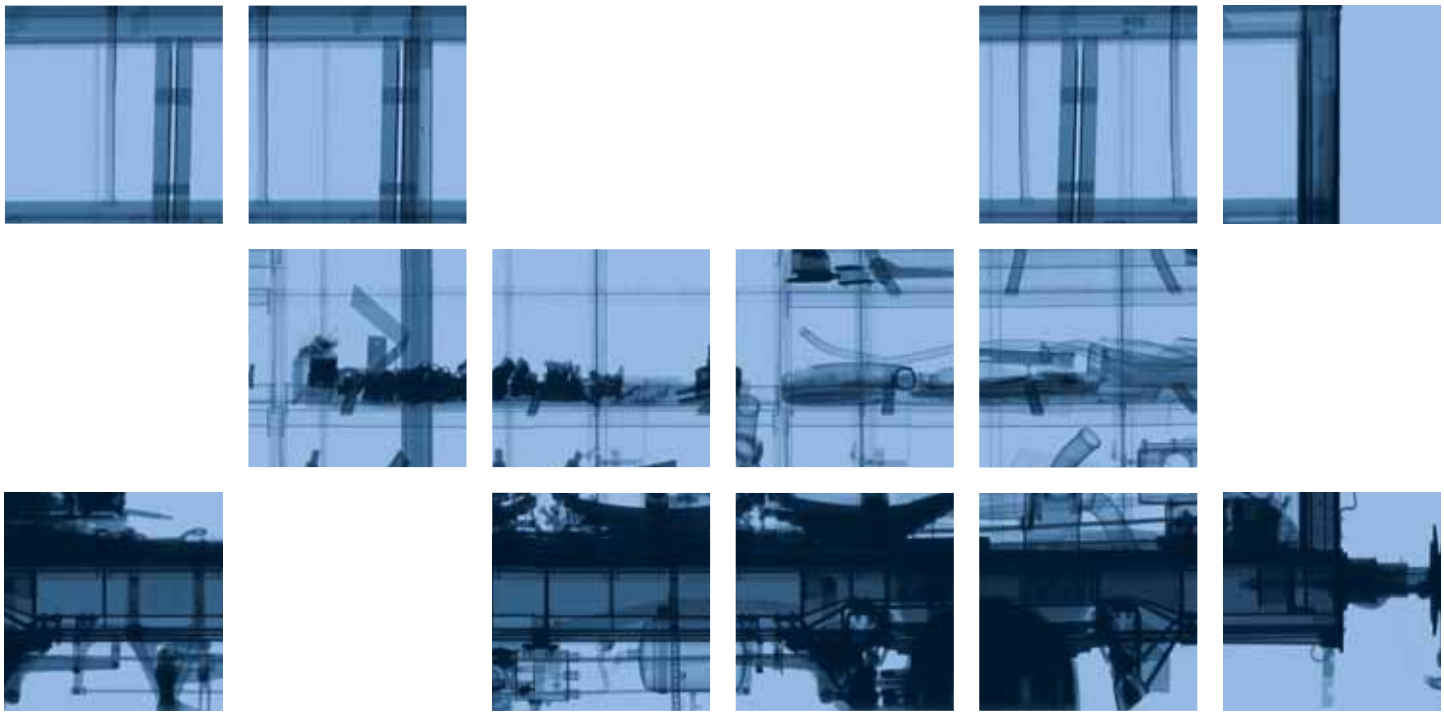
June 2012 | n° 68 | www.wcoomd.org

WCO news

The Anniversary Edition

Looking back with pride, looking forward with optimism

World Customs Organization



Rapiscan - The Cargo Inspection Leader for Ports, Borders and Customs

Rapiscan's mobile, gantry, portal and rail inspection systems offer an unmatched combination of image quality, reliability and throughput.

Our Eagle® family of high energy X-ray cargo inspection systems is specifically designed to meet the needs of different applications; versatile enough for the world's busiest ports and crowded border crossings, through to remote military checkpoints.

Our new Eagle® Rail Scanner Series, family of high energy X-ray cargo inspection systems, including the R60HS able to effectively scan rail cargo at up to 60kph, is the latest example of our commitment to high performance products, solutions and services that meet our customers' most demanding threat detection needs

With a global installation base and a worldwide service and support network, Rapiscan Systems can meet your most demanding requirements - on time and on budget.

To learn more or to schedule a demonstration please contact us at:
Asia Pacific Region t. +65 6846 3511 EMEA Region t. +44 870 777 4301
e. sales@rapiscansystems.com

Rapiscan® systems
An OSI Systems Company

Content

DOSSIER: THE ANNIVERSARY EDITION

FOCUS

IN CONVERSATION

Editor-in-Chief
Grant Busby

Senior Editor
Laure Tempier

Online subscriptions
www.wcoomd.org/fr/pagedaccueil_press_wco_newsfr.htm

Advertising
B&B
Bernard Bessis
bernard.bessis@bb-communication.com

Editorial team
wconews@wcoomd.org

Publisher
World Customs Organization
Rue du Marché, 30
B-1210 Bruxelles
Belgium

Tel.: +32 (0)2 209 94 41
Fax: +32 (0)2 209 92 62
communication@wcoomd.org
www.wcoomd.org

Editorial note
WCO News is distributed free of charge in English and in French to Customs administrations, international organizations, non-governmental organizations, the business community and other interested readers. Opinions expressed in WCO News are those of the contributors and do not necessarily reflect the official views of the World Customs Organization. Contributions in English or French are welcome but should be submitted no later than 15 August 2012 for consideration. The WCO reserves the right to publish, not to publish, or to edit articles to ensure their conformity with the magazine's editorial policy and style. The WCO Communications Service is available to answer all requests for subscriptions, submission of contributions, and any other enquiries relating to WCO News. Please email communication@wcoomd.org.

