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# WCO news

## Connectivity

Linking people, institutions,  
systems and ideas

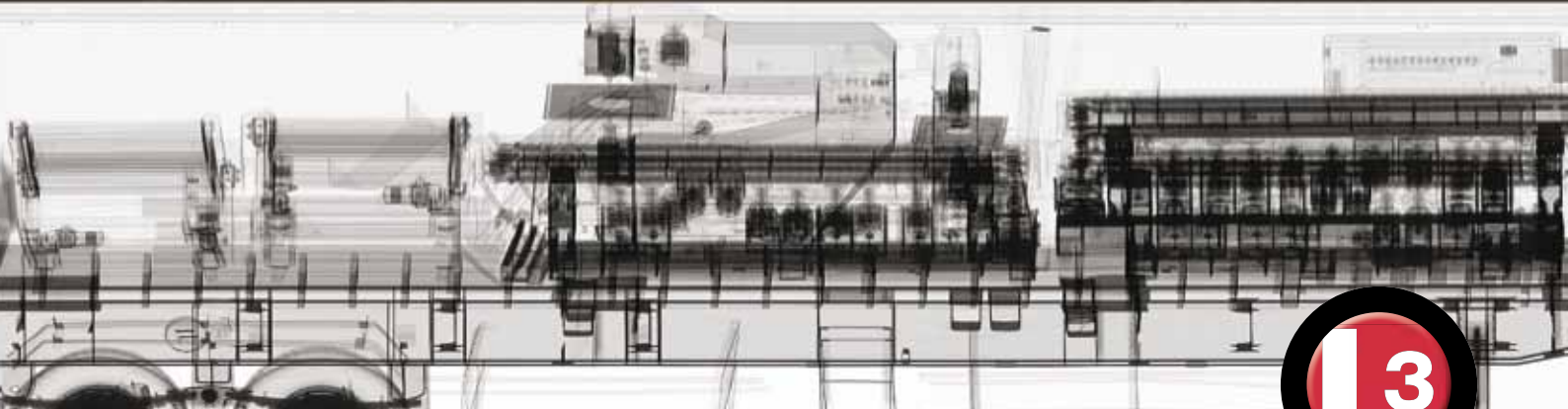


World Customs Organization





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## The Review of Maritime Transport 2011



MORE THAN 80% of international trade in goods is carried by sea, and an even higher percentage of developing-country trade is carried in ships. The Review of Maritime Transport, an annual publication prepared by the United Nations Conference on Trade and Development (UNCTAD), is an important source of information on this sector. It closely monitors developments affecting world seaborne trade, freight rates, ports, surface transport and logistics services, as well as trends in ship ownership and control, and fleet age, tonnage supply and productivity.

Key developments reported in this year's Review include the following:

- After contracting in 2009, international shipping experienced an upswing in demand in 2010, and recorded a positive turnaround in volumes, especially in the dry bulk and container trade segments. Total seaborne trade reached an estimated 8.4 billion tons in 2010.
- The year 2010 saw record deliveries of new tonnage, 28% higher than in 2009, resulting in an 8.6% growth in the world merchant fleet.
- World container port throughput increased by an estimated 13.3% to 531 million 20-foot equivalent units, or

TEUs, in 2010, after stumbling briefly in 2009.

- Developing countries are expanding their participation in a range of different maritime businesses. They already hold strong positions in ship scrapping, ship registration and the supply of seafarers, and they have growing market shares in maritime sectors such as ship construction and ship owning. China and the Republic of Korea between them built 72.4% of world ship capacity (deadweight tonnage - dwt) in 2010, and 9 of the 20 largest ship owning countries are developing countries.
- The UNCTAD Liner Shipping Connectivity Index (LSCI), which aims at measuring the level of integration of countries in the global maritime transport network, reveals that China maintains its lead as the single most connected country. It is followed by Hong Kong, China, Singapore and Germany. In 2011, 91 countries increased their LSCI ranking over 2010, 6 saw no change, and 65 recorded a decrease. The best connected of the Least Developed Countries (LDCs) is Djibouti, benefiting from recent port reforms and a geographical position next to major trade routes.

**More information**  
[www.unctad.org](http://www.unctad.org)

## History of the Guardia di Finanza in Milan

GASPARE CILLUFFO, a Lieutenant Colonel in Italy's Guardia di Finanza and a Technical Attaché at the WCO Regional Intelligence Liaison Office (RILO) for Western Europe in Cologne, has written a book entitled "La Guardia di Finanza a Milano". In his book, Gaspare recounts the history of the Guardia and its predecessors from the 15th century to the present day.

The Guardia di Finanza or "Financial Guard" is an Italian law enforcement agency essentially responsible for dealing with financial crime and smuggling, including related Customs offences. The WCO welcomes this initiative which is a great contribution to literature on the history of Customs. A copy of the book is available at the WCO library.

**More information**  
[gaspare.cilluffo@rilo-we.org](mailto:gaspare.cilluffo@rilo-we.org)



Secretary General of the WCO,  
Kunio Mikuriya, with Gaspare Cilluffo

## A photographic chronicle of the relentless flow of contraband

© Taryn Simon. Courtesy Gagosian Gallery

FOR FIVE DAYS in November 2009 Taryn Simon, a photographer, lived at New York City's John F. Kennedy (JFK) International Airport, one of the busiest airports in the United States where passengers, workers, baggage, cargo, taxis and trains flow constantly.

Her aim was to record the continual flow – one the public rarely sees – of contraband goods detained and seized by US Customs and Border Protection from passengers and from express mail entering the US from abroad.

“The idea comes from an earlier photograph I took for my work titled ‘An American Index of the Hidden and Unfamiliar’. I photographed 48 hours’ worth of agricultural seizures at JFK Airport. During my short visit I witnessed an influx of goods beyond food and plants that begged to be recorded,” explains the photographer.

Her latest result is a collection entitled ‘Contraband’ which documents a broad array of forbidden and controlled items – sausages from exotic climes, cigarettes, drugs, gold dust, a falcon corpse, counterfeit goods, fake medicine, two dead guinea pigs and countless sexual stimulants.

“I anticipated the usual threats such as guns, heroin and so on, but what surprised me was the accent placed primarily on counterfeit items. There was a relentless flow of counterfeit luxury items, pirated films and computer software that pose a threat to the brand and to economic security that relies on the preservation and protection of these corporations.”

“The number of goods made it very clear that stopping this infiltration is nearly impossible as it is so abundant. There were, of course, surprises like a giant bird in an envelope for witchcraft purposes.”



Steroids, Testosterone & Sustanon, Pakistan (illegal) [Detail], 2010

“Customs officers’ work is intense and never-ending,” the artist said when asked about her thoughts after spending five days with Customs officials. “It felt as though everyone coming through the US has contraband of some sort – something with wood boring insects, or even a simple banana. Something that seems banal can be a threat in the eyes of Customs”.

**More information**  
[www.tarynsimon.com](http://www.tarynsimon.com)

## New global HS standard enters into force

THE NEW VERSION of the WCO Harmonized System (HS) Nomenclature entered into force on 1 January 2012. It includes 220 sets of amendments: 98 relating to the agricultural sector; 27 to the chemical sector; 9 to the paper sector; 14 to the textile sector; 5 to the base metal sector; 30 to the machinery sector; and an additional 37 that apply to a variety of other sectors.

Environmental and social issues are the major feature of these amendments, particularly the use of the HS as the standard for classifying and coding goods of specific importance to food security and the early warning data system of the Food and Agriculture Organization (FAO) of the United Nations.

Contracting Parties to the HS Convention are requested to notify the WCO Secretariat of their date of implementation of the new version. As of 16 February, out of 141 Contracting Parties, 60 had informed the Secretariat of their position. Information about progress on the implementation of the 2012 version and acceptance of various HS-related recommendations relating to each of the Contracting Parties is published on the WCO website in the form of a matrix.

**More information**  
[hs@wcoomd.org](mailto:hs@wcoomd.org)  
[www.wcoomd.org](http://www.wcoomd.org)

## “Counterfeiting-crime©: A major challenge”

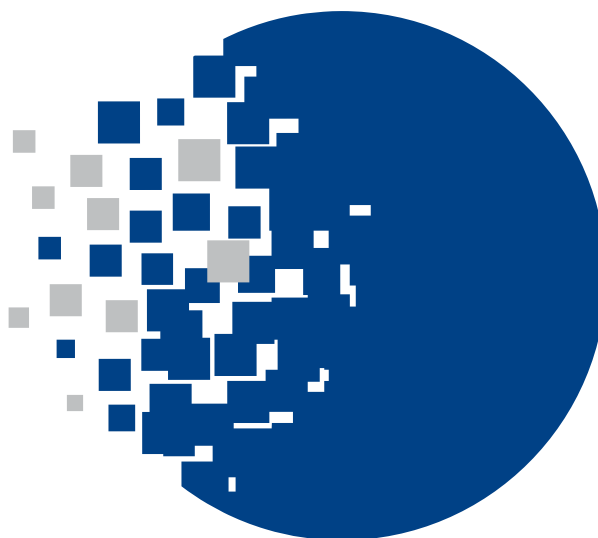
In 2011, close to two billion people worldwide were involved in an accident or suffered poisoning following the use of an adulterated, and usually counterfeit, product, with many dying from poisoning or medical complications, according to the World Health Organization (WHO).

WITH SO MANY people being put at risk, one can safely assume that the quantities of these life-threatening products on the market must be huge, leading us to the conclusion that the illicit trade in consumer products is now industrial, coordinated and globalized in nature. Clearly, organized crime is seeking to generate huge profits from human misery, not only in the agrifood or, naturally, medicines sector, but also in many other consumer sectors.

Against the background of the current economic crisis, the whole world is now prey to this illicit trafficking, weakening poor countries and emerging democracies, wreaking havoc on developed states, and particularly discrediting the pharmaceutical, agrifood, cosmetic and automobile industries, to name but a few.

In this troubled world, in which no holds are barred, organized crime brings in its wake corruption, money laundering and child exploitation. It also gives rise to new “professions”: counterfeiting of building materials and equipment, and illicit recycling of contaminated waste for use in the manufacture of counterfeits. Worse still, mafia networks intertwine smuggling, fraud involving foodstuffs, and counterfeiting to cover their tracks and make it even more difficult to gain an insight into criminal phenomena.

As a result, and despite their differences, these flows of counterfeits abide by the same cardinal rules of supply and demand, and follow the same principles of competition, profitability, the innovation race, gain



**WAITO**  
Foundation

in market share or a lowering of production costs. The only goal in mind is to turn a quick profit in open disregard of basic respect for safety standards. In so doing, the boundary between licit and illicit is no longer quite as clear-cut and the risks of non-compliance and counterfeiting are intensifying for all actors in the consumer product supply chain.

Is smuggled tobacco actually highly carcinogenic counterfeit tobacco? Are some plastic components for counterfeit toys being sourced from the contaminated zone around Fukushima? Were the non-compliant signalling systems behind the train crash in northern China in July 2011 actually counterfeits? Was tainted sun-

flower oil used to make counterfeit biscuits originating in Russia?

Understanding, detecting and preventing these threats; this is the objective of the 2011 Report “Counterfeiting-crime©: A major challenge” issued by the WAITO Foundation – World Anti-Illicit Traffic Organization.

Produced with the assistance of 12 experts, in collaboration with the World Customs Organization (WCO), the United Nations Interregional Crime and Justice Research Institute (UNICRI), the Department for Research on Contemporary Criminal Threats of the University of Paris II - Panthéon-Assas, and professional federations such as the French Building Federation (FFB), this report offers a fresh approach to the fight against counterfeiting, one that is anchored in criminology and unfettered by any commercial interests.

The WAITO Foundation, an international non-governmental organization (NGO) created in 2010 and located in Switzerland, conducts studies and investigations around the globe on behalf of states and cross-industry federations. Its purpose is to set up observatories by industry sector and to

increase the number of specialized academic chairs, with a view to ultimately introducing an appropriate criminal law policy that complements industrial property law.

In order to identify serious, complex, and growing Counterfeiting-crime© phenomena and offer pragmatic solutions, the WAITO Foundation works in collaboration with key international organizations such as the WCO and UNICRI. Together with China University of Political Science and Law (CUPL), it has co-founded the first ever Research and Studies Centre on Counterfeiting-crime© (RS3C) which is based in Beijing.

**More information**  
[www.waitofoundation.org](http://www.waitofoundation.org)



## WCO Private Sector Consultative Group meet Josephine Feehily



The Chairperson of the WCO Council, Josephine Feehily, invited members of the WCO Private Sector Consultative Group (PSCG) to meet her in Dublin on 16 December 2011. The PSCG was ably led by its Vice Chair, Bill Taylor, as the Group's Chair, Carol West, who is also Secretary of the International Federation of Customs Brokers Associations, had to cancel her participation due to an accident.

The meeting was very useful and included feedback and discussion on the outcomes of the 66th Session of the WCO Policy Commission and the informal report of the PSCG to the Policy Commission. Views were also shared on air cargo security, the Globally Networked Customs concept, support for emerging economies, deve-

lopments at the SAFE Working Group, and emerging and evolving risks. There was also an informative discussion on the future role of the PSCG within the WCO.

All agreed that the meeting was very constructive and that it provided an excellent basis for building on the good relationship between the PSCG and the WCO to the benefit of both. The meeting concluded with an enjoyable tour of the Irish Revenue Museum located in Dublin Castle. The museum shows the evolution of both the tax and Customs systems in Ireland and includes many fascinating exhibits from the past.

### **More information**

[wcochair@revenue.ie](mailto:wcochair@revenue.ie)

## Tribute to John Raven

SUNDAY, 6 NOVEMBER 2011 marked a sad day on the WCO calendar when the international Customs community learned of the peaceful passing of John Raven, a stalwart in international trade circles for some sixty plus years.

His relationship with the WCO stretched over 39 years, beginning with the first development of the Harmonized System project in 1972, and thereafter he was often seen at various WCO events and meetings airing his views on a range of topical Customs and trade issues.

John held many leading executive positions in his career, including Director of the British Coal Exporters' Federation, Chief Executive of the UK SITPRO Board, and Director General of the International Express Carriers' Conference, now the Global Express Association.

His commitment to strengthening the Customs-Business Partnership through meaningful and effective engagement was much appreciated by

the Secretary General of the WCO and numerous Directors General of Customs, as well as by his peers and colleagues in business.

John's great insight, his ability to understand complex issues, and the respect he generated for his knowledge, his determination, his focused approach and his great sense of humour was recognized by the Council of the WCO during its June 2010 annual sessions.

The exceptional breadth of his vocabulary and the virtuosity he displayed in his use of the English language to convey his thoughts on complicated subjects with complete clarity, a skill he acquired at Cambridge University in the 1930s, will always be remembered.

Although gone, John Raven will never be forgotten.

### **More information**

[communication@wcoomd.org](mailto:communication@wcoomd.org)







DOSSIER

# Connectivity

THE CUSTOMS COMMUNITY acknowledged long ago that no state is an island.

Cooperation, communication, coordination and collaboration are indispensable to Customs operations, ensuring continuous connectivity among

WCO Members and between Customs and its international, regional and national partners.

This dossier reflects on the connectivity theme, particularly the initiatives linking people, institutions, systems and ideas.

## Borders divide, Customs connects

by **Kunio Mikuriya**

SECRETARY GENERAL  
WORLD CUSTOMS ORGANIZATION



As the World Customs Organization celebrates its 60th anniversary this year, it is only fitting that we use this opportunity to acknowledge the heritage that the founders of the Customs Co-operation Council bestowed on us, namely the importance of cooperation, particularly the value of inter-connectedness among Customs and its partners.

This rich heritage is reflected in the Customs in the 21st Century strategic vision which underpins the work of the WCO and whose building blocks promote the concept of connectivity, hence my decision to designate 2012 as the Year of Connectivity with the slogan “Borders divide, Customs connects”.

### Worldwide connectivity

For the international Customs community, connectivity connotes a vision of arrangements worldwide that support the smooth and lawful flow of goods, services, people, technologies, capital, culture, and ideas. It galvanizes the establishment of partnerships, the preparation of research, the sharing of knowledge, and the delivery of capacity building.

Connectivity paves the way for community protection, modernization, and economic development. It encapsulates strengthened coordination, cooperation and communication between Customs administrations, with other government agencies and institutions and with the private sector, at national, regional and international levels.

