, and there should be a serious discussion on how e-commerce could be part of the same arrangement. Possible incentives include expedited clearance opportunities, as well as limits to punitive actions for companies that voluntarily disclose and correct weaknesses in the IP supply chain;

- Publicizing joint successes: both government and the private sector make independent announcements of best practices, successful interventions and the vast investments made to protect the IP supply chain. When possible there should be public and joint statements highlighting the Customs/e-commerce partnership, driving home the point that counterfeiters have more of a problem than just smuggling illicit goods across the border. The counterfeiter must also fear the partnership, as it would extend a protective barrier across the entire supply chain.

With the number of IP protection issues growing rapidly, the expectations of government and particularly Customs to respond are growing even faster. There just simply are not enough resources or funding for Customs to meet these expectations by trying to solve the problem one e-commerce transaction at a time. It is far more important for Customs to work to better manage those players that generate the majority of these e-commerce transactions.

As with all challenges, the best solutions are those that involve collaborative partners, those that have a common purpose in solving a problem and those that strive to resolve issues in a way that is mutually beneficial. Adding a supply chain security approach, including a trusted partnership element, to dealings with e-commerce giants and startups will only complement the traditional criminal law enforcement approach to protecting IP. We will then have a better opportunity to minimize those that look for profit at the expense of society's safety.

**More information**

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Dan Baldwin was a former Senior Executive at US Customs and Border Protection, with over 27 years' experience in global trade facilitation, enforcement, and supply chain management. He is currently working with both private sector and international groups on building collaborative strategies to assist Customs' role in protecting public safety and global trade. As a keen advocate of collaboration between all trade stakeholders, his current work is driven by the slogan: 'Solving supply chain challenges through partnerships'.

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# PICARD Conference 2015 – Call for Papers

SINCE 2006, THE annual WCO Picard Conference has gathered Customs officials and academics under the same roof to present research and exchange ideas on Customs and international trade issues. Later this year, the Azerbaijan Customs Service will host the 10th annual WCO Picard Conference in Baku from 8 to 10 September 2015.

The WCO has published and disseminated a Call for Papers inviting researchers to submit their research for possible presentation at the conference. Papers should preferably focus on the Customs domain or, more globally, on the regulation, dynamics and practices pertaining to the international trade in goods.

Although papers can be submitted on any topic directly or indirectly related to Customs, researchers seeking additional guidance could consider writing on global value chains (GVC), taxation and other revenue matters, or smuggling.

GVC, in particular, is increasingly being discussed by Customs professionals due to the growing dispersion of production processes at the international level and, as a consequence, the growing circulation of intermediary goods. More focus on GVC would assist in identifying new ways of analysing the participation of Customs in international trade and globalization.

Taxation and other revenue matters include, but are not limited to, the classification and valuation of goods, the exchange of information, de minimis tax rules, excise taxes, and value-added tax (VAT), including other tax regimes with a similar purpose.

The smuggling topic includes the practices of smugglers and enforcement efforts against illegal trade, as well as the implementation of security controls, such as those relating to passengers and weapons.

A minimum of 4,000 words and a maximum of 10,000 words are required and submissions should be sent no later than 1 June 2015. Papers can be written in English, French, Russian, or Spanish. Simultaneous interpretation will be provided at the conference in the aforementioned four languages, as well as in Azerbaijani.

**More information**

picard2015@wcoomd.org.
www.wcoomd.org/en/events.aspx

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## WCO Technology and Innovation Forum to take place in the Netherlands in October

The 5th WCO Technology and Innovation Forum will take place in Rotterdam, the Netherlands from 27 to 29 October 2015. The Forum is built on the success of the four previous ones that took place in Brussels, Cairo, Kuala Lumpur and Buenos Aires.

The 2014 event, which took place in Buenos Aires, Argentina, attracted 514 senior managers from government, law enforcement agencies and the private sector, representing over 60 different countries. It was complemented by more than 20 technology providers, showcasing their current innovations during the parallel exhibition and breakout sessions.

With the theme "Pushing Boundaries, Changing Horizons", the 2015 forum is expected to be the largest ever organized. The Netherlands, being a pioneer and the birthplace for many companies that have contributed innovative solutions that have revolutionized the transport and logistics sector, there could not be a better place to hold this event which is growing in popularity on a year-on-year basis.

**More information**
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# Calendar of Events

| | |
|---|---|
| **March** | |
| 3 - 6 | Permanent Technical Committee, 207th/208th Sessions |
| 9 - 13 | Data Model Project Team |
| 9 - 10 | Harmonized System Committee, Working Party |
| 11 - 20 | Harmonized System Committee, 55th Session |
| 23 - 27 | Enforcement Committee, 34th Session |
| 30 Mar. – 2 Apr. | Finance Committee, 97th Session |
| **April** | |
| 13 - 14 | Private Sector Consultative Group |
| 14 | SAFE Members Only Meeting |
| 15 - 17 | SAFE Working Group, 14th Meeting |
| 20 - 22 | ATA/Istanbul Administrative Committee |
| 23 - 24 | Administrative Committee for the Customs Convention on Containers, 1972, 15th Meeting |
| **May** | |
| 4 - 8 | Technical Committee on Customs Valuation, 40th Session |
| 6 - 8 | 2015 WCO IT Conference & Exhibition, Freeport (Bahamas) |
| 11 - 12 | Agreement on Trade Facilitation Working Group, 4th Meeting |
| 18 - 22 | Harmonized System Review Sub-Committee, 48th Session |
| 26 - 27 | Data Model Project Team |
| 28 - 29 | Information Management Sub-Committee, 69th Session |
| **June** | |
| 8 - 10 | Policy Commission, 73rd Session |
| 11 - 13 | Council, 125th/126th Sessions |
| 15 - 16 | Conference on Regional Integration |
| 17 - 26 | Knowledge Academy |

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

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