D/2012/0448/19

Acknowledgements: The Editorial Team wishes to express its sincere thanks to all who contributed to this publication.

Pictures: Our sincere thanks also extend to all who kindly provided photos, logos and drawings to illustrate this issue.

Photo cover: fotolia.com

Design: www.inextremis.be

Improving Customs practices for enforcement and seizures

THE WAY CUSTOMS uses its prerogative in matters relating to the fight against fraud (seizures, penalties, detentions, etc.) remains at the forefront of discussions between WCO Member administrations.

To explore this subject further and to enhance the sharing of knowledge, several Customs administrations developed a "Compendium of Customs Operational Practices for Enforcement and Seizures (COPES)" with the support of the WCO Secretariat.

Developed in a collaborative manner thanks to the WCO CLiKC! system, an interactive development platform, the Compendium was designed to highlight practical examples of working practices as well as to identify stumbling blocks to effective enforcement, in particular procedures related to enforcement and seizure that may be more effectively addressed through multilateral engagement between Customs services.

The practices outlined in this Compendium will encourage Customs administrations to deeply examine their own methods and possibly take steps toward making improvements to their current systems, notably the enhancement of their legal foundation (enabling powers) and the operational options on which their procedures and practices are based.

The Compendium, access to which is restricted to WCO Members only due to the sensitive nature of the content, is available in English, French, Spanish and Arabic.

More information
www.wcoomd.org

Doorless containers now a reality

BACK IN OCTOBER 2010, we informed you that a new type of intermodal cargo container without doors was about to become a reality. Enter the "doorless" container! According to the inventor of the concept, it is the first major design upgrade to the standard intermodal cargo container that has been in constant use since the 1950s.

Instead of doors, this container has two integrated yet separable components: the bottom platform and the lid, which is actually the four walls and the top. Once the lid is connected to the platform, the "doorless" container is dimensionally identical to standard ISO containers.

The lid is raised and lowered by standard container handling equipment used at ports and cargo-loading facilities, and attaches to the platform with a super-strong latching and locking mechanism. Once the container reaches its destination, the lid can be lifted off by a forklift truck using a spreader bar.

The main advantages of this container are that it provides superior security and theft prevention, makes cargo inspections easier, allows for faster loading and unloading, and is environmentally friendly.

More information
www.cakeboxx-technologies.com

"How to Build a Single Window Environment"

THE WCO COMPENDIUM "How to Build a Single Window Environment" is now available on the WCO website. It is presented in two volumes in order to separate high-level issues which are of interest to executive managers from issues which are of interest to technical and operational managers.

Volume 1 is called the "Executive Guide" and Volume 2 is called the "Professional Practice Guide". The latter volume is a collection of tools, techniques and guidelines developed by the WCO and other international organizations, and will be maintained on an ongoing basis.

More information
www.wcoomd.org/sw_guidelines.htm

US and EU recognize each other's cargo security programmes

THE UNITED STATES (US) and the European Union (EU) signed a Mutual Recognition Decision on 4 May 2012 recognizing the compatibility between their respective trade partnership programmes.

Called the Customs-Trade Partnership Against Terrorism (C-TPAT) in the US and the Authorized Economic Operator (AEO) Programme in the EU, these programmes are voluntary partnerships between members of the trade community and their respective governments in which participants that adopt specific supply chain security standards receive benefits/incentives in recognition of their low-risk security status.

The Mutual Recognition Decision will be implemented in phases: phase one will commence in July 2012 with EU AEO member shipments receiving a lower risk score for their shipments arriving in the US; and phase two will commence in January 2013 with C-TPAT member shipments receiving a lower risk score for their shipments to the EU.

Three AEO categories exist within the EU – AEOC (Customs simplifications), AEOS (security and safety) and AEOF (a combination of AEOC + AEOS). The Decision applies to AEOS and AEOF only, which together account for more than 5,300 operators. These two EU certifications are also recognized by Japan, Norway and Switzerland on a mutual basis, and a similar agreement between the EU and China is also being explored.

C-TPAT is a voluntary government-business initiative to build cooperative relationships that strengthen and improve overall international supply chain and US border security. There are currently some 10,290 companies that have approved C-TPAT status. Besides the EU, the US has also signed mutual recognition arrangements with Canada, Japan, Jordan, Korea and New Zealand.

The EU and the US are strategic business partners with bilateral trade amounting to nearly 500 billion euro in 2011. According to the EU, the decision will further enhance trade opportunities and promote the smooth movement of goods from both partners, without compromising the high levels of security on both sides of the Atlantic.

The text of the Mutual Recognition Decision is available in the Official Journal of the EU and on the website of the EU's Directorate General of Taxation and Customs Union (DG TAXUD).