Cooperation agreements, mutual recognition of Authorized Economic Operators (AEO), the Globally Networked Customs concept, implementation of a Single Window for trade, initiatives that favour the exchange of knowledge and ideas, as well as the promotion of shared values, fall within the connectivity theme.

Because borders are synonymous with division, the main challenge for Customs administrations is to identify and pursue the best methods to increase connectivity, which refers to people-to-people, institutional, and information linkages, that underpin and facilitate the achievement of objectives.

### Maintaining the momentum

In fact, connectivity is a natural progression from previous International Customs Day themes: Knowledge in 2011, particularly the sharing of knowledge to enhance the effectiveness and efficiency of Customs authorities; Customs-Business Partnerships in 2010, with a focus on supporting and improving the connective, working relationships between Customs and the private sector; and Environment Protection in 2009, underscoring the need for coordinated border management to save our natural heritage.

It is, of course, important to emphasize that connectivity encompasses three main pillars: people connectivity, which includes a partnership with the business sector, and knowledge and professionalism; institutional connectivity, which covers Customs-to-Customs connectivity and Customs-to-other government agency connectivity; and information connectivity, which acts as an enabler and includes Globally Networked Customs, the electronic Single Window, and technology and knowledge solutions.

### Three pillars of connectivity

The WCO's instruments, tools and activities, including its approach, provide a concrete basis for ensuring connectivity between WCO Members, between Customs administrations and their national trade and border regulatory and enforcement stakeholders, and at the international and regional level between the WCO and its numerous partners that include multilate-



ral institutions, development banks, capacity building donors and global business organizations. This web of worldwide connectivity is threaded throughout the Organization's work.

### People connectivity

- Customs-business partnerships (C2B)
  - > Authorized Economic Operator (AEO) or trusted trader programmes
  - > Harmonized System nomenclature and the Revised Kyoto Convention, that serve as a common language for Customs and traders
  - > Memoranda of Understanding and joint consultative groups to foster cooperation and the sharing of information
- Knowledge and professionalism
  - > Promoting integrity and a service culture
  - > Sharing knowledge to improve compliance by the private sector
  - > Research on best practices and issues that impact on Customs
  - > The Club de la Réforme think-tank to encourage information sharing and dialogue

### Institutional connectivity

- Customs-to-Customs connectivity (C2C)
  - > Mutual assistance in exchanging information and intelligence
  - > Application of consistent risk management to secure and facilitate trade
  - > Mutual recognition of AEOs
  - > Coordinated border management (CBM) at international level
- Customs-to-other government agency connectivity (C2G)
  - > Single Window systems and one-stop physical control
  - > CBM at national level
  - > Mechanisms for cooperation

### Information connectivity

- Globally Networked Customs (GNC)
  - > Creating utility blocks, being components of data to be exchanged within predefined areas
  - > Developing protocols, standards and guidelines for the exchange of data
  - > Promoting the use of existing networking tools such as the Customs Enforcement Network (CEN), CENcomm and Environet
- Electronic Single Window environment
  - > Quality information in a timely manner
  - > Faster clearance of goods to facilitate trade
  - > WCO Data Model
- Technology and knowledge solutions
  - > Interface Public Members (IPM), a tool to combat counterfeiting and piracy based on the sharing of information between Customs and right holders
  - > Platforms for the exchange of ideas and best practices such as the IT Conference, and the Technology & Innovation Forum
  - > Database of Preferential Rules of Origin
  - > The CliKC training portal



### Taking connectivity forward

Ensuring an inter-connected global Customs community is paramount if we are to succeed in meeting the challenges and opportunities posed by today's international trade environment. The emphasis which the WCO's founders placed on connectivity in 1952 was good judgement on their part. This sound basis has served us well and will continue to do so as we strive to enhance and improve the way we do business, with a view to ensuring that global trade remains secure and that legitimate trade receives maximum facilitation.

As a community, it is imperative that we continue to further develop and enhance the WCO's instruments, tools, activities and partnerships in order to strengthen connectivity. Through strengthened connectivity, Customs administrations will be in a position to deliver improved border management and enforcement, other government and border regulatory agencies will be in a position to deliver better services, and our business partners will be in a better position to enhance their compliance with Customs requirements.

Let us all commit to taking the connectivity theme forward throughout 2012, using every possibility to put it into practice as it is a win-win situation for all international trade stakeholders, and will ultimately ensure the trade security we seek and the trade facilitation that is necessary to ensure economic well-being and growth for the world's nations.

## Connectivity and Customs, an industry perspective

by **Prasanna Ellanti**  
and **James Canham**



James Canham (left) is Accenture's Global Lead for Customs. Prasanna Ellanti (right) is Accenture's Technology Lead for the Customs industry where he leads the development of assets and thought leadership focusing on technological trends and their impact on the Customs industry

The overall effectiveness of international Customs trade is directly proportional to the degree of connectivity within the global Customs community. As the technology that underpins this connectivity evolves, so must Customs.

AS THE GLOBAL economy continues to evolve at a fast pace, businesses and governments are trading more and working more across international borders. Customs agencies play a vital role in promoting and driving a country's economic competitiveness by enabling seamless trade across borders. Seamless trade can only be achieved through a high degree of connectivity between a Customs agency, its customers, and the various stakeholders involved in trade movements.

Technology plays a vital role in automating and empowering connectivity, primarily between a Customs agency and its customers. Beyond that, technology also enables connectivity between a Customs agency and its government, other government departments (OGDs), other Customs agencies, and trade enabling global organizations, such as the WCO and the World Trade Organization (WTO). Technology is evolving rapidly and providing innovative new ways to drive and enhance connectivity, giving Customs significant new opportunities to transform its operations and effectiveness.

This article discusses how the technology landscape is evolving, its impact on Customs today, and the evolving role of Customs in light of these developments.

### Supporting and enabling connectivity

To regulate and facilitate the import, export, and transit of goods, connectivity is fundamental to Customs' work. However,

as the global economy continues to evolve, Customs' needs must continue to evolve with it, going beyond its traditional role, and increase collaboration in different ways with its various stakeholders. Driven by new economic arrangements, the emergence and expansion of existing trade blocs, and the proliferation of multi-faceted free trade agreements, nations are now more connected than ever, and Customs must effectively support and enable this connectivity. Adopting a common set of global standards and formats is the first step to enable Customs to collaborate globally.

The Customs eco-system and the role of different actors within it are being fundamentally changed as connectivity expands. Traders are being enabled to undertake roles traditionally reserved for Customs through self-declaration and self-assessment for example. In fact, the sheer volume and speed of goods movements makes this shift essential. As a result, Customs agencies are moving towards a proactive, risk based supply chain focus and moving beyond the traditional transactional focus at the point of goods crossing the border. Technology provides the foundation for this shift in the Customs eco-system, and Customs agencies will therefore need to be nimble in their IT strategy, investment, and leadership in order to be more successful as their role evolves.

### Evolving technology landscape

The technology landscape is changing rapidly, and looking ahead from a Customs



point of view, a number of key trends are emerging that will dominate this landscape:

- Competitive cloud computing\*
- Mobile technologies\*
- Proliferation of Single Windows
- Social computing\*
- Information management\* - structured and unstructured
- Advanced analytics, including social analytics

\*Source: Gartner 2012 - "Predicts 2012: Four Forces Combine to Transform the IT Landscape".

Each of these technologies affects the role of Customs in different ways and they provide many opportunities to not only drive connectivity, but also increase productivity, and enhance engagement of its customers and workforce.

### Competitive cloud computing

Cloud computing enables a Customs workforce to be more responsive, and make faster decisions with real-time information that is centrally managed and accessible anywhere. The enhanced connectivity inherent in cloud computing enables the traditional desktop bound workforce to become a more agile workforce. Cloud computing offers virtualized digital services that are available anywhere and anytime. Virtualization can be in the form of:

- software as a service (software and associated data is hosted centrally, and is provided on demand to users, typically via a web browser or thin client\*);
- a platform as a service (deployment of applications without the cost of the underlying hardware or software);
- infrastructure utility services and infrastructure as a service (support and provision of a virtualized infrastructure respectively, with the latter using allocated blocks of storage and networking); and
- IT outsourcing (managed services, in the form of business process outsourcing or application outsourcing, for example, that can be a combination of some or all of the above).

*\*Thin Client, also known as "Lean Client", describes a computer or software, which relies on another computer or a server to carry out more resource intensive computational activities, such as information processing or data persistence. Traditional "Fat Clients" are stand-alone and perform all of the required computational activities themselves.*

The cloud allows an organization to be flexible in terms of its operations, by providing on-demand services, and in terms of finances, by reducing the total cost of ownership for these services. Ubiquitous access to cloud computing services ensures that a workforce is always connected to the organization, and used in combination with mobile technologies, can provide truly location-independent digital services.

Security however is a main concern when considering cloud solutions within Customs, the key being to firstly understand the various security threats, such as data sensitivity, data loss, and data access control. From that foundation, security can be managed by developing cloud specific security policies, upgrading/enhancing existing security practices, incorporating the cloud into existing security architecture, choosing the right security tools, such as access controls and encryption tools, and working with experienced service providers. The evolution of a plethora of commercially available and competitive cloud computing solutions is making it easier for Customs agencies to adopt this technology.

### Mobile technologies

Customs agencies, amongst public service organizations, have some of the most mobile workforces. Mobile technology, both hardware and software, represents a real step forward in connecting and empowering an agency's workforce to make fast and accurate decisions with real-time information. Mobile technology is already pervasive in personal lives with the advent of smartphones and tablet devices, and they are increasingly being integrated by organizations to

drive workforce efficiency. By effectively using mobile devices, and mobile applications, Customs can realise their benefits in terms of productivity, rapid development, and increased engagement with both their customers and their workforce. For example, Customs inspection teams that are traditionally location-specific can be mobilized so that inspection teams are location-independent, and inspection findings and evidence, such as photographs, can be communicated to virtual teams for real-time decision-making.

### Proliferation of Single Windows

Single Window solutions are not a new concept, and as they mature and become more pervasive, they can enable the delivery of key business outcomes to businesses and governments, including:

- improved access to government agencies for the trading community;
- improved communication between trade-related agencies;
- faster response times for approval of permits and licences for example;
- improved Customs clearance times for imports and exports; and
- better experience for traders interacting with government, and quicker access to management information to assess the performance of agencies.

Effective Single Window systems have the unique ability to lower not just the cost to serve in terms of resources, time and money, but also the cost to be served thereby transforming the burden on traders. Efficiency gains in time and cost of carrying out trade, with multiple interconnected agencies, from a single point of interaction are significant. Additionally, by linking and integrating their Single Windows, governments and businesses can become more effective in carrying out trade globally.

### Social computing

Social computing delivers digital connectivity, networking, and relationship development and management that has otherwise been traditionally physical,

and carried out person-to-person. Social computing can be broken down into social networking and social collaboration: social networking is the ability to build digital social networks using dedicated tools (SharePoint, Facebook and Twitter); and social collaboration is the collaboration of users online using web 2.0 technologies (wikis, blogs, and instant messaging). Social collaboration includes social feedback (the collection and analysis of feedback on products or services), and social publishing (the sharing of media with social networks seamlessly).

Customs agencies should embrace the advantages that social computing can deliver in the areas of customer relationship management. It provides a new innovative way to engage and build relationships with customers online, while providing a cost effective way to carry out public relations and marketing functions (traditionally carried out via websites, radio, and print media). Social computing also presents opportunities for Customs in the areas of collaboration, knowledge management and training, as well as better collaboration between virtual Customs teams. For example, web 2.0 technologies can empower the workforce to share their expertise and reach a wider audience. These tools also enable the workforce to contribute and maintain knowledge capital in an organization, which is fundamental, especially with aging workforces in Customs. Training using social networking and social publishing ensures that workforce education is accessible to a wider audience at reduced cost.

#### Information management

Information management largely exists today for structured data in the form of various databases. For many Customs agencies, a large proportion of their information is still on paper or is stored in outdated databases, which inhibit

accessibility, for instance documents are scanned as images but are not searchable for content. Technological advances mean that it is now possible to transform unstructured data (images, text, and other non-numeric data) into structured, searchable electronic data, which is accessible from all locations and remotely through mobile technologies. As Customs agencies receive and process large amounts of data from various sources that are both structured and unstructured, an efficient information management system that can handle the volumes and various types of data, structure it and make it readily accessible is fundamental. This kind of information management is the key to making business decisions and forms the foundation of connectivity between Customs and its stakeholders.

#### Advanced analytics

Customs agencies have traditionally been very good at collecting data and very poor at using it systematically to make decisions and inform risk and intelligence. New analytics technologies have the potential to transform the effectiveness with which Customs agencies utilize data. Analytics typically sifts through large volumes of data to find patterns and highlight differences from expected norms. In recent years, the advent of advanced analytics capabilities means that it is possible to go far beyond basic pattern analysis. These capabilities include the processing of unstructured data, and social analytics.

From a Customs perspective, the potential of these technologies is vast. The combination of advanced analytics and an information management system can transform the advanced identification of risks based on intelligence and behaviour, and enable more insightful pattern matching. It provides more powerful real-time identity management capabilities

(for example, using partial data to match an individual to multiple identities), and compliance management (for example using image search and match to accurately identify goods). Advanced analytics can also provide more effective targeting and decision-making to carry out audits/enforcement activities. Social analytics capabilities measure, analyze and interpret the interactions and associations of people – essentially providing a measure of connectivity – and the quality and effectiveness of relationships within social networks.

#### Technologies do not exist in isolation

All of the above technologies can be connected and effectively used in combination, to provide many advantages for Customs agencies: for example, the combination of the cloud, mobility, information management and social networking can enable the delivery of training modules, independent of location, while increasing the productivity, engagement and collaboration of the Customs workforce.

#### Conclusion

Customs agencies are an integral part of the global community, and need to drive and manage their connectivity in order to carry out their role effectively. Technology provides the basis for the changing role of Customs and opens up unparalleled new opportunities for connectivity and interaction. As the technology that underpins this connectivity evolves, so must Customs, if it is to realize the potential of that technology and continue to effectively facilitate global trade.

#### More information

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## Connectivity in the European Customs Union is about sharing

Over the last two decades ‘connectivity’ has become a major requirement for the smooth functioning of the EU Customs Union and has resulted in the implementation of many IT systems. Confronted with the need to do ‘more with less’, EU connectivity extends classical information exchange to sharing IT assets, effort and knowledge.

**by Walter Deffaa,**  
DIRECTOR GENERAL, TAXATION  
AND CUSTOMS UNION, EUROPEAN  
COMMISSION

ACCORDING TO ARTICLE 28 of the Treaty on the Functioning of the European Union, ‘the Union shall comprise a Customs Union which covers all trade in goods (...)’. The Customs Union is one of the areas of exclusive EU competence. However, it is national Customs administrations that carry out Customs formalities and checks in the EU Customs territory; they do this under a common legal and procedural framework established according to EU law.

EU Customs legislation foresees procedures which are primarily under the operational responsibility of Member States, as with import or export; it also foresees areas of common action, where Customs administrations are requested to jointly implement Customs formalities and controls, for instance for the movement of goods under the transit regime or in the safety and security area. All areas of Customs operation rely on the EU common Customs tariff, the EU economic operators register and other common reference information.

In this framework, connectivity within the EU addresses the procedures involving more than one Member State and the management of common data. The electronic relation of traders with Customs is today the exclusive responsibility of each Member State. Exchanges of data with other authorities or stakeholders are mostly dealt with at national level or at the common level, when international agreements concerning the Customs Union as a whole are implemented as part of the EU common trade policy.

Historically, the sharing of common data by Member States’ Customs during the 60s and through the 70s occurred through paper forms that were carried by the various actors in the process or exchanged by mail or fax. The increasing volume and speed of trade in the 80s called for the electronic management of common tariff related information and the exchange of information in support of mutual assistance against fraud. Later in the 90s computerization was extended first to the common



Customs tariff (known as TARIC) and tariff quota management, then to the EU transit procedure and later in areas such as export, safety and security measures, and many others.

Due to its limited scope, the exchange of information among Member States and the Commission in the 80s and early 90s was dealt with on an ad-hoc basis, each system or application implementing its own connectivity means. In the early 90s it was recognized that this ad-hoc connectivity had to be avoided and this gave rise to a common interoperability solution to cover all connectivity requirements for Customs and taxation matters: the Common Communication Network/Common System Interface (CCN/CSI). CCN is an IT infrastructure designed for the secure transport of information, and CSI is software that can be adapted to any hardware, network and software environment and connect it to the CCN.

CCN has been operational since 1999. In 2011, 1.2 billion messages were exchanged between the connected administrations. CCN has been extended to include the Single Point for Entry and Exit of Data (SPEED), connecting it to the outside world and implementing data exchange agreements with third parties. It is being used for sending data on TIR carnets to the Russian Federation and its use will be extended in the future to data exchanges for Authorized Economic Operators with third countries and other business areas. SPEED could also be the access point of the Customs Union to any future mechanisms developed within the framework of the WCO Globally Networked Customs concept.

CCN has in the last 12 years addressed technical interoperability in EU Customs and taxation administrations; the semantic, organizational and legal interoperability of our systems has been addressed through methodologies for project management, IT governance provisions and related legal support.

One of the characteristics of EU IT systems today is their redundancy: each Member State develops its own IT system. Tackling (some of) this redundancy could reduce costs for both Member States and traders in the implementation of upcoming Customs systems in areas such as the modernized Customs code or safety and security. The leitmotiv or leading motivation behind this is to do more with less.

From a strategic point of view, this objective might lead Member States and the Commission to reconsider the respective scopes of common versus national action in the implementation of Customs IT systems. That has driven the thinking on the Customs IT strategy which is currently being elaborated. It recommends the Service Oriented Architecture as the general framework for the design of future Customs systems; the development of a reference architecture for Customs IT systems in view of the development of a common language and the identification of a common set of services, data and processes.

At the infrastructure level it has been decided to develop CCN2, due to replace CCN/CSI in the future by adding to the existing design patterns facilities necessary for large scale implementation of IT systems that use the Service Oriented Architecture. CCN2 should provide the

Customs Union with enhanced capacity for data and functionality sharing, which are key to the reduction of implementation costs and ease of maintenance for new IT systems. SPEED will itself be upgraded in 2012 so as to extend its flexibility and openness capabilities.

Doing more with less also implies sharing of effort. Connectivity in this field is also about knowledge and involves people having the required knowledge. Virtual project teams involving Member States and Commission staff, working on common projects and using tools such as web conferencing are being considered as a way to tackle common IT challenges together.

Doing more with less also involves improving connectivity between traders and Customs administrations. Traders are, for instance, asking for standardization of the external interfaces so as to considerably reduce implementation costs for new systems and new interfaces. Their needs are also to be taken into account in the overall connectivity approach.

To conclude: Connectivity in EU Customs is evolving from exchanging to sharing. Through increased sharing of information, knowledge and effort, the EU can improve the efficiency and effectiveness of the European Customs Union in the interest of national Customs administrations, traders, and citizens.

*Walter Defaa is now the European Commission's Director General for Regional Policy.*

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# Improving Customs connectivity in Latin America and the Caribbean

by the Inter-American Development Bank



It is broadly accepted that when goods, ideas and people are connected, growth is sparked and the benefits are manifold. Growth in trade is closely linked to economic development, and has been since the dawn of civilization. The Latin America and Caribbean region is a prime example of how improved connectivity has resulted in increased development.

For almost a decade, countries across the region have experienced increasing levels of connectivity with regional and global markets, with exports on track to grow a projected 26% in 2011 [cf. Latin America Preliminary Trade Estimates 2011, <http://www.iadb.org/en/topics/trade/trade-and-integration,1265.html>].

The strong links that the region has developed with relatively stable and newer markets, such as Asia, is one of the main reasons for the region's resilience to the 2008/2009 global financial crises, and its relatively strong performance during 2010 with the outlook for 2011 expected to be just as promising.

## The role of Customs and the Inter-American Development Bank

Customs administrations in the region have also embraced the challenges and opportunities posed by deeper connectivity with regional and global markets. In the last decade, guided and inspired by the WCO SAFE Framework of Standards, Customs services have been introducing targeted initiatives to reap the full benefits of enhanced trade and integration. At the same time, the Inter-American Development Bank (IDB) – the largest development bank for Latin America and the Caribbean – has pursued integration as a motor for growth and development, and in March 2011, as part of its Ninth Capital Increase, the Governors of the Bank put forward an institutional strategy with regional and global integration as a top priority.

As a result the IDB will be focusing on the software-hardware continuum, that is policy and regulatory frameworks as well as physical integration, and therefore, strengthening the production of regional public goods. Trade facilitation and Customs modernization are a core part of this strategy, and are the focus of many IDB initiatives and projects deepening the flow of commerce and facilitating connectivity. In doing so, the IDB is providing a connectivity platform for the region, supporting intra-regional, extra-regional, public-private sector and multilateral and international connectivity.

**Intra-regional Customs connectivity**  
Confronted by common challenges, such as growing competitiveness in global markets and increasing security threats to the

supply chain, has impelled countries in the region to develop intra-regional solutions to enhance connectivity between systems, processes and knowledge, as well as strengthen intra-regional networks of Customs officials. Projects such as the International Transit of Goods in Mesoamerica (known by its Spanish acronym, TIM), provide a platform for sharing information electronically and in advance between all countries involved in the transit of goods – an excellent example of Customs-to-Customs cooperation. This collaboration has made it possible to reduce border-crossing times for trade, by an average of 60 minutes to only 8 minutes by applying TIM.

The implementation of Authorized Economic Operator (AEO) programmes is another regional project that benefits from increased connectivity between Customs administrations. Both the WCO and the IDB have invested heavily in this initiative to foster a regional network of Customs teams specialized in AEO matters, to support south-south cooperation amongst Customs services, and to facilitate the joint production of a Guide of Good Practices on AEO. By 2011, the region had officially launched five AEO programmes, namely in Argentina, Colombia, Costa Rica, Guatemala and Mexico. Several other Customs administrations are in the latter phase of the project, with at least two more programmes expected to be launched in 2012, namely in the Dominican Republic and Peru.

## Extra-regional Customs connectivity

Over the last 10 years, as a result of increasing trade volumes, especially with Asia, global efforts to facilitate and secure supply chains, and advancements in technology, have resulted in a corresponding surge in the need for connectivity amongst

Customs worldwide. The IDB has been at the forefront in responding to this global tendency, by encouraging the transfer of knowledge and technical assistance exchanges between Customs administrations in Latin America and the Caribbean and other Customs administrations in other regions, such as Asia and Europe.

The robust implementation of AEO programmes in the region is another example of successful extra-regional connectivity, providing a platform for Customs administrations in Canada, Spain and the United States, amongst others, to collaborate with countries in the region. Another recent and most welcome initiative materialized in December 2011, when the IDB, together with the WCO, organized the first Latin America-China exchange and capacity building workshop at the Customs College in Shanghai. Representatives from 11 Latin American Customs administrations as well as Customs officials from China engaged in a dialogue aimed at promoting and securing trans-Pacific international trade.

#### Public and private sector connectivity

In a global environment, national competitiveness and the success of the private and public sectors are increasingly intertwined, forming connecting links in the global supply chain. Both are affected by the challenges and opportunities associa-

ted with rising trade volumes and both benefit from smooth and safe trade flows. Practical and sound alliances between the private and public sectors are encouraged and sustained in the SAFE Framework of Standards, particularly through the implementation of AEO programmes in the region supported by the IDB and the WCO,

**In a global environment, national competitiveness and the success of the private and public sectors are increasingly intertwined, forming connecting links in the global supply chain.**

with the aim of forging forward-looking joint relationships between the private and public sector. The Single Window (SW) concept is another example where engagement between the sectors can contribute to the effective and efficient generation of trade services, and in this regard the IDB has been supporting such initiatives in several countries in the region, including Chile, Honduras, Jamaica, and Peru.

#### Multilateral and international connectivity

Guided by its vision, and in carrying out its mission, the IDB believes it is essential to collaborate and partner with other donor and multilateral institutions, such as the International Monetary Fund (IMF), the World Bank (WB), the World Trade Organization (WTO), and the WCO. Since the

signature of an MOU in March 2001, the IDB has established a strong relationship with the WCO, which came to the fore in the dissemination and practical implementation of measures included in the SAFE Framework of Standards that was adopted by the WCO in 2006 in response to the events of September 11, 2001.

The work and collective endeavours of the IDB and the WCO are practical and ongoing, strongly promoting multilateral connectivity. In January 2012, the IDB and the WCO jointly organized the 3rd Donor Meeting at IDB headquarters in Washington, DC, with the continuing goal of ensuring coordinated capacity building across Customs in the region, and establishing strengthened mechanisms for collaborating with other major donors. In addition, the Project Map Database, developed by the WCO, is currently being piloted in the region with funding support from the IDB, and is aimed at facilitating coordination as well as encouraging greater connectivity between projects and ideas, and donors and resources.

#### More information

[www.iadb.org](http://www.iadb.org)





## Regional IT interconnectivity drives SACU-WCO Customs Development Programme

Recent developments within the Southern African Customs Union (SACU) show strong moves towards strengthening Customs-to-Customs information exchange based on the 'Customs inter-connectivity' concept. This article gives an overview of the roadmap of the SACU IT connectivity project, a key priority for the SACU-WCO Customs Development Programme.

### A Customs development programme for the region

As part of efforts to modernize Customs administrations throughout SACU, a consultation process between SACU member states and the WCO was initiated in 2007. This consultation focused on identifying priority areas of intervention to be implemented at the regional level as part of the second phase of the WCO Columbus Programme on Customs reform and modernization. The consultations culminated in a comprehensive Customs Development Programme for SACU, which was adopted by the SACU Council of Ministers in December 2008.

The overall objective of the Programme is the creation of a sustainable and improved SACU economy through the development of Customs authorities as fair and effective trade management partners as well as modern social protection and revenue collection services.

The Programme benefits from the Customs international standards and the advisory and management expertise of the WCO, and is funded by the Swedish International Development Cooperation Agency (SIDA) as well as resources provided by SACU member states.

The Customs Development Programme specifically aims to assist Customs administrations in SACU to design and implement a comprehensive regional reform programme with a focus on regional Customs policy, Customs legislation, risk management, trade partnerships,



standard operating procedures (SOP) in common areas, and IT connectivity.

Implementation of IT connectivity in the region is paramount, being the key driver behind the Customs Development Programme. It aims to transform the SACU region into a true trade facilitation hub through efficient and seamless transport of goods, and supports a larger vision where regional integration is seen as a tool to promote development. The IT connectivity project has as its primary objective the establishment of Customs-to-Customs (C2C) connectivity, Customs-to-Business (C2B) connectivity and Customs-to-other government agencies (C2G) connectivity that would allow for the electronic exchange of data.

For this vision to become a reality it required all SACU member states:

- To jointly agree on regional policies.

Under the terms of the SACU Agreement, legislation of member states on Customs duties shall be similar, and further provision is made for the adoption of annexes to regulate common Customs matters and harmonized Customs policies which were developed in cooperation with the business community and presented to the SACU Council of Ministers in December 2011 for adoption, dissemination and application in the region.

- To harmonize and simplify Customs procedures and other documentation.

SACU member states implemented a single common Customs declaration for the importation, exportation and transit movement of goods in 2006. Their Single Administrative Document – SAD 500 – covers all Customs transactions, replacing more than 40 import and export documents formerly used in the region by one single clearance template. The full benefit of the SAD 500 will be achieved through the transition of the data into a paperless e-Customs environment.

- To implement legal provisions for mutual assistance.

Consensus was achieved on the mutual exchange of information between Customs services and between Customs and other agencies in the SACU region. The Mutual Assistance Agreement Annex – MAA Annex – represents the legal foundation of this consensus.

#### **Towards inter-connected systems**

The IT connectivity component of the SACU Customs Development Programme looks at the development of a common technology operating platform. At present Botswana, Namibia and Swaziland use ASYCUDA, while South Africa uses CAPE – soon

TATIS – and Lesotho is still in the process of procuring an IT system. In moving from the current situation to a regional ITC solution, SACU Heads of Customs decided in October 2011 on an ITC roadmap with two main components. The first comprises finalization of data requirements, reaching agreement on data exchange protocols, development of the IT architecture and business process, and alignment of this process with the WCO Globally Networked Customs concept. The second consists of finding the best IT connective solution for the region, and to achieve this, it was decided to run two parallel pilot projects over six months.

One pilot will be between South Africa and Swaziland, and will be looking into systems interconnectivity between the TATIS and ASYCUDA systems. This pilot will benefit from the SIDA-funded SACU-WCO Customs Development Programme.

The second pilot will test the Trans-Kalahari Corridor Regional Single Window solution between the Botswana (Mamuno) and the Namibian (Trans Kalahari) Border Posts. This platform which will be built on cloud-based Microsoft technology will link Customs processes between the governments of Botswana, Namibia and South Africa. The pilot will be managed by the Trans Kalahari Corridor (TKC) Secretariat which is jointly funded by Botswana, Namibia and South Africa, representing three of the five SACU members. Although Swaziland and Lesotho are not part of the Secretariat, the two countries have since 2011 been invited to participate in TKC meetings

The Southern African Customs Union comprises five member states – Botswana, Lesotho, Namibia, South Africa and Swaziland – with a combined population of over 55 million people and a combined GDP in excess of 200 billion US dollars. The history of SACU dates back to 1910, making it the world's oldest Customs Union. In 2002 a new SACU Agreement was negotiated to take into account regional political and global economic developments. Entering into force on 15 July 2004, it introduced a number of new provisions, which did not exist in the previous arrangement, and transformed the Customs Union into a new organization with a strong emphasis on common institutions and common policies. To further deepen SACU's integration, the new SACU Agreement provides for the development of a common industrial policy, and a policy on unfair trade practices. It also has provisions for cooperation in agriculture and competition policies. In addition it provides for a common negotiating mechanism with respect to trade negotiations with third parties.

relevant to trade facilitation and IT connectivity. The TKC pilot benefits from financial support provided by the USAID Southern Africa Trade Hub (SATH) and expertise from Microsoft and SATH.

With the Regional Single Window (RSW), the three countries will be able to leverage their existing Customs platforms, while making their data available in the cloud for the first time. The RSW also allows for the integration of additional border agencies, enabling future development of an integrated border management solution in the future.

An independent evaluation will be conducted to assess both pilots. The assessment will be made by an independent expert who will look into aspects such as costs, available skills, and the value proportion of the IT system, alignment with

WCO standards and the use of the latest technology, amongst other things. Initial findings are expected to be delivered in mid 2012. Based on the outcome of this evaluation, SACU will adopt a preferred Customs systems interconnectivity solution. Once a model has been selected, work will commence at a technical level to determine the requirements and steps for moving towards a common IT system in SACU for Customs processing.

#### Gains through IT connectivity

The added advantage of a common IT system is that it addresses issues related to trade data used to determine revenue shares in SACU. The revenue pool consists of both Customs duties and excise duties. Customs duties are shared on the basis of the level of intra-SACU trade and this requires reliable trade statistics, especially

on goods moving between member states. The SACU formula also provides for a development component into which a percentage of excise duties is paid and shared on the basis of developmental indicators.

There is still a lot of work ahead, but there is no doubt that ultimately IT interconnectivity will positively affect transit times in the SACU region and bring about trade facilitation efficiencies for the business community and border services alike. In fact, IT interconnectivity creates the framework for other initiatives, such as simplified clearances and AEO mutual recognition schemes, to become a reality and translate into economic and efficiency gains.

#### More information

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## The Trans-Kalahari Corridor

The Trans-Kalahari Corridor (TKC) – with its headquarters in Windhoek, Namibia – is a public-private partnership in an autonomous organization mandated by the three “contracting member states”, namely Botswana, Namibia and South Africa, to coordinate the development of the TKC.