More information

http://ec.europa.eu/taxation_customs
www.cbp.gov

Acting Commissioner David V. Aguilar (US Customs and Border Protection) and Director General Heinz Zourek (DG TAXUD) sign the Mutual Recognition Decision

New Guidelines added to WCO Revenue Package

DEVELOPED AS A response to WCO Members' concerns regarding falling revenue returns in the light of the 2008 global financial crisis and declining duty rates, the WCO Revenue Package brings together all material relevant to revenue collection, including formal instruments and conventions, guidance notes, and training material.

To strengthen the Revenue Package and maximize its positive impact on Customs administrations, a raft of new guidance material for WCO Members will be presented at the 2012 WCO Council Sessions in June. Four new guidelines on valuation, origin, the Harmonized System (HS) and post-clearance audit that will supplement the Package are briefly described below.

Practical Guidelines for Valuation Control

Despite efforts to find solutions over a number of years, it has become clear that the WTO Valuation Agreement is difficult to apply in many countries where high levels of undervaluation and a lack of reliable accounting records are commonplace.

The new Practical Guidelines for Valuation Control provide a springboard for Customs authorities to develop an effective control programme and include advice on the development of a valuation database as a risk assessment tool, which can be useful for WCO Members. Advice is also included on the informal trade sector and second-hand goods.

The need to improve Customs' commercial awareness is highlighted. Officials deal on a daily basis with a wide array of commercial entities, from one-man operators crossing borders several times a day with a single sack of grain to complex multinationals moving thousands of containers around the world. It is therefore incumbent on Customs to understand legitimate modern business and pricing practices which help in the assessment of risk levels and the identification of irregularities.

Advice is also provided to those countries that still employ private agencies, including pre-shipment inspection (PSI) companies, to conduct certain controls on behalf of Customs. The WCO encourages Customs administrations to ensure that such contracts have a knowledge transfer and training component built into them, and that Customs has a strategy to terminate existing contracts at the earliest opportunity, once officials have the necessary capacity to conduct Customs controls – including valuation controls – without external assistance.

Additionally, the Guidelines provide in-depth information on the valuation control programmes of three WCO Members in the form of case studies, to facilitate better understanding of the functioning of various valuation control programmes.

Guidelines and National Practices Catalogue on Preferential Origin Verification

An increasing number of Free Trade Agreements (FTA) are in force around the world and Customs administrations play a key role in the implementation and control of FTAs. These agreements normally eliminate or reduce tariffs on most goods traded between members of an FTA which meet origin requirements set out in these agreements.

The new WCO Guidelines on Preferential Origin Verification provide concrete ideas for the effective and efficient management of verification of claims to preferential origin. The Guidelines are supported by a catalogue of WCO Members' national practices regarding the organization and conduct of verification controls. The aim is not to establish international standards for verification procedures but rather suggest best practices.

Guidelines and Diagnostic Tool on Tariff Classification Work and Related Infrastructure

The Harmonized System (HS) Convention has long been seen as the "backbone" of international trade and goes to the very heart of Customs operations, including revenue collection. Ensuring sound management of tariff classification work can facilitate revenue collection. In this regard the WCO has formulated two recommendations: one on the Introduction of Programmes for Binding Pre-entry Classification Information (1996); and the second on the Improvement of Tariff Classification Work and Related Infrastructure (1998).

The new Guidelines provide practical advice on the main considerations that should be taken into account by Customs administrations when developing classification infrastructure, such as staff deployment and training, establishment of national advance tariff ruling programmes, setting up of regional and local offices, and the various stages of classification control.

To supplement these Guidelines, a Diagnostic Tool is available that provides a framework for developing practical and sustainable capacity building projects, for the improvement of classification work and its related infrastructure in WCO Member administrations.

Guidelines for Post-Clearance Audit

A completely revised version of the WCO Guidelines on Post-Clearance Audit (PCA) is being issued. In two volumes, the first is aimed at managers and provides information on establishing and planning an audit programme, while the second contains operational guidance on how to prepare for and conduct an audit. The Guidelines make clear that PCA is a compliance tool and should not be used as a basis for fraud investigation.

The new material will be launched at the June 2012 WCO Council Sessions. A schedule of all Revenue Package material is available on the WCO website and material may also be purchased from the WCO online bookshop. It should be noted that some material is restricted to Customs administrations only.

More information

wcorevenuepackage@wcoomd.org

WHO Protocol against illicit trade in tobacco products on the horizon

AFTER FOUR YEARS of negotiations, the Parties to the WHO Framework Convention on Tobacco Control (FCTC) have agreed on the text of a Protocol to eliminate illicit trade in tobacco products.

The Protocol builds upon and complements the provisions of Article 15 of the WHO FCTC which came into force in 2005. Although Article 15 states that the Parties shall adopt and implement effective legislative, executive and administrative measures with a view to eliminating illicit trade in tobacco products, it was recognised that it does not go far enough in facilitating international cooperation to eradicate this illicit trade effectively.

The Protocol includes:

- measures to control the tobacco product supply chain (tracking and tracing tobacco products, licensing, anti-money laundering, and restrictions on internet sales of tobacco products);
- measures dealing with criminalization and enforcement (establishment of offences, sanctions and penalties, destruction, and special enforcement techniques);
- measures relating to international cooperation (information sharing, cooperation in technical matters and in training, and mutual legal and administrative assistance).