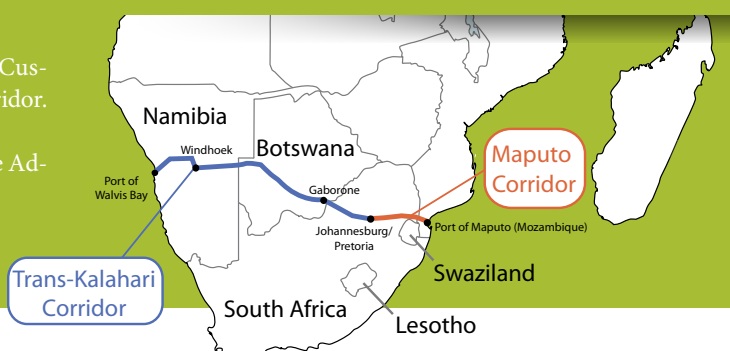
This Corridor comprises a tarred road linking the Port of Walvis Bay in Namibia with Botswana and the industrial powerhouse of South Africa, Gauteng. It stretches over 1,900 km from Walvis Bay (on the coast of Namibia) to Windhoek (capital of Namibia), then to Gaborone (capital of Botswana) and finally reaching the Johannesburg/Pretoria area (South Africa’s financial and administrative capitals respectively).

The Trans-Kalahari Corridor is complemented by the Maputo Corridor which runs from Johannesburg/Pretoria to Maputo (Mozambique’s capital) on the east coast of Africa, forming when combined with the TKC, a transport corridor over the entire breadth of Southern Africa.

Since its establishment in 2000, the TKC Secretariat has participated in harmonizing a substantial proportion of cross-border procedures consistent with regional integration and international best practices, namely:

- Adoption of streamlined legislation and harmonized Customs procedures to facilitate transit traffic along the corridor.
- Successful introduction and implementation of a Single Administrative Document (SAD 500).
- Adoption of common transit procedures.

- Harmonization of border post operating hours from 22h00 to midnight at Mamuno (Botswana) and Trans-Kalahari (Namibia), and Pioneer Gate (Botswana) and Skilpadshek (South Africa).
- Harmonization of axle load limits.
- Adoption of a common transit bond to cover the movement of goods along the entire corridor, thus replacing multiple bond systems that existed before.
- Reduction of border clearance (dwell) times from over several hours to less than one hour, with a minimum of 30 minutes if all clearance documentation meets requirements.
- Increased commercial and passenger traffic from less than 5% in 2000 to nearly 50% (commercial) and over 60% (passenger) in 2008.
- Adoption of a multi-year strategic plan that directs focus on key sector deliverables, namely Customs and transit facilitation, transport and business development, and marketing.







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# Connectivity and the global supply chain

by **Dr. Jim Giermanski,**

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TRACKING, TRACING, AND custody are all generally accepted concepts involving the control of movement. All these concepts have in their fundamental cognitive structure the idea of path, corridor, multiple parts, flow, and coordination. However, what is often omitted or overlooked is the fundamental sine qua non core principle of “beginning”. What is the beginning of a chain of custody? This article focuses on this core concept and the role it plays as the beginning of the connective custody and control process. Specifically, it addresses the significance of cargo stuffing, the concept of authorized or trusted agent, the means of connectivity, the legal role of the authorized agent, and the consequences of a connected and visible supply chain.

## Loading the cargo conveyance

Establishing and maintaining cargo integrity begins with stuffing the container at origin. A chain of custody – chronological documentation or paper trail – involves “the movement and location of physical evidence from the time it is obtained until the time it is presented in court” (cf. [www.thefreedictionary.com](http://www.thefreedictionary.com)). As in a criminal case comparison, a supply chain ‘chain of custody’ needs three types of essential assertions: (1) that the cargo is what it purports to be and in the quantity stated; (2) that the cargo was in the continuous possession or control by the carrier who took charge of the cargo from the time it was loaded in the container at origin until the time it is delivered at final destination; and (3) that there is evidence of the identify of each person or entity who had access to it during its movement, and that the cargo remained in the same condition from the moment it was sealed in the container for transfer to the carrier that controlled possession until the moment it released the cargo into the receipted custody of another.

## Trusted agent

In the United States the trusted agent concept comes from The Federal Information Management Act and relates not to the supply chain, but to Information Technology (IT) security. According to a senior Department of Homeland Security (DHS) manager, the trusted agent concept is very broad, in that it could be other DHS agents, other country Customs or regulatory agents, a security officer for a shipper, the person that is submitting the cargo data electronically such as a Custom broker or freight forwarder, and even the person closing the door and arming the devices. This broad interpretation could have unintended negative consequences for connectivity.

It is imperative that the initial point of a connectivity process begins at the beginning! Loading cannot take place without a human agent. The agent could be the company’s forklift driver, the dispatcher, the loading dock supervisor, or even an authorizing manager who has a specific duty to verify the cargo and its quantity. It could even be a third party hired by the shipper, for instance, companies that currently provide inspection services around the world.

Even the following Customs programmes discuss, in one way or the other, the concept that supply chain security begins at “stuffing”: the Secure Export Scheme Programme (New Zealand); the Partners in Protection Program (Canada); the Golden List Program (Jordan); the Authorized Economic Operator Program (Japan); the Authorized Economic Operator Program (Korea); the Secure Trade Partnership Plus Program (Singapore); and the Authorized Economic Operator Programme (European Union).

### Means of connectivity

Maintaining connectivity depends on the security programme, software and hardware utilized. While no system is 100% effective, and one cannot depend on technology alone, there are 'off-the-shelf' container security devices (CSDs) that provide connectivity through a sophisticated, comprehensive chain of custody system that begins with loading the container at origin, monitoring it, and reporting on its integrity at the end of the global supply chain path, i.e. at final destination. CSDs can include the identity of the trusted agent verifying the cargo at loading and the agent's counterpart at destination. Both parties are electronically connected by a unique identifier to the smart container system along with bill of lading or booking information, or data needed by Customs authorities. Therefore, when the CSD is activated, the accountable party becomes the initiating element in the smart container security system.

### Consequences of connectivity

#### ***Security, law enforcement, and compliance with commercial standards***

If a smart container is opened at destination by an equally accountable person and cargo is missing, and there were no breaches detected, recorded or reported, the accountable person at origin can face either disciplinary, or worse, criminal action by appropriate authorities. Worldwide control centres of CSD providers serve as repositories of electronically stored information (ESI) of any CSD transactions recorded during movement. This ESI becomes a source of evidence, should legal action follow.

The concept of custody and control from origin to destination also supports Incoterms® 2010, a publication of the International Chamber of Commerce

(ICC) which provides the playbook of international rules involving international sales of goods. These new terms now contain security requirements for the shipper, making a chain of custody system essential for compliance.

There are also changes coming for shippers, consignees, and vessel carriers with respect to carriage of goods by sea: the new Rotterdam Rules. According to the UN General Assembly, the Rotterdam Rules are a "...uniform and modern global legal regime governing the rights and obligations of stakeholders in the maritime transport industry under a single contract for door-to-door carriage" (cf. American Shipper). The new door-to-door liability places the vessel carrier directly in a chain of custody. Instead of the vessel carrier filing what the shipper said is in the container, the vessel carrier will be automatically and really responsible for knowing what is in the container.

### Benefits

The shipper, the consignee, the carrier, and control and regulatory authorities all benefit from a chain of custody system that begins with the loading of the container at origin. CSDs incorporating the identity of the trusted agent at stuffing would assist law enforcement officials to comply with international security and trade standards, solve transshipment problems, impair illegal access to the cargo conveyance, improve supply chain efficiencies, aid in securing hazardous materials and other dangerous cargo movement, reduce counterfeiting, eliminate the in-bond problem of unauthorized container access, and improve bottom line revenue generation for the firms using them.

### More information

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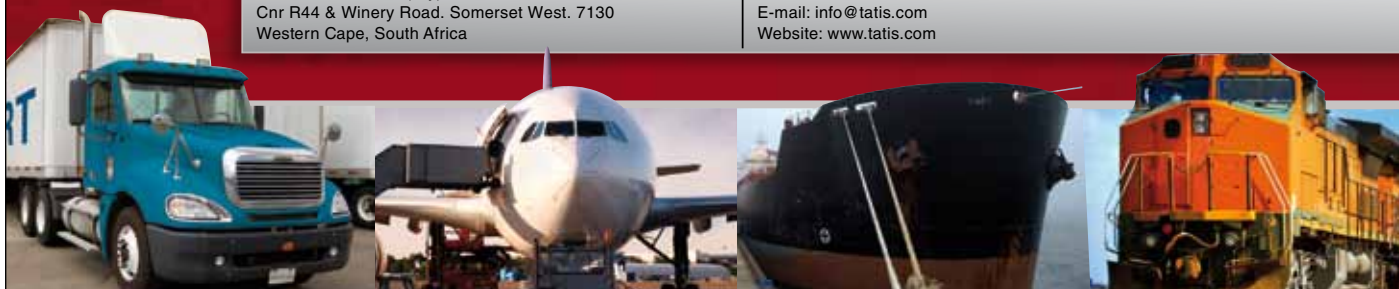
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Website: www.tatis.com







## Connectivity: integrated thought and action in the context of international cooperation

by **Andrea Cesare Canonica**

HEAD OF THE INTERNATIONAL AFFAIRS SERVICE  
SWISS FEDERAL CUSTOMS ADMINISTRATION

FOREIGN ENGAGEMENT HAS a long tradition in the Swiss Federal Customs Administration (FCA). For over 20 years, the FCA has made staff available for service in various international organizations throughout the world. These foreign assignments are carried out within the framework of Swiss foreign, peace, security and trade policy. They constitute measures for conflict resolution, the promotion of human rights, and development cooperation in the form of technical assistance, with a focus on trade promotion and facilitation.

FCA experts in civilian and uniformed service work with numerous national and international organizations in an integrated and complementary manner. This cooperation results in important synergies that enhance the impact of the FCA's overall foreign engagement. Over two hundred employees have been successfully deployed with the United Nations (UN), the World Customs Organization (WCO), the Organization for Security and Cooperation in Europe (OSCE), the World Trade Organization (WTO), the European Union (EU), the European Free Trade Association (EFTA) and other national and international partner organizations.

The focus in civilian areas is on technical assistance and capacity building, i.e. developing the capacity of foreign Customs administrations to execute their duties. Specifically, projects to modernize Customs procedures and facilitate trade are supported in close cooperation with various partners. From the beginning, training courses have been held for Customs officials from French-speaking countries in Africa and South America, in the framework of fellowship study programmes.

Participation is voluntary, and depending on the mission, experts are deployed abroad for a few weeks, several months or even several years. They serve in uniform, in an

armed or a civilian capacity. The experts must have excellent knowledge of their subject matter, substantial professional experience and maturity, social and cultural skills as well as proficiency in several languages. Flexibility and willingness to take on responsibility are further prerequisites. Participants are guaranteed continued employment in the FCA on their return.

At the headquarters in Berne, the persons in charge at the International Affairs Service deploy staff on the principle of "the right person, at the right moment, at the right place". In this respect, staff reintegration after foreign deployment plays a key role. Personally, I am convinced that the process of reintegration begins as early as the recruitment stage. If the most suitable and capable candidates are recruited and supervised, their post-deployment reintegration will not pose any major problems, even after several years. All FCA employees have an opportunity for reintegration upon their return. Some have even decided to extend their deployment because they know they are always welcome back. At the present time, two

Swiss Customs employees are stationed at the WCO, working in the areas of capacity building and enforcement respectively.

Even in times where use of resources is being critically questioned and added value is the prime objective, the FCA views international assignments favourably. The services of Customs staff working abroad are praised time and again and are an important link in the chain of measures to re-establish and/or create productive and trustworthy structures in crises areas and in developing countries whose stability benefits everyone. The experience acquired in foreign missions is not only rewarding from the personal and professional perspective of the individual official, it also benefits the FCA and Switzerland as a whole.

One of the most important tasks of the FCA International Affairs Service is bringing know-how and networking into sync, which is what connectivity is all about!

### More information

[www.ezv.admin.ch](http://www.ezv.admin.ch)



## Airport task forces to fight drug trafficking in West Africa

JOINT AIRPORT INTERDICTION Task Forces (JAITFs) have recently been set up within international airports in Cape Verde, Mali and Senegal. They bring together some twenty or so officers from different services specialized in combating smuggling in general and drug trafficking in particular, as the cultivation, processing and consumption of the latter are on the rise in Africa.

The establishment of these Task Forces falls within the scope of Project Aircop, an airport communication project aimed at building drug enforcement capacities at international airports in West Africa, Central Africa, Latin America and the Caribbean.

Similar structures are expected to be established in other countries participating in the Project, namely Argentina, Benin, Brazil, Cameroon, Colombia, Côte d'Ivoire, Dominican Republic, Ethiopia, Ghana, Guinea, Jamaica, Kenya, Nigeria, South Africa, Togo and Venezuela.



Aircop is the result of a unique partnership between the United Nations Office on Drugs and Crime (UNODC) as the executing agency, the World Customs Organization (WCO) and INTERPOL who provide their expertise in the area of evaluation and training as well as their communication and information tools, and the European Union and Canada who are funding the Project.

The establishment of JAITFs is aimed not only at improving inter-service coordination by bringing together representatives of all law enforcement agencies with competence in drug enforcement (police, gendarmerie, Customs, immigration, etc.), but also at improving cooperation between countries by setting up real-time, secure information exchange between certain airports. Although drugs, and especially cocaine, are a priority, these are not the sole target of officers whose controls extend to all smuggled goods including cash, weapons, counterfeits, and ivory.

The WCO CENcomm secure communication system has been tailored to meet the specific requirements of the Project, while INTERPOL has made its own I-24/7 secure communication system available to police services.

Existing JAITFs have already received specialized training in targeting, questioning and inspection methods, and in international investigations after a seizure has taken place. Training has also focused on drug recognition and the Task Forces have been provided with equipment such as drug detection kits and urine testers. This initial training has been followed up by long-term instruction in order to offer the most comprehensive response to officers' needs over the medium and long term.

The mechanism was evaluated through Operation Cocair 3 in December 2011. During the course of one week, the Cape Verde team distinguished itself with a seizure of 9 kg of cocaine, 8 kg of which was found in luggage and 1 kg in a wig, as well as with a modest seizure of cannabis. The Mali team seized three shotguns and one pistol from luggage. Other joint operations will regularly test these structures, which are required to report on their activities and seizures to the UNODC.

Participation in the Project will be rapidly expanded to include certain European countries by providing them with access to the version of CENcomm that has been customized specifically for Project Aircop.

### More information

[enforcement@wcoomd.org](mailto:enforcement@wcoomd.org)

## South Africa to roll out mobile Customs controls

CUSTOMS IN SOUTH Africa operates within a 'revenue authority' model. The Customs and tax departments were merged into an autonomous body known as the South African Revenue Service (SARS) in 1996.

A succession of transformation and modernization initiatives over recent years has resulted in a unique opportunity for SARS to leverage its IT capability for the mutual benefit of both the Customs and tax environments.

### Operating environment

Among the IT tools that was introduced into SARS's operating environment is the enterprise case management and workflow solution called Service Manager, which was initially developed and implemented in the tax environment with great success. Service Manager is a business workflow solution developed in-house that enables SARS employees to utilise it in their day-to-day activities. It directly interfaces with SARS's core Customs and tax systems to provide a seamless interface for the SARS user. In the past, staff had to access various systems to resolve a query – today all information is available at a single point.

In essence, Service Manager is SARS's 'desktop' for Customs and tax officials. SARS operates on the principle of risk management, therefore all work and associated activities are defined according to the outcome of transactions processed via the core tax systems and the enterprise automated risk engine. Service Manager in turn routes medium and high risk transactions or cases to various work pools for further scrutiny, assessment or inspection until the matter is finalized. In this way, Customs assessment and audit officers, and border control inspectors, have immediate access to the underlying data of a trade transaction, including digitized images of any 'supporting documents' (transport document, supplier's invoice,

packing list, worksheet, regulatory permits and certificates, etc.) related to the transaction concerned.

### Efficiency through new technology

Although recent system enhancements were aimed at leading Customs to a paperless environment, Customs inspectors still had to print out their inspection instructions on paper, manually complete the inspection results, and then input them into the system back in the office. This, in effect, negated whatever efficiencies Customs had attained through the widespread use of electronic data interchange (EDI). Therefore, the need for a hand-held device was identified following the recent rollout of Service Manager at various SARS Customs offices.

Recognizing that the use of an iPod™ by a Customs officer to conduct a physical inspection would realize some significant enhancements over a manual process, SARS liaised with several iPod experts and developers in various countries to develop a solution. Although the solution was designed to operate on both iPad and iPod devices, the rugged harsh conditions at land borders and the slender size of the iPod Touch™ resulted in the latter being the preferred choice.

A hand-held device means that all the functions of SARS's Service Manager are now available at an inspector's finger tips. WiFi technology was made available at the port which ensures wireless integration between the Service Manager and iPod devices.

Inspectors receive their instructions on the iPod, capture the results and make recommendations which then go to the finalisation/adjustment inspector. Customs officers can even take photographs with the iPod if further clarification on the goods they are inspecting is required.



Mobile inspection in the field at Beitbridge border post



SARS Service Manager on the iPod



Inspectors no longer have to move back and forth to the office, and their next job can be assigned to them on the spot. This is expected to substantially reduce the time spent on physical inspections and minimize human error.

#### Aim of mobile Customs controls

SARS's underlying business requirement for the use of iPod technology was:

- To enable inspectors conducting physical and non-intrusive inspections to access cases assigned to them and process inspection reports and further instructions on the spot.
- To ensure that inspection reports are saved directly to the Service Manager for further follow-up actions and case finalization.

- To enable inspectors to access and view documents associated with a case – SARS also recently developed and implemented an Adobe™ based document scan and upload application known as e@syScan, which enables traders and brokers to scan and package supporting trade documents to SARS electronically.

- To enable inspectors to take photographs and upload these to a case file for use in further analysis, or possible litigation.

In December 2011, as part of the Customs Modernization Programme, this new electronic tool was introduced for Customs inspectors at the Beitbridge border post between South Africa and Zimbabwe. Initially 34 iPods were procured and all physical inspections at the border post are now done using them. The intention is to

introduce iPod inspection capability at all Customs ports of entry and exit during the course of 2012. Life for Customs officers is now substantially different and will continue to evolve if it expects to address modern day fraud and smuggling scams.

To ensure return on investment, iPod technology is being planned for implementation in other areas of the SARS Customs and tax environments in the near future.

#### More information

[www.sars.gov.za](http://www.sars.gov.za)



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## Mongolia to undertake comprehensive Customs education and training programme

The Mongolian Customs General Administration (MCGA) and the Centre for Customs and Excise Studies (CCES) at the University of Canberra signed a Memorandum of Understanding (MOU) in Canberra, Australia on 14 November 2011, to provide a basis for the joint development and delivery of a comprehensive Customs education and training programme for Mongolia.

The MOU seeks to develop a long-term strategic alliance aimed at further building the capacity of Mongolian Customs through the establishment of WCO-compliant education and training programmes that are specially tailored to meet Mongolia's policy and operational requirements.

This initiative will build on the recommendations made under Phase 3 of the WCO Columbus Programme, which was undertaken as a result of a tripartite agreement concluded between the WCO, the Dutch Tax and Customs administration and the Mongolian Customs General Administration.



The Deputy Director General of Mongolian Customs, Dash Oyunchimeg, and Professor David Widdowson of the CCES signed the MOU in the presence of Mongolia's Ambassador to Australia, H.E. Mr. Tserendorj Jambaldorj.

### More information

**Mandukhai Batsukh**

[mandukhai@ecustoms.mn](mailto:mandukhai@ecustoms.mn)

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# Dominican Republic General Directorate of Customs



## Mission

To facilitate and control the Dominican Republic's trade with the rest of the world, based on the efficiency and transparency of Customs procedures, in line with international best practices, successfully fulfilling Customs' diverse role in controlling tax evasion, illicit trade, strengthening national security, and protecting health and the environment.

## Changing with the world

Dominican development is based on trade liberalization, which has been increased by, tariff reforms and the signing of various trade agreements. In 1989, the average tariff rate was 88% but has now dropped to an average of 6.9% in 2011. The time for the release of goods has also decreased, from 45 days on average in 1992 to a full process in hours today.

To ensure synergy between the General Directorate of Customs (DGA) and the global Customs community, the Dominican Republic joined the WCO on 9 March 1995. Conscious of its present and future role, DGA has developed a comprehensive modernization plan to overhaul its procedures and physical plant, incorporating the latest technologies, and at the same time powering the development of its staff.

## Integrated Single Window for foreign trade

The Single Window ensures greater flexibility and simplification of processes in order

to facilitate trade, by reducing bureaucratic procedures, integrating the necessary documentation electronically in one place, and facilitating exchange of information with national and international agencies, as well as with private operators.

## Customs Integrated Management System

Known by its Spanish acronym SIGA, it was developed to meet 100% of local requirements and with strict adherence to best practices. It has nationwide coverage, and ensures the processing of shipments electronically, including payment of applicable taxes, as well as integrating a Single Window. SIGA allows Customs to operate 24/7, throughout the year.

## Authorized Economic Operator (AEO)

An AEO programme has been implemented as an instrument that will encourage quality and consistency of Dominican exports to the world. A rigorous certification process for engaging companies is being promoted. DGA is also committed to developing AEO mutual recognition arrangements with other countries.

## Paperless Customs

As of 19 September 2011, DGA has started a "Paperless Customs" scheme. SIGA electronically receives and stores images of required documents for Customs declarations. Each operator has a virtual desktop where they can interact with Customs, achieving levels of effective communication.





tion. These digital records allow traceability and ensure the effectiveness of Customs' task.

#### **WCO Regional Training Centre (RTC)**

Since 2008 the RTC has served as an academic unit for studies towards achieving excellence in Customs, both at a national and international level. With the support of the WCO, Customs officers and technicians are trained, using online and traditional education methods, in a top level learning environment provided by the Centre's excellent physical and technological infrastructure.

#### **Green Customs**

To meet worldwide challenges, Dominican Customs has adopted the global agenda for sustainable development. DGA is now part of the network of environmental agreements, including the Montreal Protocol, CITES, and the Rotterdam Convention, among others, with the purpose of strengthening the Green Customs character of the organization. The new Risk Management System has environmental elements, to assist the DGA in controlling substances that harm the environment.

#### **Revenue collection**

Dominican Customs fulfills its role in tax collection with high efficiency levels recognized by society, with 21% of the country's revenue budget coming from Customs collections. Facilitation, post-clearance

control and risk management, as well as ethical and trained personnel, are the foundation of this success.

#### **General information**

##### **Director General of Customs**

Mr. Rafael Camilo Abreu

##### **Official address**

Av. Abraham Lincoln No. 1101, Serrallés  
Edificio Miguel Cocco  
Santo Domingo, Dominican Republic

##### **Date of establishment**

21 June 2006 (as an autonomous institution)

##### **Total staff**

4,300

##### **General contact point**

Department of Strategic Planning /  
Advisors to the Director General

Tel: +1 809 547 7070

Fax: +1 809 547 3996

**Email:** despachodga@dga.gov.do

##### **More information**

[www.dga.gov.do](http://www.dga.gov.do)

[www.aduanas.gob.do](http://www.aduanas.gob.do)



# Securing the supply chain, the role and responsibilities of Free Trade Zones

by David Cooper

DIRECTOR OF THE GLOBAL ANTI-COUNTERFEITING PROGRAM AT HEWLETT-PACKARD AND A STEERING COMMITTEE MEMBER OF BUSINESS ACTION TO STOP COUNTERFEITING AND PIRACY (BASCAP), AN INITIATIVE OF THE INTERNATIONAL CHAMBER OF COMMERCE (ICC).

Other common terms for Free Trade Zones or designated trade promotion areas include Free Economic Zone (FEZ), Export Processing Zone (EPZ), Free Port (FP), Industrial Free Zone (IFZ), Technological Free Zone (TFZ), Special Economic Zone (SEZ), and Industrial Development Zone (IDZ).

## Increased backing for FTZs as a vehicle for trade promotion

Governments are increasingly promoting trade by creating Free Trade Zones (FTZs); free trading jurisdictions within the country where a minimum level of oversight occurs. FTZs attract employers, stimulate the area's economy and promote economic growth for the host country in terms of foreign investment, employment, technology and industrialization. Governments also use these zones as a way of kick-starting export-led, economic development, as well as acting as a pilot for establishing internationally competitive regimes ahead of national economic reforms.

Generally considered to be outside the traditional Customs territory, insofar as import duties and taxes are concerned, these zones offer a number of incentives to attract business. Incentives vary between FTZs but generally include non-discriminatory access to the zone, streamlined customs procedures, import and export duty exemptions, and liberal foreign exchange policies.

Given the economic benefits, FTZs have become indispensable tools for global business, enabling the development of entirely new business models such as "right on time" manufacturing. The success of FTZs can be seen in their dramatic growth over the last three decades. In 1975 only 79 FTZs existed worldwide, employing roughly 800,000 people. Today it is estimated

that there are approximately 3,000 FTZs in 135 countries, accounting for 68 million direct jobs and over 500 billion US dollars of direct trade-related value.

The statistics above were derived from a database developed by the World Bank Group's Foreign Investment Advisory Services (FIAS) – now known as the Investment Climate Advisory Services – in close consultation with the World Economic Processing Zones Association (WEPZA), and the International Labor Organization (ILO). [Akinci & Crittle – FIAS/World Bank Report on Special Economic Zones – Performance, Lessons Learned & Implications for Zone Development April 2008, p. 7, 23. Available at: [http://www.ifc.org/ifcext/fias.nsf/AttachmentsByTitle/SEZpaperdiscussion/\\$FILE/SEZs+report\\_April2008.pdf](http://www.ifc.org/ifcext/fias.nsf/AttachmentsByTitle/SEZpaperdiscussion/$FILE/SEZs+report_April2008.pdf)].

Put simply – FTZs are good for business and good for global trade.

## FTZs exploited by organized crime

Unfortunately, FTZs have also become advantageous for organized crime groups and counterfeiters. In recent years they have provided a mechanism for counterfeiters to move illegal, fake products around the world. Increasingly, counterfeiters use transit or transshipment of goods, through multiple, geographically diverse FTZs for no other purpose than to disguise the illicit nature of the product. Introduced into an FTZ, the counterfeit goods may undergo various economic operations, including assembly, manufacturing, processing, warehousing, re-packing and re-labelling. Once completed, the goods can be imported directly into the national territory of the hosting state or re-exported to another FTZ, where the process is repeated.

Today it is estimated that there are approximately 3,000 FTZs in 135 countries, accounting for 68 million direct jobs and over 500 billion US dollars of direct trade-related value.



Since the declared origin of a product serves as a key risk indicator for IP rights violations, this game of “musical chairs” serves to disguise the fake products’ illegal origins and substantially limits the ability of law enforcement agents to apprehend the counterfeits.

This hijacking of FTZs not only impairs their primary function – to facilitate legitimate trade – but also creates an enormous drain on the global economy. Billions in legitimate economic activity are being crowded out, facilitating “underground economies” that deprive governments of revenues and dislocates hundreds of thousands of legitimate jobs, in addition to exposing consumers to deficient or even dangerous products.

International trade conventions and agreements governing the enforcement of IP rights have not kept pace with this rapid exploitation of FTZs.

For instance, the WTO TRIPS Agreement, the most broadly subscribed international IP protection agreement in the world, does not oblige members to make border measures available with respect to transhipped goods. Even more alar-

**We are seeing increased instances of courts throwing out the idea that illicit goods in FTZs are exempt from IP right enforcement, sending a strong message to counterfeiters and pirates – not in my backyard!**

ming, by applying unique laws and Customs rules on FTZs, some governments and Customs authorities have questioned whether they even have jurisdiction to exercise control in FTZs.

The absence of international standards on IPR enforcement in FTZs has produced a sense of perceived immunity over goods in these zones, creating exactly the type of environment that allows counterfeiters and organized crime groups to flourish.

#### **Activities of FTZs now under scrutiny**

The good news is that the tide is starting to turn. Governments are finding that it is no longer acceptable to “look the other way” when it comes to illegal activities occurring in FTZs. They are increasingly empowering their Customs agencies to ignore the perceived immunity afforded to transhipped goods, with national civil

and criminal justice systems following suit. We are seeing increased instances of courts throwing out the idea that illicit goods in FTZs are exempt from IP right enforcement, sending a strong message to counterfeiters and pirates – not in my backyard!

For example, in 2009, a successful criminal prosecution was brought against a counterfeiter – operating in the FTZ of Ras-Al-Khaimah in the United Arab Emirates (UAE) – making fake cooling gas cylinders branded with a famous mark in that industry.

Another example is the Mersin Free Zone in Turkey, where the Turkish high court confirmed that FTZs remain within the territorial boundaries of the country and that no immunity is given by the laws applying to FTZs with respect to the use of trademarks.





Similarly in the Westport Free Zone in Port Klang, Malaysia, nine years after the initial seizure of counterfeit goods, the court determined that FTZs are not excluded from Customs powers of enforcement or to the exclusion of the operation of other laws including the Trade Marks Act/Trade Description Act just because it is “deemed to be outside Malaysia”.

#### **International community begins to act against FTZ misuse**

The international community is also starting to react. The recent Anti-Counterfeiting Trade Agreement (ACTA) specifically obliges signatory countries to empower their Customs authorities with the ability to seize counterfeit goods in FTZs. ACTA does not however, require countries to provide for the seizure of

transshipped goods, reducing its overall effectiveness in FTZs.

Recognizing that current international conventions are falling short on protecting IP rights, individual countries are seeking alternative ways to strengthen IPR enforcement. A recent example is the United States’ Free Trade Agreements with Colombia, Panama and South Korea, which require partners to empower Customs with the ex officio right to initiate border measures on transshipped goods.

This type of direct action is welcome and much needed. However, the international community can, and should, do more to prevent the current onslaught of counterfeit and piracy on global trade.

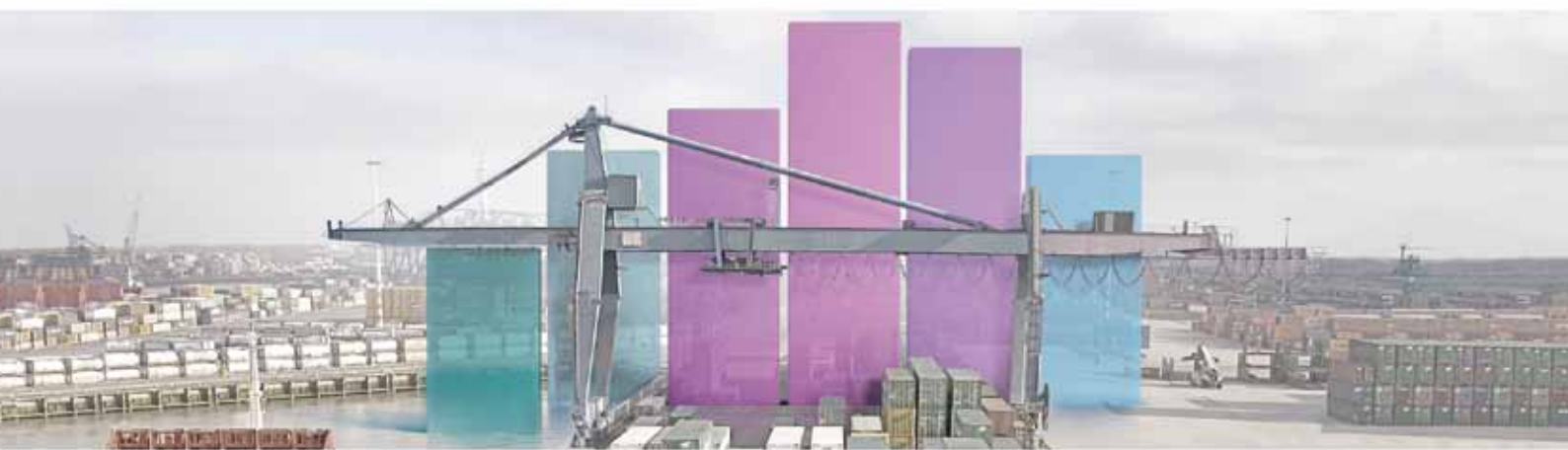
#### **WCO and business can play a leading role in FTZ enforcement**

As the voice of the global Customs community, the WCO can play a leading role in the enforcement of IPRs in FTZs. In 2006, the WCO’s IP Working Group developed a draft set of specific recommendations on FTZs, outlining key problems and providing guidelines for national governments to consider for strengthening their national legislation in Free Trade Zones. While these seminal recommendations were never finalized, they remain a blueprint for WCO leadership for governments wishing to strengthen their national legislation in FTZs.