Considered as the core element of the Protocol, Article 8 sets out the establishment of a global tracking and tracing regime for all tobacco products which comprises national and regional tracking and tracing systems, and a global information sharing focal point located at the WHO FCTC Secretariat.

The system requires unique, secure and non-removable identification markings, such as codes or stamps, to be affixed to or form part of all unit packets and packages and any outside packaging of cigarettes and other tobacco products. By using these unique identification markings, one can access the portal and receive specific information such as the date and location of manufacture and the intended shipment route, date and destination. The aim is to assist Parties in determining the origin of tobacco products, the point of diversion where applicable, and to monitor and control the movement of tobacco products and their legal status.

The Parties to the WHO Framework Convention on Tobacco Control (FCTC), meeting in Geneva at the fifth session of the Intergovernmental Negotiating Body (INB) at the end of March, agreed on the text of the Protocol which is expected to be adopted by the Conference of the Parties in Seoul, Republic of Korea, in November 2012. It will enter into force after 40 ratifications.

Given the significant impact that the future implementation of the Protocol will have on the activities of Customs in this particular field, the WCO Secretariat strongly recommends that Customs administrations maintain close contact with the competent national office representing their country on the occasion of the final approval of this important international instrument.

The text of the Protocol (FCTC/COP/INB-IT/5/5) and other related documents are available on the official website of the WHO FCTC Secretariat.

More information

http://apps.who.int/gb/fctc/PDF/it5/FCTC_COP_INB-IT5_5-en.pdf

Trade within Africa: bringing down the barriers

REGIONAL TRADE INTEGRATION has long been a strategic objective for Africa. However, the continent is still far from realizing its potential in this area, mainly because of the magnitude of transaction costs that limit the capacity of Africa's people to move, invest and trade goods and services across borders.

These are the findings of a report issued by the World Bank on 8 February 2012, one week after the call for the establishment of a continental free trade area by the year 2017, made by the Heads of African States during the latest summit of the African Union (AU). The report, entitled "De-fragmenting Africa: deepening regional trade integration in goods and services", brings together various studies that discuss a wide range of policy-related barriers driving up costs and limiting trade.

African countries trade little among one another, based on official Customs statistics. The share of intra-regional goods trade in total goods imports is around 5% only in the Common Market for Eastern and Southern Africa (COMESA), 10% in the Economic Community of West African States (ECOWAS) and 8% in the West African Economic and Monetary Union (UMEOA). By comparison it is over 20% for the Association of Southeast Asian Nations (ASEAN), around 35% for the North American Free Trade Agreement (NAFTA), and more than 60% in the European Union (EU).

The published studies highlight the enormous scope for increased cross-border trade in Africa. Regional trade can bring staple foods from areas of surplus production across borders to expanding urban markets and food-deficit rural areas. As incomes in Africa continue to rise, opportunities are emerging for cross-border trade in basic manufactured goods, such as metal and plastic products that are costly to import from the global market.

The potential for regional production chains to drive global exports of manufactured goods, such as those in East Asia, has yet to be exploited. Cross-border trade in services offers untapped opportunities for exports and better access for consumers and firms to services that are cheaper, and provide a wider variety than those currently available.

According to the authors, this unrealized potential is evidenced by the fact that a significant volume of cross-border trade does take place between African countries, but is confined to informal channels and not recorded in official statistics. This trade is essential for welfare and poverty reduction, since poverty-stricken people, and especially women, are intensively engaged in informal production and trading in goods and services that actually cross African borders. Allowing these traders to flourish and gradually integrate into the formal economy would boost trade and enlarge the private sector base, leading to future growth and development.

Readers more specifically interested in cross-border trade should refer to Chapter 2 on the participation of indigent women in cross-border trade in eastern Democratic Republic of the Congo, to Chapter 3 on bilateral trade between Kinshasa and Brazzaville, to Chapter 4 on trade between Sudan and Uganda, to Chapter 7 on trade facilitation programmes and the adoption of a new approach in this field, and to Chapter 11 on market integration in Southern Africa.

The main message of this piece of work is that in order to deliver integrated regional markets that will attract investment in activities relating to agro-processing, manufacturing and new services, policy makers have to move beyond simply signing agreements that reduce tariffs, and rather adopt a more holistic process to deeper regional integration.