Business has an equally important role to play and should lead by example whenever possible. By working together, the business

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The International Convention on the Simplification and Harmonization of Customs Procedures (Revised Kyoto Convention) defines the term free zones as *“a part of the territory of a Contracting Party where any goods introduced are generally regarded, insofar as import duties and taxes are concerned, as being outside the Customs territory”*.

community and FTZ operators can develop best practices to strengthen supply chain security and keep criminals out.

#### FTZs need greater enforcement

The stakes are high, without proper intervention counterfeit and pirated products

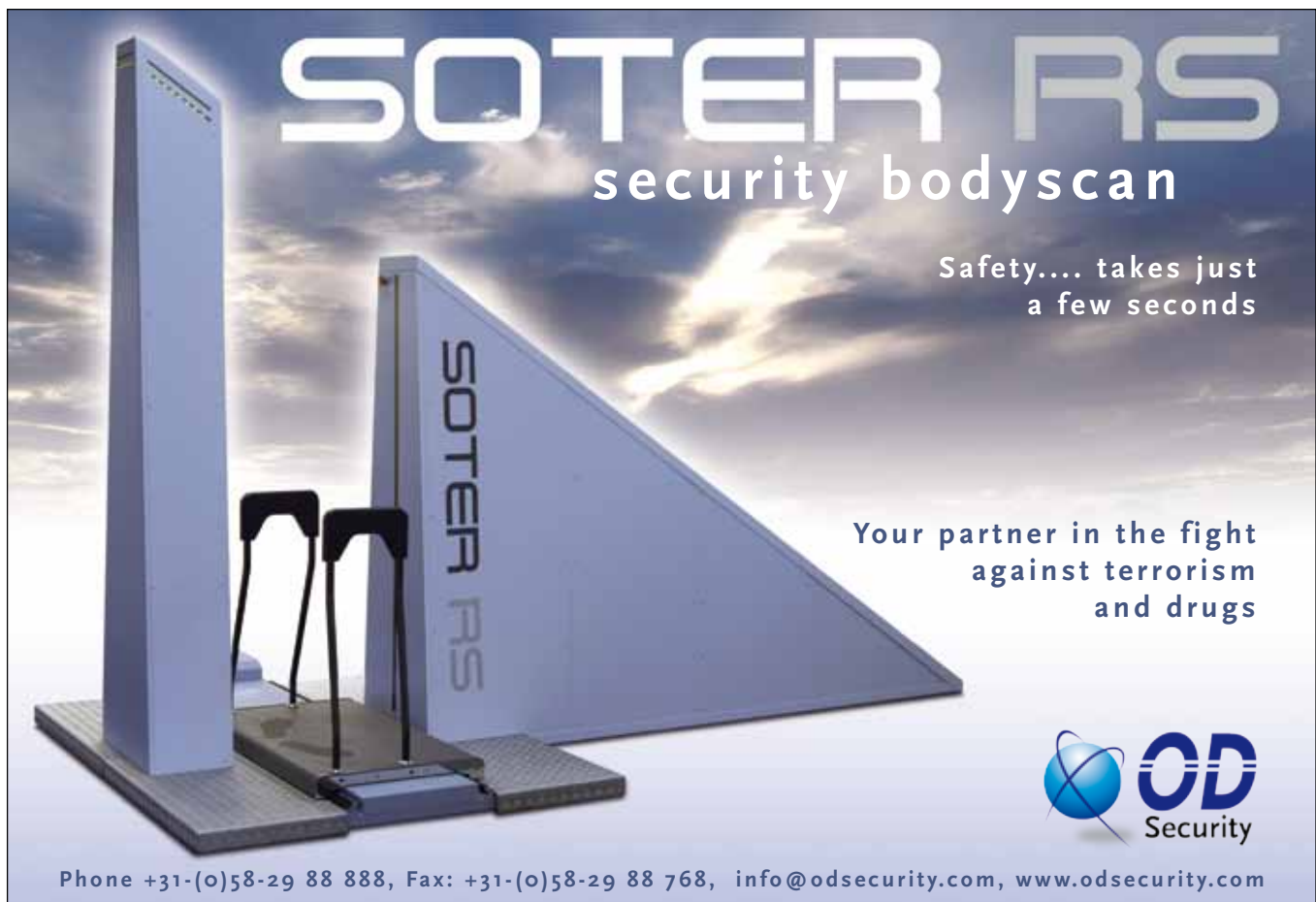
are estimated to have a global value of up to 1.77 trillion US dollars by 2015, denying up to 2.5 million new jobs in legitimate economies according to the Business Action to Stop Counterfeiting and Piracy (BASCAP) 2011 Report “Estimating the global economic and social impacts of counterfeiting and piracy” [[http://www.iccwbo.org/uploadedFiles/BASCAP/Pages/Global Impacts - Final.pdf](http://www.iccwbo.org/uploadedFiles/BASCAP/Pages/Global%20Impacts%20-%20Final.pdf)]. Counterfeit products encompass all areas of trade, endangering not only legitimate business and revenues for states but also the health and safety of consumers.

Disrupting the flow of counterfeit goods through Free Trade Zones and other transshipment sites by extending greater authority and effective powers to local Customs and enforcement authorities

is the “low hanging fruit” in the global fight against counterfeiting and piracy. Conversely, governments’ de facto permission for continued abuse undermines the very objectives for economic and employment growth for which FTZs were established. In this regard, government efforts to strengthen IP enforcement regimes governing FTZs should therefore not be considered costs, but rather investments that pay tangible dividends to economic development and society. Now is the time to increase, not decrease, the resources committed to stopping the illegal trade in counterfeits and piracy.

#### More information

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## Achieving excellence in Customs through knowledge management

Knowledge, in particular its use, dissemination and management remains a key priority for all Customs administrations, to enable them to meet the challenges and opportunities of a constantly evolving Customs and trade environment. Following the panel discussion on Customs in the 21st Century which took place at the World Customs and Trade Forum that was held in Guangzhou, China from 24 to 25 November 2011, Jérôme Fournel, Director General of French Customs, Dato' Sri Mohamed Khalid bin Yusuf, Director-General of Royal Malaysian Customs, Fong Yong Kian, Director General of Singapore Customs, and Tom Doyle, Accenture's Lead Customs and Border Management Specialist, share their thoughts on what is meant by 'a professional, knowledge-based service culture', including insight on engraining knowledge management into an organizational culture.

### Developing a service culture

The role of Customs administrations is to ensure high levels of compliance through the application of policies and regulations and the 'policing' of their frontiers. Traditionally, the tendency was to treat customers in a more or less standard way and the onus was on the customers to comply. Indeed, for many Customs administrations the presumption of guilty until proven innocent frequently drove administrative practices and procedures as well as key decisions.

The paradigm shift in recent years is a move away from driving compliance through the application of 'one size fits all' policies and standards towards a more

customer focused approach. A customer-centric approach drives higher levels of compliance through better understanding of customers' needs, rewarding those that play by the rules, acting as a 'facilitator' in order to help customers to comply, and being able to state: "We know who you are, we know your case history, we know how to treat you, and we hope that you feel we are here to help your organization achieve its trading goals in the most cost effective, compliant way".

It is impossible to develop a professional, service culture without using knowledge effectively. The explosion of data represents both a challenge and an opportunity. It is a challenge as it is increasingly hard to manage data, in terms of collec-

ting it effectively and then making it readily available for quality decision making. It represents an opportunity as there is now much more readily available data related to customers and other stakeholders involved in supply chain activities. Increased volumes of data mean a more accurate view of a customer and, thereby, a better ability to manage the risk related to that customer.

### Ensuring professionalism

Customs is a profession; in fact, it is one of the oldest professions. In this context, professional means that the Customs administration is run with the intention of being a high performing enterprise with respect to the people it employs, the processes used to manage its func-







tions and services, and the technology it employs to facilitate those functions and services. In terms of processes, they would have to be developed and refined to ensure that they are streamlined, understood and adhered to. The processes should be designed to deliver the required business outcomes through continuous improvement and managed within a clear governance framework such as business process lifecycle management.

There are a number of benchmarks available – the World Bank LPI, Doing Business, Enabling Trade Index, etc. – that demonstrate how well Customs administrations perform, and in general, the performance is strong. However, one of the hallmarks of a professional, high performing Customs service is the ability

“Who is a customer? The customer is the most important visitor on our premises. He is not dependent on us. We are dependent on him. He is not an interruption of our work. He is the purpose of it. He is not an outsider in our business, he is part of it. We are not doing him a favour by serving him. He is doing us a favour by giving us an opportunity to do so.” *Mahatma Gandhi*

to continuously improve. One area where continuous improvement is required, particularly in this era where there has been an explosion in the amount of data being generated, relates to knowledge management.

#### Customs and knowledge management

Knowledge management is defined as an approach that ‘allows information and knowledge to grow, flow, and create value in an organization and for its stakeholders’. It is a core discipline for all Customs administrations. The ability to deliver more with less, the requirement to prove effectiveness through performance management, and the need to lessen the burden on compliant traders all require a strong knowledge management discipline to be maintained and developed.

Due to the current economic situation, Customs is limited in its ability to refresh its workforce through recruitment. Many administrations are seeing a gradual ageing of their workforce. Whilst an older workforce brings the benefits of experience and embedded relationships, it also presents challenges. An older workforce – one which has a higher proportion of workers close to retirement – presents a risk for Customs administrations in terms of institutional knowledge leakage, unless there is a really effective knowledge management system in place. Indeed there are examples from Customs administrations where workers that have retired have returned as part time consultants, as they are the only people who know how to perform a particular process or maintain a specific application.

Customs needs to evolve as the global economy evolves. This evolution requires

new knowledge management skills to be introduced and maintained. An example of this is the capacity to audit IT systems. Most large and medium sized enterprises, even in developing economies, are highly computerized. Yet how many Customs auditors are trained in the skills necessary to conduct audits of heavily automated systems? This is just one example of the increasing skill requirements that Customs administrations need to source.

Customs generally work with limited data sets, often internal to their own administration, as they undertake tasks such as targeting, assessing or auditing. The fact is there is a wealth of relevant data available across the supply chain that could improve their ability to deliver on their defined outcomes and would help other agencies do the same. Again, a knowledge management system that is able to access and filter a wide range of extra-departmental data sources is a valuable tool. There are examples where this works well, such as in Australia where a bespoke integrated knowledge system was developed drawing on a wide variety of relevant data feeds, and making it available to Customs to improve targeting and speed up case management queries.

Customs administrations in some parts of the world will face the prospect of relatively high staff turnover as officials move from skilled tasks such as physical inspections to higher value knowledge based work such as intelligence, risk management and audit. This represents a real challenge for Customs as it seeks to rapidly up-skill new joiners and effectively share the knowledge of those that are leaving. Interestingly, this development has a positive side too. Young people

## The experience of French Customs

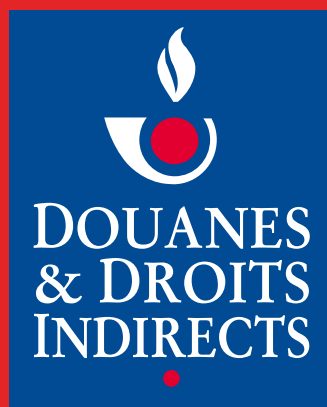
One major issue of any Customs administration is to be staffed with people that are motivated, have the right skills, behaviour and knowledge, and that understand and adhere to the new processes and relationships with economic operators. The training of Customs officials is seen as a major strategic challenge from a French Customs point of view. In France, special attention is paid during training to knowledge, ownership and control of processes. The correct understanding of Customs procedures, to be properly achieved, needs a good knowledge of logistical, commercial or financial processes.

The French Customs training initiative provides a better knowledge of the corporate world to its staff, through training/introductory courses for careers in Customs clearance. As a case in point, more than 200 Customs officers specialized in the pre-audit of companies – a job that did not exist five years ago – have been trained with assistance from business schools. Internships in companies are now systematically integrated into the initial training of future Customs inspectors. In addition, e-learning modules have been developed and are accessible via Customs' intranet.

At the EU level, French Customs actively takes part in a working group for “a European training programme for Customs” to enable academic and/or administrative training structures of Member States to establish professional bachelors and masters degrees.

In 2010, more than 16,300 agents attended at least one training activity and 1,000 received pre-service training. 110 student Customs inspectors have completed an internship. 230,000 days of training were provided – an average of 5.5 days per agent. Spending on training represented more than 11% of the standard payroll in 2010. This initiative has been effective in supporting major reforms in French Customs in recent years and will remain vital in the future.

In order to actively contribute to the training of economic operators too, French Customs has undertaken to offer its services to institutions teaching Customs regulations.



today tend to be much more comfortable with technology and typically incorporate its use rather seamlessly into their work and lifestyles. Customs can use this to their advantage. After all, what is social media such as ‘Facebook’ other than a knowledge sharing filter and facilitator?

All Customs administrations have, to a greater or lesser degree, a dispersed and mobile workforce. A dispersed, increasingly mobile workforce faces the challenge of uniformity in its application of regulatory and trade facilitation requirements. Location-independent access to knowledge can overcome many of the problems associated with the geographical dispersion of Customs staff and decrease the time to release goods under inspection, provide real-time information to assist decision-making, and maximize skills transfer via mobile e-learning.

### Benefits for Customs in getting knowledge management right

Customs administrations are great examples of organizations that understand the value of being knowledge-based. Investing in an effective knowledge management capability brings real benefits to Customs. These benefits include:

- Cost efficiencies – there is less duplication of effort, and the right information can be found quickly.
- Enhanced accuracy in decision-making – a knowledge management system provides access to previous decisions or rapidly provides information and access to the right people in order to make a decision, such as a tariff ruling.
- Improved risk management – Customs officials are able to devote resources to areas of identified risk.
- Business continuity – an ability to retain critical data to maintain service delivery requirements and regulatory obligations.

- Quicker time to develop high levels of staff competency – via the availability of training, supported by relevant tools, that enables new staff to get up to speed quickly and effectively.
- Revenue uplift – given the current period of economic instability, an ability to use data effectively to reduce levels of misdeclarations and fraud, and thereby generate additional revenue (the UK is an example of an agency which has put the onus on using better data/analytics to uplift revenue through Customs processes).

Dynamic organizations are those that know how to manage information as integral to core business and therefore reap the benefits derived from adopting a structured knowledge management approach. A Customs administration is the perfect candidate for using mature knowledge management capability to drive higher performance and instil a collaborative culture, resulting in a more 'service-based' trading environment. Mandated with the role of a being an effective facilitator of trade as well as the protector of a country's border, Customs administrations need to formulate an informed view of their customers through the efficient and timely conversion of large volumes of data into useful, relevant knowledge guiding Customs operational decisions.

The 'public service value' that stems from creating a 'service-based culture' in Customs administrations is paramount in facilitating trade effectively, and in ensuring that they do not become a 'speed bump' for those who have a stake in supply chain transactions. To achieve this powerful position of operating from a customer-centric approach, Customs has a role to play in creating and facilitating a knowledge-based trading environment that allows information and knowledge to grow, flow and create value in an organization and for its stakeholders. This needs to be embedded as part of the 'natural' or

## The experience of Royal Malaysian Customs

Royal Malaysian Customs Department (RMCD) became one of the earliest government agencies in Malaysia to embark on automation and electronic transaction in the early 90s, having realized the importance of technology as an enabler in achieving its policies. In spite of several ad hoc projects to enhance its legacy system to improve the quality and efficiency of service, stakeholder's attitude and perception has not significantly improved.



The wealth of knowledge on Customs matters generated over the years in RMCD has been managed in silos and in an unstructured manner, and security classification of policy documents results in no significant sharing of information with the private sector. It is challenging to expect trade and industry to comply if the process and procedures are not transparent or readily available, and if policy implementation is unpredictable.

Recognizing the significance and value of holistic knowledge management, Malaysian Customs is embarking on an initiative to appoint a special task force to develop a knowledge management blueprint incorporating the designation of specific change agents and champions, to implement the Department's strategic plan. RMCD will continue to benchmark other Customs administrations' best practices in its efforts to move in tandem with the WCO Customs in the 21st Century strategic vision, in particular its building block "To create a professional knowledge-based service culture".

In addition, RMCD subscribes to the policy of lifelong-learning for its staff through formal institutional training and other informal capacity building programmes, as it advocates a policy of information-sharing with stakeholders to create a 'Customs literate society' to promote voluntary compliance.

The outcomes and results of this effort have resulted in a higher quality and efficiency of service across stakeholders, stemming from a consistent, accurate and transparent operating environment, a highly skilled workforce to optimize Customs operations, and increased brand perception and voluntary compliance.

Malaysian Customs has concluded that without a consistent, accurate and transparent view of Customs processes, policies and knowledge, Customs administrations will continue to experience challenges in obtaining high compliance rates and in providing a good service, irrespective of technology enablers.



## The experience of Singapore Customs

Singapore Customs views the ability to facilitate trade as a key competitive advantage for the nation's economy, whose external trade value is more than three times its GDP. A good understanding of business needs and a partnership mindset is essential to sustain fruitful Customs-Business collaborations in trade facilitation and supply chain security. Under such a paradigm, the ability to systematically collate, share and utilize knowledge and information becomes a necessity. Knowledge sharing is especially important when in-depth knowledge is accrued and concentrated within specific branches or individuals within the organization, but a whole-of-organization approach is needed to tackle such ongoing challenges.



With global supply chains becoming more complex and inter-dependent, adopting a risk based approach to differentiate the level of facilitation for companies is a key strategy for Customs to achieve the twin objectives of facilitating low risk trade and ensuring the integrity of the trading system. TradeFIRST (Trade Facilitation and Integrated Risk Based System) is Singapore Customs' new trade facilitation system which fully integrates risk assessment and facilitation under a single framework. Under TradeFIRST, holistic business profiles of companies, including their compliance capacity and history, are collated and harnessed for decision-making within Singapore Customs. This enables a "whole-of-organization" approach to provide facilitation to companies in accordance with the assessed level of risk associated with the companies.

Businesses have a single contact point through the assignment of an Account Manager by Singapore Customs. One of the roles of the Account Manager is to maintain a 360 degree profile of the companies. With the data and knowledge gathered under TradeFIRST, Singapore Customs is able to better appreciate and anticipate companies' current and future business needs. As an example, the Account Manager can advise companies on facilitation schemes which companies themselves are not aware of previously, and to tailor trade facilitation solutions according to their unique needs.

Key outcomes include: a take-up rate of Customs facilitation – the implementation of TradeFIRST in January 2011 has resulted in an increase in the take-up rate of Customs facilitation schemes by 10% as of the third quarter of 2011; cost and time savings – some companies have reported savings of as much as 25,000 Singapore dollars (approximately 20,000 US dollars) from the implementation of TradeFIRST due to less assessment and red tape, and have experienced as much as a 50% reduction in processing time; and an increased knowledge base across Customs staff – with TradeFIRST, Customs officers needed to adopt a professional service culture, while previously only needing to specialize in specific facilitation schemes, and under the integrated TradeFIRST assessment, their customer management skills and knowledge base also needed to expand.

daily operational processes, thereby fostering an organizational culture of sharing and re-using knowledge. Customs can transform this challenge into an opportunity by adopting methods and tools which will improve performance.

Another vital role that Customs should play in complimenting a knowledge-based trading environment enabled by relevant technology is to ensure that a significant portion of their budget is dedicated to skills maintenance and staff development, thereby creating a platform for Customs to deliver continuous and enhanced professional service. A professional Customs administration consists of people that are motivated, have the right skills, and are suitably rewarded for their efforts in terms of remuneration and opportunity to progress and improve their skills.

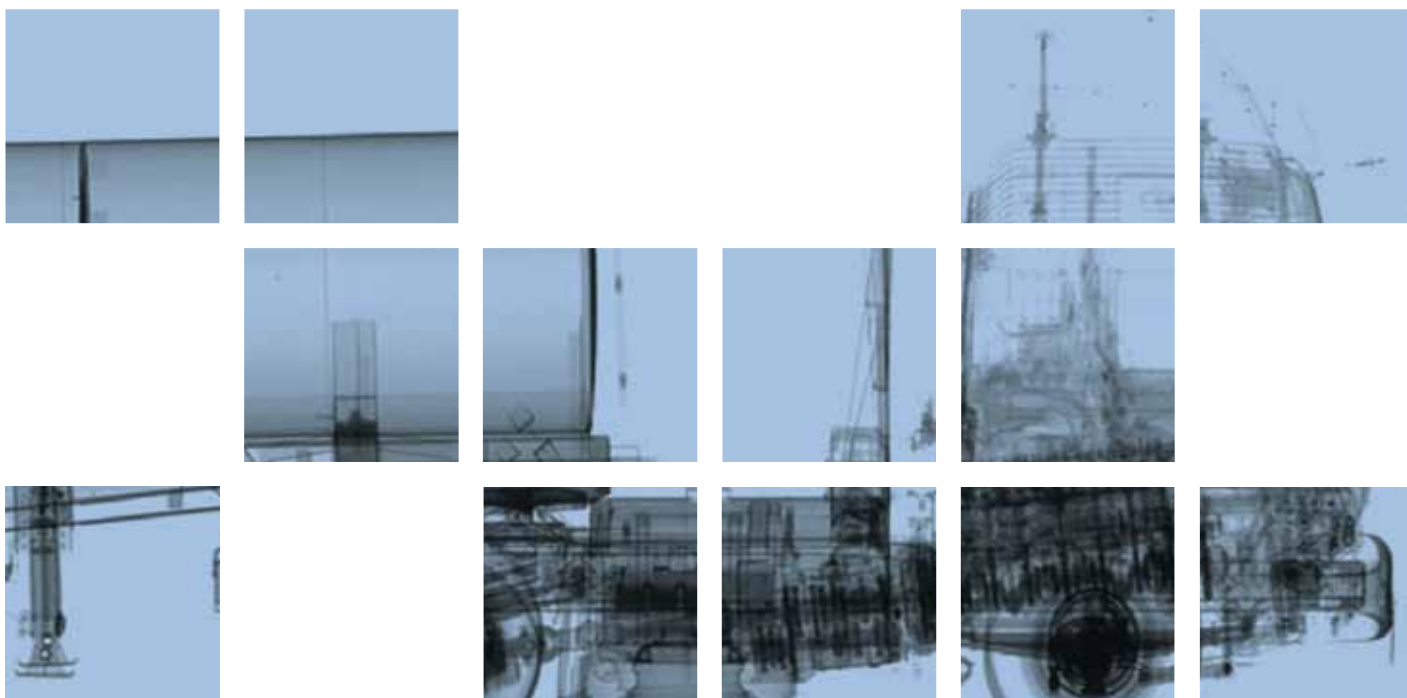
ICT is a catalyst in achieving Customs' goals as it provides the benefit of speed, cost saving and effective resource management. Rapid advances in ICT and mobile technology continue to provide Customs administrations with new ways of enabling goals that previously proved very challenging to address. Customs has an array of new services to embrace with which they can innovatively enhance the way they operate internally and with which they can modernize the services provided to the trading community.

Knowledge is not power unless used effectively. This provides the WCO with an ideal opportunity to act as a governing body for different information sets, enabling the world trading community to effectively use this knowledge to create a professional, service-based trading community.

Finally, Customs administrations are generally willing to share success stories of engraining knowledge management into their organizational culture and in this spirit case studies have been provided by France, Malaysia and Singapore.

### More information

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## WCO Data Model connects trade stakeholders

In recent years, there has been increased activity around the WCO Data Model among WCO Members and international organizations. But if most Customs IT systems seem to be, by and large, compatible with the Model, the question of their full conformity remains open. This article presents the latest information available on the adoption of the Model by WCO Members as well as future developments of this major WCO tool.

Over the years, core Customs automated systems and Electronic Data Interchange (EDI) facilities have been developed and operated based on national requirements. These requirements arose from national legislation and local operational needs. Even though all Customs administrations require the same information on the same goods, a multitude of forms, data elements and electronic templates were adopted in various countries at different points in time, resulting in non-uniform, non-standard usage and handling of information.

International standards for electronic data requirements, such as the UN Trade Data Element Directory (UN/TDED) and the UN EDI for Administration, Commerce and Transport (UN/EDIFACT), were

developed but they were core and generic – not tailor made for Customs. There were no international data dictionaries in existence for the Customs domain that would both harmonize and simplify Customs data requirements.

If UN/EDIFACT standard electronic messages for Customs purposes, such as CUSDEC for the import and export goods declaration and CUSCAR for the cargo manifest, did represent an organized approach in this area, there were no underlying conceptual data models governing the ongoing maintenance of these messages.

To respond to the challenge of non-standard systems of data, the WCO developed

a Data Model. It contains a collection of carefully selected items of information – referred to as data elements – that are standardized, based on globally accepted norms, and organized in order to minimize the effort and cost to trade. The Model explains the business of Customs in terms of data submitted by traders and transporters for clearing goods across borders.

To explain the flow of data between trade and government, the WCO Data Model relies on the pattern of procedures followed globally by Customs, which are described in the WCO Revised Kyoto Convention. The most recent version of the Model – version 3.0 – goes a step further and covers data requirements of other government agencies for their respective border procedures.



### Renewed interest

In recent years, there has been increased activity around the WCO Data Model among WCO Members and international organizations.

The launch of Version 3.0 of the Model and the efforts undertaken by the WCO to encourage more and more countries to adopt the instrument produced results: most governments are clear about the benefits of rationalization and simplification of regulatory information and the value of harmonizing data across border agencies in the context of a Single Window.

This renewed interest has also arisen from:

- The growth in the number of projects to establish Single Window solutions.
- The entry into force in several countries of a mandate on advance cargo reporting, notably via the implementation of Authorized Economic Operator (AEO) programmes.
- The fact that providers of information technology (IT) solutions for regulatory trade compliance are trying to build 'pipelines' to support the seamless flow of trade data.
- The WCO initiative on Globally Networked Customs which envisages close cooperation between Customs administrations through real-time exchange of commercial information.

In all these initiatives, the WCO Data Model, which provides an 'end-to-end' view of regulatory information in the international supply chain, is a key enabler for governments and trade.

### Who is adopting the Model?

Directors General of Customs often ask the question about the number of countries that are 'implementing' the WCO Data Model, that is to say who is adopting the specifications of the Model. Unfortunately,

this is not a question the WCO can answer with certainty yet.

Information collated by the WCO suggests that different countries are at different stages of adopting the Data Model. This was assessed by WCO experts through capacity building field missions. Moreover, the 20 to 30 delegates of the WCO Data Model Project Team provide briefs periodically on the status of adoption of the Model in their respective countries.

Recently, the WCO conducted a global survey on Single Window developments, which revealed that 25 of the 60 respondents have adopted a version of the WCO Data Model. In addition, based on information shared by UNCTAD with the WCO, and analysis carried out by both organizations, it appears that the 'ASYCUDA World' system broadly uses data elements that are in line with Version 3.0 of the WCO Data Model.

The WCO Data Model provides an 'end-to-end' view of regulatory information in the international supply chain and is a key enabler for governments and trade.

It is, however, impossible to make an informed assessment until formal conformance testing is carried out by experts on a country-by-country basis and validated independently. The assessment would typically involve semantic comparisons between national data sets, code lists and information structures with those recommended by the WCO Data Model.

### What does adoption involve?

Adopting the WCO Data Model means replacing or modifying information models, which are at the core of any IT system.

The ideal time for any party to adopt the WCO Data Model is when new systems development or large-scale overhaul is



taking place. It is indeed possible for countries to make gradual, incremental changes to their software applications to bring them in line with the WCO Data Model. Such changes can be brought in at the time when routine software upgrades are being performed, for example.

The WCO Data Model has been developed as the maximum framework. Therefore, countries need not adopt the Model in toto, but may customize it to create profiles that are in full conformity with national legislation and make adjustments within the constraints of existing data policies and practices.

One has to be aware of the impact of the modification made in a Typical IT sys-

Non-conformant	Compatible	Conformant
<ul style="list-style-type: none"> <li>• Uses proprietary data structures.</li> <li>• Does not follow international standards.</li> <li>• Too many deviations from the WCO Data Model.</li> <li>• Work-around not possible to meet data exchange requirements.</li> <li>• Direct Trader Input is the predominant mode of entry.</li> <li>• Costly for the trader to operate and maintain.</li> <li>• Major obstacle to participation in Customs-to-Customs information exchange.</li> <li>• Single Window development is infeasible.</li> </ul>	<ul style="list-style-type: none"> <li>• Largely follows the WCO Data Model but has few variations in usage.</li> <li>• Variations in usage can be overcome with minor but significant adjustments using 'adaptors' or 'translators'.</li> <li>• The larger the number of adaptors, the more expensive it is for the trader to maintain software applications and to operate.</li> <li>• Does not stop the country's participation in international data exchange, but may be limited due to expensive and complicated work-arounds.</li> <li>• Development of a Single Window would entail serious challenges and high levels of effort.</li> </ul>	<ul style="list-style-type: none"> <li>• Follows the WCO Data Model for all practical purposes of information exchange.</li> <li>• National models are nearly true subsets of the WCO Data Model.</li> <li>• Deviations from the WCO Data Model are either non-existent or are immaterial.</li> <li>• Translators and adaptors do not play a significant role.</li> <li>• Offers cost savings to the trader in terms of information re-use and access to low cost compliance solutions.</li> <li>• Facilitates participation in Globally Networked Customs.</li> <li>• Facilitates the building of a Single Window environment.</li> </ul>



tem that is connected to other IT systems belonging to international trade stakeholders. Customs administrations share information with all participants in the clearance process, such as other government agencies, banks, or port authorities. It is therefore a whole community that will have to adopt the changes. To deal with issues of compatibility, interfaces that are called 'translators' or 'adaptors' will have to be set up.

In order to adopt the WCO Data Model within its information systems, a country needs to assess its current state of alignment with the instrument. This assessment is a step-by-step activity to be carried out with support from facilitators who are experts on information standards, including the WCO Data Model. The assessment would help place the country's data model into one of three

categories, namely 'non-conformant', 'compatible' and 'conformant'. The table above provides the broad implications of each category.

Countries that are non-conformant should replace their IT systems, countries that are compatible should gradually implement the Model, and countries that are conformant should publish statements illustrating how their national model conforms to the WCO Data Model. For this purpose, the WCO has developed data harmonization guidelines aimed at producing national data sets that can work like a correlation table, which can be used as a statement of conformance.

#### Transparency and collaboration

Invariably, Customs administrations publish detailed information on the electronic interfaces to their Customs

and Single Window systems, allowing trade and transport actors to build their respective IT systems to interchange regulatory and operational data. Even though this type of information is publicly available, knowledge about functioning national systems is still very local and is limited to a few consultants who sell their services to enterprises that provide software solutions to local traders and brokers. Alignment of national systems with the WCO Data Model would render this type of information in globally recognizable notations and references.

The direct beneficiaries would be software solution providers who could simplify and rationalize their software solutions for international trade. Internal software development and maintenance costs could be reduced when the complex, country specific requirements are rationalized into a package of requirements based on the WCO Data Model which will, while varying from country to country, still greatly simplify the effort involved in the management of requirements. This will encourage software providers to develop packages that can be used around the world.

Indirect benefits will occur to traders who will not only have access to cheaper software solutions but also be able to reuse upstream information in the supply chain, thus reducing time and the direct costs of regulatory reporting.

Collaboration between governments and software providers would bring down the costs of acquisition of information for all users. The users of the WCO Data Model should work closely to supply commonly used technical information to each other for mutual advantage. Interested parties could come together to solve business and technical challenges through the adoption of the Data Model, and thereby take advantage of technological advancements to further speed-up the deployment of IT solutions.

### Derived products

The WCO Data Model Project team has developed several 'profiles' from the WCO Data Model. These profiles are forms, templates or other regulatory documents that are produced automatically by the system. For example, the Single Administrative Document, forms used by the International Maritime Organization (IMO) Convention on Facilitation of International Maritime Traffic, templates for electronic TIR Carnets and similar regulatory documents are being produced as profiles of the Data Model. The calculation of the value of a transaction is also covered. Additionally, it will help in ensuring uniform interpretation of the WTO Agreement on Customs Valuation.