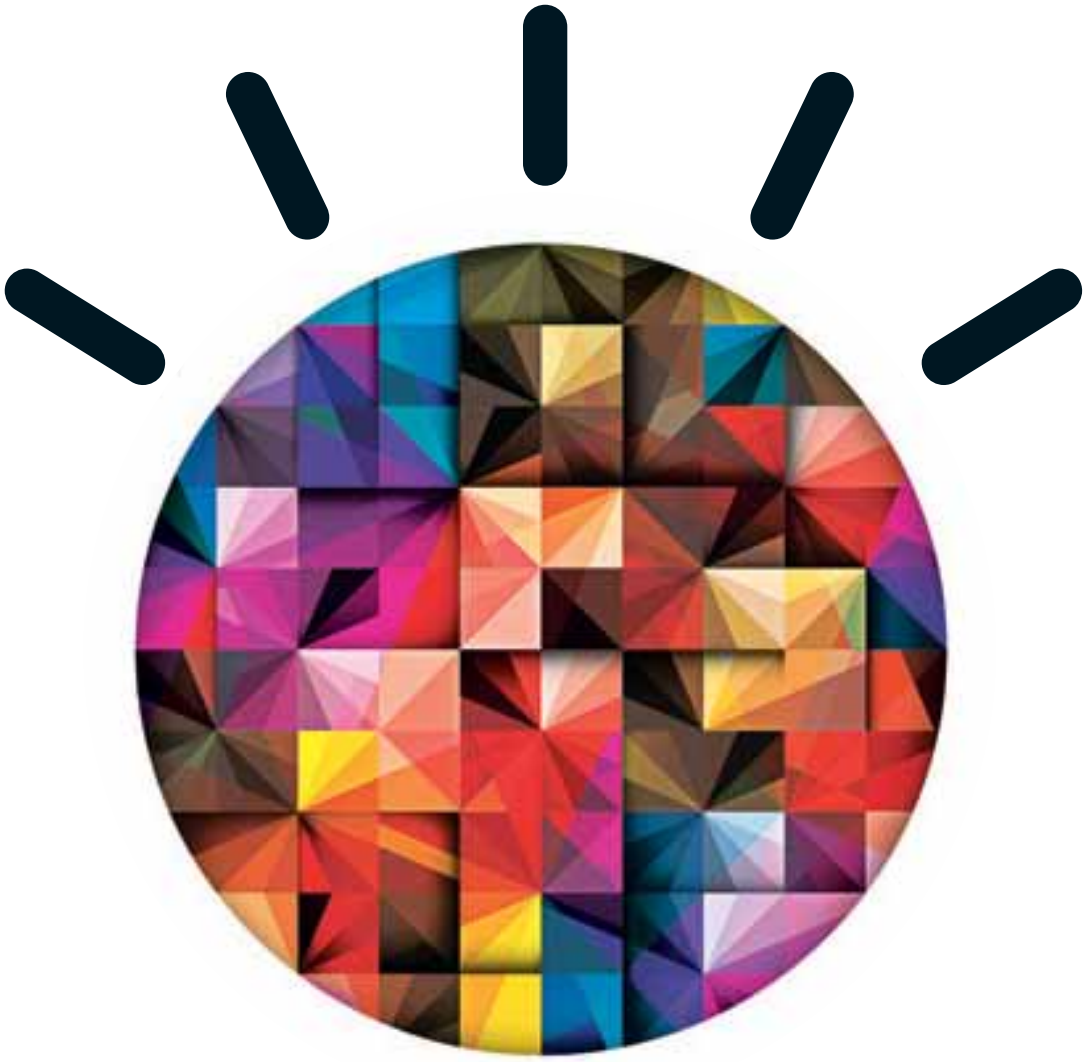
Doing so calls for an approach that reforms the policies creating non-tariff barriers, puts in place appropriate regulations that allow cross-border movement of service suppliers, delivers competitive regionally integrated services markets, and builds the institutions that are necessary to enable small producers and traders to access open regional markets.

More information
http://web.worldbank.org

WCO Annual Report 2011/2012

This year the WCO will publish an Annual Report which highlights the philosophy and history of the Organization as well as its current activities. The publication includes an appendix which provides detailed information on WCO Member administrations as well as their revenue statistics.

More information
www.wcoomd.org



A smarter planet is built on smarter analytics.

Mounting evidence suggests that we're entering a new era, and the change that's driving it is the rise of big data—the 2.5 quintillion bytes being produced each day, which represents the collective output of every person, every organization and every instrumented thing.

In a world defined by big data, it's hard to overstate the importance of analytics. In fact, a 2011 study by *MIT Sloan Management Review* and IBM found that organizations that embrace analytics are 2.2 times more likely to substantially outperform their industry peers.

But not all approaches to analytics are equally smart. A smarter approach means the ability to apply analytics to *all* of an organization's data—not just the structured data from databases or applications, but also the more elusive data that exists outside a business's four walls: things like weather patterns, economic trends, even tweets.

This isn't just theory. Top businesses are putting it into practice, moving beyond *using* analytics to actually *becoming analytic*.

For Belgium's leading ticket vendor, Tele Ticket Service, this has meant changing one of the most fundamental parts of their business: their pricing model. They're using analytics to "read" trends in ticket sales so they can automatically adjust ticket prices in different seating areas based on trends in demand.

In more than 20,000 engagements over the last three years, IBM has helped organizations of every description internalize a smarter approach to analytics—giving IBM the unique vantage point to track patterns across industries and apply those insights to every new client engagement.

As we move deeper into the era of big data, IBM will continue to push the boundaries of what's possible with analytics, including pioneering new systems like Watson that not only are able to assess and predict, but also are able to learn and reason. On a smarter planet, the opportunities are as vast as the data.

Let's build a smarter planet. Join us and see what others are doing at **ibm.com/smarteranalytics**

DOSSIER

Looking back with pride, looking forward with optimism

Twenty twelve is a great year for the World Customs Organization and its 177 Member Customs administrations. The Organization is celebrating its 60th anniversary, an occasion which gives the global Customs community the chance to reflect on where the WCO began, where it is now, and where it hopes to go in the future.

The Secretary General highlights some of our milestones past and present, we take a brief look at the WCO's historical beginnings and subsequent development, we follow one man's forty year Customs journey, we look at the history of containerization: the box that changed the world, and we even step back to 1969 when the Apollo 11 touched down on the surface of the moon.

In this dossier, not only do we look back with pride, we also look forward with optimism, conscious of the fact that the WCO has served the global Customs community with dedication for sixty years, and will continue doing so to ensure that Customs administrations remain well-positioned to deliver effective and efficient services around the world.

Looking back with pride, looking forward with optimism

by Kunio Mikuriya
WCO SECRETARY GENERAL

SIXTY YEARS AGO, several Customs administrations sought to create a new era of cooperation and information-sharing by founding the Customs Co-operation Council (CCC) in Brussels, Belgium. Their foresight led to what we have today: a dynamic organization that is on the cutting-edge of developing Customs instruments, standards, tools and technology, and is an integral participant in international trade.

As we look back on our past, it is self-evident that the CCC and the world itself are dramatically different from what our founders encountered. When the CCC held its first session in 1953, the number of Members was only 17, all of them exclusively European except for Turkey which straddled two continents. Today in 2012, the membership has increased to 177 and covers every part of the globe, in addition to processing almost 98% of all international trade. We are now truly the World Customs Organization.

Not only has the WCO changed, but the role of Customs has evolved and expanded. Historically, the role of Customs was to collect the "customary" revenue paid to the State. A second responsibility was the protection of domestic industries in their infancy from competition. As income tax and value-added tax replaced Customs duty as the main sources of State revenue in many parts of the world, Customs administrations shifted their emphasis to enforcement against criminals attempting to smuggle illicit goods across borders.

In the 1990s, many countries opened up their economies by reducing and simplifying tariff rates, and thus, for many, international trade became a national objective. Consequently, Customs became more aware of the need to balance regulation with trade facilitation, and began to find ways of achieving this, especially with risk management and Customs-Business partnerships.

For years the WCO has been setting global standards in order to harmonize procedures and simplify Customs formalities. This trade facilitation work has intensified in importance with the emergence of modern production and delivery systems, along with the enormous potential offered by new forms of e-commerce, which demand rapid and predictable clearance.

This work is crucial for administrations in lesser developed areas of the world economy where processing costs are a hindrance to trade, but, for these countries, this is only the beginning. To ensure that they are connected to the global trading system and benefit from its associated economic opportunities, the WCO has designed sustainable technical assistance and capacity building programmes that embody the spirit of cooperation which gave rise to this organization.

Protecting society is another objective WCO Members share and where cooperation is crucial. New dangers threaten stability and demand new solidarities. The WCO intends to remain a unique venue for discussing concrete responses to strengthening Customs enforcement in order to protect the health and safety of the world's people from illicit drugs, dangerous counterfeits and fake medicines among others.

Following the attacks of 11 September 2001 in the United States, supply chain security was added to the increasing number of Customs responsibilities. Terrorism, organized crime, nuclear safety and cybercrime are forcing us to rethink the security of our citizens at a global level. The WCO has risen to the challenge with its Framework of Standards to Secure and Facilitate Global Trade and Programme Global Shield aimed at combating the illicit diversion and trafficking in high-risk precursor chemicals used to manufacture explosives.

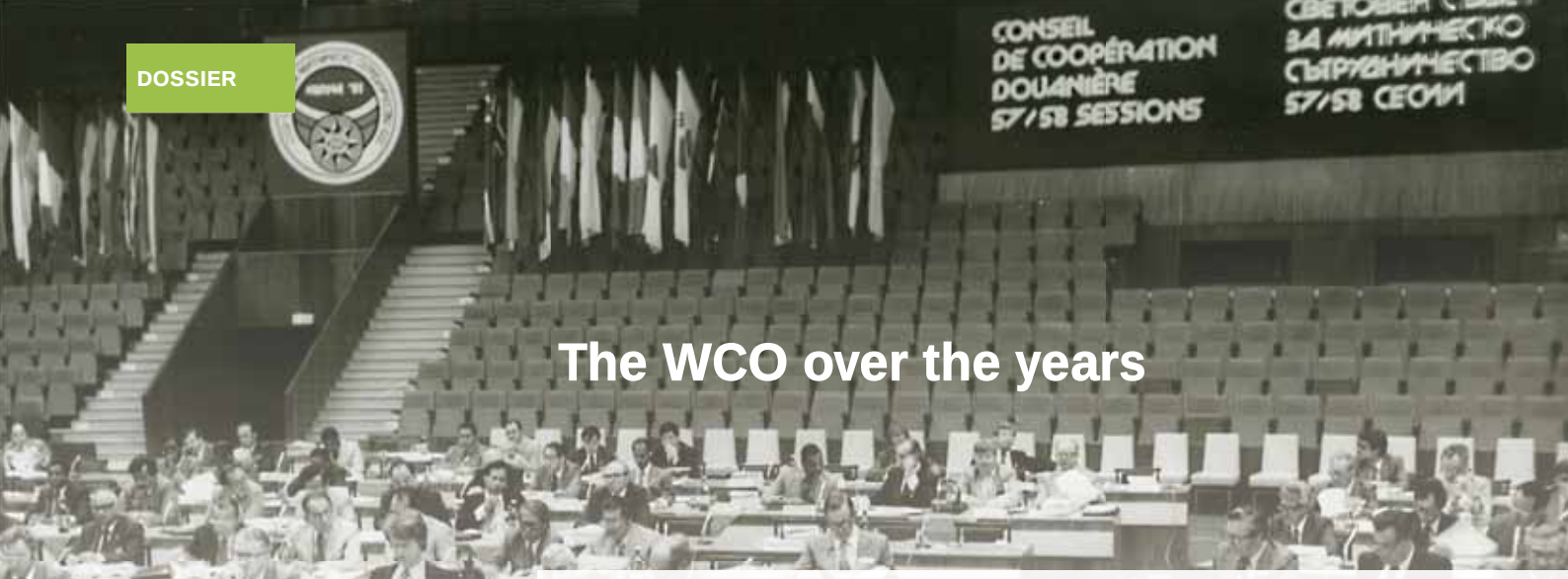
Some WCO Members are also now actors on climate change mitigation, including enforcement against the smuggling in ozone depleting substances and the collection of carbon taxes. The WCO recognizes the importance of Customs activities aimed at countering threats to the environment, including efforts to stop the trade in endangered wild fauna and flora.