### Future development

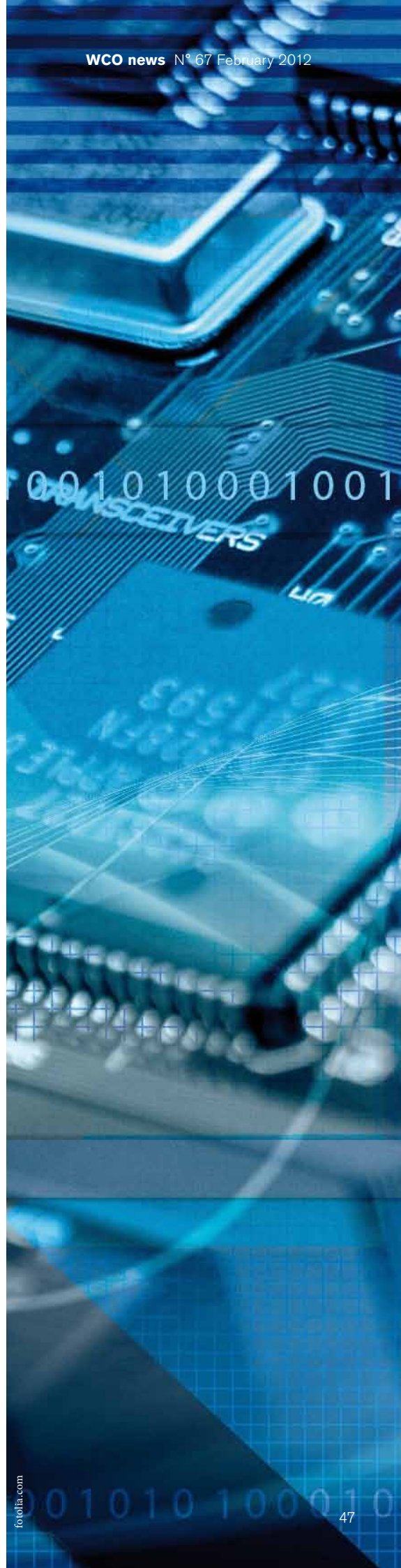
Future development of the WCO Data Model involves publication of annual releases aimed at overcoming problems reported by individual countries adopting the Model. In relation to any new versions, it has been suggested that there should be no big-bang approach but rather an annual incremental growth of the Data Model.

It is recognized that adding any new functionality to the WCO Data Model should be based on agreed criteria, for example it should simplify reporting for trade, or it should remove obstacles that prevent a country from adopting the Model. In other words, projects to update the Data Model will be taken-up in manageable, annual cycles. Such an approach would further deepen the engagement of countries interested in upgrades.

Experts anticipate that the WCO Data Model will remain stable since no major change is foreseen to the core of the Model, even as new functionalities and features are added.

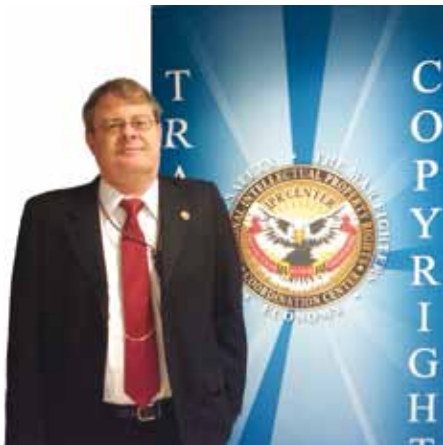
### More information

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## “We need to raise awareness about substandard products”



J. Scott Ballman Jr. became a Deputy Assistant Director at US Homeland Security Investigations in 2010 and is assigned to the National Intellectual Property Rights Coordination Center (IPR Center). He has chaired the WCO Commercial Fraud Working Group since 2007. Scott's career in law enforcement spans almost 35 years in which time he has dealt with commercial fraud, IPR infringements, money laundering, export crimes, drug smuggling and internal staff investigations among others.

An enforcement operation called “Short Circuit” was launched from July to September 2011 to increase the number of inspections, interdictions and investigations of imports containing substandard and counterfeit electrical items. This Operation, which was conducted by 43 countries, resulted in the seizure of more than one million electrical goods. J. Scott Ballman Jr., Deputy Assistant Director, Homeland Security Investigations, at the US National Intellectual Property Rights Coordination Center, shared his thoughts on the Operation's successes and challenges.

### What was the motivation behind such an operation?

In March 2011, the WCO endorsed a US Homeland Security Investigations global initiative to increase the number of inspections, interdictions and investigations of imports containing substandard and counterfeit electrical products, such as batteries, electrical extension cords, power supplies, power adaptors, power converters, chargers and surge protectors.

Safety, cooperation and education for Customs administrations, regulators, industry partners and the public were all motivating factors behind Operation Short Circuit.

Health and safety are our priorities. Everyone knows that substandard and/or counterfeit pharmaceuticals are dangerous and cause great harm, but how many people think about the damage that can be wrought by various electrical appliances used on a daily basis if they are substandard or counterfeit? Think about the fires such appliances

have caused and the damage that has been done.

The role of Customs in combating counterfeit products is well known, but with this Operation we also wanted to raise awareness about substandard products. Consumer protection is a new area for many Customs services. Although most countries are endowed with authorities responsible for conducting quality controls on manufactured and imported goods (standards organizations/national authorities in charge of consumer product safety), Customs has a major role to play as it is the first line of defence.

One of the objectives of the Operation was to raise Customs officers' awareness about the danger posed by substandard products, as well as to encourage cooperation between national consumer protection agencies and Customs in order to improve controls. Countries face similar threats from smuggling and fraud, therefore close cooperation

between all Customs administrations at the international level is also essential.

### Why do you consider Customs' participation in such joint operations to be important?

Given the technological advances in global communication and transportation, the world of commerce is getting smaller. Criminals are not just shipping their wares to one country. A counterfeit or substandard product manufactured in one country, transhipped through Europe and sold within the United States for example, involves organized crime syndicates in several countries. International cooperation among law enforcement agencies is necessary to stay one step ahead of these criminals.

Operation Short Circuit is an excellent example of Customs administrations working together by sharing information to identify manufacturers and shippers of hazardous products and stopping goods at the border or even before they can be shipped. In addition to the seizures made, the Operation generated important intelligence on companies involved in the production of and trade in illicit products.

I would like to underline that this is the first operation in which nominal information on manufacturers/shippers was shared among participating countries, making joint targeting possible. During previous operations, such as Global Hoax which targeted pirated and counterfeit CDs and DVDs at international mail facilities and express courier depots, or Mercury which targeted the importation and distribution of substandard and counterfeit pharmaceuticals, nominal information was shared between importer and exporter countries only.

### What were the outcomes of the operation?

The operation achieved the following good results:

- 10,272 shipments were identified.
- 1,747 shipments were detained.
- 388 shipments, containing over one million items (1,009,560), were seized.
- 65% of the shipments discovered were at airports, 18% at seaports, 12% at land

borders, and 5% on interior roadways.

- 65 manufacturers/shippers were identified from the seized products and their names and addresses shared with all participating administrations for targeting purposes.
- Over 100 messages passed through CENcomm, the WCO's secure communication tool.

### What lessons were learned from this operation?

The following challenges encountered during the Operation were cited by some participating administrations:

Regarding substandard goods, the main challenge was to set up an information flow between different Customs authorities and regulatory bodies and experts (laboratories, technical consultants, etc.). Substandard products can prove difficult to identify and countries were consequently asked to contact their national competent authorities ahead of the Operation to ensure they received the necessary support. This cooperation was not adequate or properly organized in some countries. Cooperation and sensitization across regulatory bodies should be heightened and Customs administrations need to seek training from their national authorities or have a representative working with Customs.

As for counterfeit goods, some rights holders provided training on request and documentation was made available via the Operation's online library. However, full advantage was not taken of the training opportunities available and many officers expressed a lack of knowledge and expertise when it came to identifying counterfeit items.

Targeting methods need to be improved. Some units were unable to implement risk management and based their inspections on random selection. In addition, there were certain Customs services that did not have the power to take the necessary action.

Some administrations stated that Operation Short Circuit could have been even more successful if they had received more



Party lights



Lithium-ion battery



Industrial extension cord

detailed information on the seizures made and reported via CENComm, if the reporting mechanism was simpler (the use of automated reports with drop down menus for example), and if prior to the Operation, they had been provided with a list of companies having previously infringed Customs regulations relating to substandard goods.

### What future Customs activities would you suggest in this context?

Cooperation and communication between Customs administrations is key. From my perspective, expanding the information flow between Customs authorities would be helpful. This would include Customs administrations sharing detailed information on manufacturers/shippers of hazardous products, obtained from seizures, with all WCO Members. It would also include all

WCO Members sharing manufacturer/shipper details with their government's competent authority, if the manufacturer/shipper is located in their country, to ensure that the means of production is closed down. A system within the WCO to alert Members to the identity of producers and shippers of hazardous products would be ideal too.

US Homeland Security Investigations will continue to investigate and seize hazardous

products every day until the factories that produce them are discovered and shut down. By being diligent in our efforts and sharing information, law enforcement agencies and Customs administrations will continue to make our world safer.

### More information

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## New WCO Director shares his views



Giuseppe Favale was nominated Director of Tariff and Trade Affairs during the June 2011 Sessions of the WCO Council. Having just taken up his position at the Secretariat in January, he agreed to answer a few questions put to him by WCO News.

### How do you see your role?

It is important that the WCO provides its Member Customs administrations with all the necessary assistance to carry out their activities in harmony with the needs of international trade.

I shall consequently endeavour to focus my efforts on behalf of the Organization, with a view to the swiftest possible provision of the tools required to meet needs in terms of Customs duties and the protection of society, while at the same time facilitating legitimate international trade.

Special emphasis will be placed on promoting the implementation of the new edition (2012 version) of the Harmonized System (HS) and its Explanatory Notes as well as Council Recommendations on the implementation of the HS, which are crucial to the smooth operation of Customs and form valuable tools in these times of global economic crisis.

### What are the priorities for your Directorate in 2012?

The majority of WCO Members are reliant on revenue from Customs duties. As a result, the highest priority of the Tariff and Trade Affairs Directorate in 2012 remains the WCO Revenue Package. The Action Plan of the Revenue Package rests on four pillars:

1. Technical assistance to verify the declared Customs value, the key task being the

development of practical Guidelines on Customs Valuation Controls, including three case studies.

2. Technical assistance to implement and verify preferential rules of origin, the key task being the development of Guidelines on the Verification of Preferential Origin.
3. Technical assistance to enhance tariff classification work and related infrastructure, the key task being the development of Guidelines on Tariff Classification Work and Related Infrastructure, and devising a diagnostic tool.
4. Improve availability, knowledge and use of existing tools and instruments detailed in the Revenue Package.

In addition to the Revenue Package, the Directorate's priorities include: valuation – adapting the Technical Committee's working methods; origin – continuing to build on the Comparative Study by adding various modules, such as a module on verification, and more free trade agreements as well as maintaining the Database on Preferential Rules of Origin; and the Harmonized System – servicing meetings of the different committees as well as preparations for the 25th anniversary of the Convention that will be celebrated in 2013.

### More information

[hs@wcoomd.org](mailto:hs@wcoomd.org)





# 2012 WCO IT Conference & Exhibition

Tallinn, Estonia

6 – 8 June 2012



2012 WCO IT Conference & Exhibition, June 2012, Tallinn, Estonia

A three day conference focusing on exploring the role of information technology at the border

How can IT Transform Core Business for Customs and its Stakeholders in Border Regulation in the Private Sector and Elsewhere in Government

Online registration and more information: [www.wcoomd.org/event.htm](http://www.wcoomd.org/event.htm) • Enquiries: [wcoit2012@wcoomd.org](mailto:wcoit2012@wcoomd.org)

## WCO Technology and Innovation Forum 2012

6-9 March 2012, Kuala Lumpur, Malaysia

- ✓ meet and network with technology providers
- ✓ exchange best practices in the use of technologies
- ✓ learn about the latest innovations
- ✓ try out the equipment



WORLD CUSTOMS ORGANIZATION

Online registration and more information: [www.wcoomd.org/event.htm](http://www.wcoomd.org/event.htm) • Enquiries: [TI2012@wcoomd.org](mailto:TI2012@wcoomd.org)

# International Customs Day 2012



OVER FIFTY AMBASSADORS as well as representatives from international organizations and the business community joined visiting Customs officials and staff of the Secretariat at an evening function hosted

by the Secretary General at WCO headquarters on 26 January to celebrate International Customs Day.

The Secretary General took the opportunity to launch the Year of Connectivity with the slogan “Borders divide, Customs Connects”, a fitting theme in the year that the WCO celebrates its 60th anniversary, and one that reflects the spirit of the WCO’s founders, particularly the value of cooperation and interconnectedness among Customs and its partners.

“Because borders are synonymous with division, our main challenge is to identify and pursue methods to increase connectivity, which encompasses people-to-people, institutional, and information linkages that underpin and facilitate the achievement of our objectives as a community,” said Secretary General Mikuriya in his official message.

1. Secretary General Mikuriya and his wife receiving guests

2. Customs detector dogs and their handlers entertain guests

Guests attending the reception were also treated to demonstrations of Customs detector dogs in action, an activity which not only entertains but also leaves guests with a great sense of admiration for the work done by Customs officials to protect society.

Check out the next edition of the magazine for a round-up of International Customs Day activities that took place in other parts of the globe.

## More information

[www.wcoomd.org](http://www.wcoomd.org)







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2 2





# Calendar of Events

## March

- 
- 1 - 2 Integrity Sub-Committee, 11<sup>th</sup> Session
  - 5 - 6 WCO/UPU Contact Committee, 32<sup>nd</sup> Meeting
  - 6 - 7 Working Group on the Composition of the Policy Commission
  - 6 - 9 Technology and Innovation Forum, Kuala Lumpur (Malaysia)
  - 8 - 12 Harmonized System Committee, Working Party
  - 13 - 23 Harmonized System Committee, 49<sup>th</sup> Session
  - 19 - 23 Data Model Project Team
  - 22 - 23 ATA/Istanbul Administrative Committee, 11<sup>th</sup> Meeting
  - 26 - 30 Permanent Technical Committee 195<sup>th</sup>/196<sup>th</sup> Sessions
  - 26 - 30 Enforcement Committee, 31<sup>st</sup> Session
  - 29 Joint Session of the Permanent Technical Committee/Enforcement Committee

## April

- 
- 2 - 4 Seminar “Programme Global Shield”
  - 2 - 5 Finance Committee, 92<sup>nd</sup> Session
  - 12 - 13 Technical Experts Group on Air Cargo Security, 5<sup>th</sup> Meeting
  - 16 - 20 Technical Committee on Customs Valuation, 34<sup>th</sup> Session
  - 17 - 19 AEO Global Conference, Seoul (Korea)
  - 24 SAFE Members Only Meeting
  - 25 - 27 SAFE Working Group, 10<sup>th</sup> Meeting

## May

- 
- 2 - 3 WCO Counterfeiting and Piracy Group, 6<sup>th</sup> Meeting
  - 14 - 15 Administrative Committee for the Customs Convention on Containers, 1972, 13<sup>th</sup> Meeting
  - 14 - 16 Globally Networked Customs, 11<sup>th</sup> Meeting
  - 21 - 25 Harmonized System Review Sub-Committee, 43<sup>rd</sup> Session

## June

- 
- 6 - 8 IT Conference and Exhibition, Tallinn (Estonia)
  - 11 - 13 Data Model Project Team
  - 14 - 15 Information Management Sub-Committee, 63<sup>rd</sup> Session
  - 25 - 27 Policy Commission, 67<sup>th</sup> Session
  - 28 - 30 Council, 119<sup>th</sup>/120<sup>th</sup> Sessions

## July

- 
- 2 - 3 Excise Tax Mini Summit
  - 2 - 11 Knowledge Academy for Customs & Trade
  - 5 - 6 WCO/ICAO Joint Conference, Singapore

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 Members' website, under the “Information for delegates” section, and on the WCO public website – [www.wcoomd.org](http://www.wcoomd.org) – under the “Events” section.

# WCO Global AEO Conference

AEO, the way towards secure and competitive growth

- April 17(Tue) ~ April 19(Thu), 2012,  
Sheraton Grande Walkerhill Hotel Convention Center  
Vista Hall, Seoul, Korea

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[www.aeo2012.org](http://www.aeo2012.org)



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# SINGLE WINDOW TRADE PORTAL GLOBAL CUSTOMS E-PROCESSING BUSINESS INTELLIGENCE VALUATION COMPLIANCE