For 60 years, the WCO has served the international Customs community, and it intends to continue offering an efficient, energetic and dynamic platform for its Members and their partners, where they can learn from each other, where best practices can be identified and disseminated, where Customs administrations can get the support of peers to help implement reforms, and where research on pressing Customs issues can be undertaken.

As we move boldly into the 21st century, the WCO and its Member administrations are becoming an even more essential part of the international trade community. While we look back with pride, we also look forward with optimism, readying ourselves, in collaboration with our partners, to tackle the challenges and take advantage of the opportunities presented by international trade.

2012 is our 60th anniversary and while borders divide, Customs connects. Let us seize this opportunity to reaffirm our commitment to cooperation, to ensuring universal connectivity, and to building a truly global Customs network with transparency, integrity and good governance as our cornerstones.

The staff and management of the Secretariat join me in expressing our very best wishes to all WCO Members, the Customs community's partners and all WCO News readers during this very special year in the Customs calendar.



The WCO over the years

Cooperation, the cornerstone of progress

Established in 1952 as the Customs Co-operation Council, the main mission of the WCO is to secure the harmonization and standardization of Customs procedures and the development of Customs technique in order to facilitate and secure international trade. For the past 60 years, the WCO has been a setting in which governments can compare policy experiences, seek answers to common problems, identify good practices and standards, and coordinate Customs policies.

It is also noted for its work in areas covering the development of global standards relating to commodity classification, valuation and rules of origin, as well as compliance issues, the promotion of integrity, and sustainable Customs capacity building initiatives.

The Organization has gained a reputation as a positive force, enabling governments to attain their policy objectives through strengthening cooperation between Customs administrations, and implementing WCO instruments and international best practices, including the latest Revenue Package and the Economic Competitiveness Package.

Laying the foundation

The Customs Co-operation Council, as the WCO is known officially, was not created from scratch but was the successor to the Study Group for the European Customs Union which met in Brussels in September 1947. The CCC had its origin in a European Study Group of 13 European States which was convened after World War II to study the possibility of establishing a Customs Union in Europe, which had yet to establish one. However, the achievements of the Group in the respective fields of Customs Nomenclature and Customs Valuation through its Customs Committee were considered so useful that it was decided to establish a special organization to develop them further. The efforts of this Committee led to the signature on 15 December 1950 of two conventions: the Convention on the Nomenclature for the Classification of Goods in Customs Tariffs, and the Convention on the Valuation of Goods for Customs Purposes.

This first stage led in turn to the creation of an international body charged with continuing efforts to secure uniformity and harmony in Customs legislation and procedures, so as to prevent the latter from becoming barriers to international trade. Hence on 15 December 1950 a number of States also signed the Convention establishing a Customs Co-operation Council (CCC) which entered into force on 4 November 1952. The Council held its first meeting on 26 January 1953 with 17 Contracting Parties and this day is now celebrated annually as International Customs Day.

A truly Customs focus with precise goals

The idea of simplifying and standardizing Customs formalities was not new: the conferences and organizations within which this issue had already been addressed had been unable to succeed because they were made up either of business people who did not involve their national administrations in any capacity, or of official delegates of States in vast international bodies for which Customs concerns were purely ancillary.

As a result, without the participation of technically competent Customs officials, either decisions that were unable to accomplish much in the way of practical achievements were made, or negotiations led to no tangible outcomes as Customs issues were not a priority.

For these reasons the goals pursued by the CCC are precise: "to secure the highest degree of harmony and uniformity in their Customs systems and especially to study the problems inherent in the development and improvement of Customs technique and Customs legislation in connection therewith." The WCO's task is therefore clearly distinct from that of other international bodies with less markedly technical competence.

Apart from the work relating to the management of the two Conventions on the Nomenclature and on Customs Valuation, the original functions of the WCO are to study all questions relating to cooperation in Customs matters, to examine all options for simplification and standardization at the international level, to circulate information on Customs regulations and procedures, and to provide Governments with information or opinions on Customs issues.

A range of key instruments and tools

The founders of the WCO gave it the power to draft Conventions and to make recommendations to ensure their uniform interpretation and application. To achieve this goal, specialized structures were created in 1952: two specialized committees laid down by the Conventions on the Nomenclature and on Customs Valuation; a Permanent Technical Committee charged with other Customs issues; and a permanent General Secretariat.

Over time, Customs administrations have had to adapt to the changes which have taken place in the trade environment and respond to new challenges. These evolutionary changes are reflected in the number of WCO working bodies that exist today.

Since 1952, the committees, sub-committees and other working groups have developed a range of international instruments that guide the regulatory development of WCO Members to improve safety, ensure compliance and facilitate trade.

Today there are several international Conventions and Recommendations, relating to the Harmonized System, information technology, procedures and Customs enforcement, as well as Resolutions and Declarations that invite States to pay attention to specific issues.

Models, compendiums, guidelines and tools have also been developed to help WCO Members implement the Organization's standards and solutions. In addition, specific IT tools have been developed to assist WCO Members and the trade to better carry out their responsibilities.

A membership with global reach

Although the WCO was originally essentially European in scope, it gradually became an international organization with global objectives and influence, due in part to the recognition by governments of the importance of Customs to national economies

With the 1990s seeing a huge surge in membership, in 1994 the Customs Cooperation Council agreed to adopt the working name "World Customs Organization" in order to better reflect its new orientation as a truly global institution. Today, the WCO has 177 Members drawn from all continents and representing all levels of socio-economic development, responsible for processing more than 98% of international trade.

A partnership approach

Over the years the WCO has woven close relations with bodies such as the WTO, United Nations agencies, INTERPOL, and multilateral development banks to raise awareness on Customs issues and mobilize support for Customs administrations. To date, the Organization has signed almost 40 Memoranda of Understanding with international and regional organizations.

Towards the end of the 1980s this partnership was extended to the private sector, and today covers around 30 Memoranda of Understanding that consolidate collaboration and exchange of information with the business community.

Closing the gap through capacity building

As the WCO's membership has grown, the Organization has also noted differences between its Members in terms of potential and resources, coming up against a number of Members without the means to implement the solutions developed for them and by them.

While the WCO has long focused on providing technical assistance to its Members, with the adoption of the Revised Kyoto Convention in particular, it became imperative for the Organization to turn its focus to helping its Members provide themselves with the means to apply the standards laid down in Customs conventions and internationally recognized best practices.

This led to the launch of a Customs reform and modernization programme which later grew into a fully-fledged capacity building programme that is bolstered by efforts to obtain the support of Members and other institutions – in particular financial backers – not forgetting the private sector.

More information
www.wcoomd.org

One man's forty-year Customs journey

by Jukka-Pekka Miettinen

Jukka-Pekka Miettinen entered the Finnish Customs service in October 1966 and attended his first WCO meeting in 1972. In his memoirs "40 years of Customs work in Finland and abroad" he shares his experiences at the WCO, as a national representative first, then as a Technical Officer working at the Secretariat, and finally as a Customs Attaché in Brussels. This article is an extract of some of the highlights of his forty-year Customs journey.

Entry into Finnish Customs

My career with Finnish Customs began in October 1966. For the first three years my tasks and duties involved clearance for home use and taxation of imported commercial cargo at Helsinki's Port and Airport. I then joined the Organisation Unit at the Board of Customs which is the governing body guiding Customs work all over the country.

It is at the Board that I first heard about the Brussels based Customs Co-operation Council (CCC), as the Head of the Organisation Unit represented Finnish Customs at meetings of the Permanent Technical Committee (PTC). Although my work relating to the PTC only involved assisting the Head in examining PTC documents, I was able to form a picture of its area of responsibility and the issues involved.

First meeting at CCC headquarters

From the Organisation Unit I was transferred to the Customs Valuation Unit which attended meetings of the Valuation Committee at the CCC. This Committee was responsible for developing the Brussels Definition of Value (BDV) and for ensuring its uniform application. Like all CCC Technical Committees, it met twice a year for two weeks at a time.

The meeting I first attended took place in the spring of 1972. The interpreters were seated in the middle of the room, slightly lower than the delegates. At that time the CCC still used consecutive interpretation which prolonged the meeting but provided a good opportunity for me to learn some French.

As for the agenda items, "buying commission" was a central issue and, consequently, an everlasting one. Computers were also rapidly gaining ground and the Committee held long discussions on whether or not the value of software was to be included in the dutiable value of hardware.

What the French call "esprit de corps" – the common spirit of comradeship, enthusiasm and devotion that exists within members of a group – was very much in evidence at Committee meetings. Soirées with live chamber music were arranged for delegates attending the Committee and the CCC bar was always full after meetings; when the bar closed many delegates continued their conversations at a nearby café.

New tasks and a new CCC Committee

In 1973 I was appointed to the post of Deputy Head of the International Section and was invited to attend the sessions of the PTC. At that time the absolute priority for the PTC was the preparation of new Annexes to the Convention on the Simplification and Harmonization of Customs Procedures which had been adopted in 1973 in Kyoto, Japan. The idea for preparing this kind of all-embracing international Customs convention came from Spain. The Kyoto Convention had a predecessor adopted as early as 1923 in Geneva by the League of Nations, but that convention had a much more restricted scope.

The completion of the Kyoto Convention at the PTC necessitated intensive work. Thus a meeting of the Committee took three weeks of which the first two were dedicated to a Working Party which dealt solely with Kyoto Annexes. The work was speeded up with the introduction of simultaneous interpretation at the CCC. I participated in the work so actively that the Working Party saw fit to elect me as its Chair in November 1975. We worked on three Annexes, one dealing with free zones and the other two with processing traffic. All three were later adopted with a few amendments.

First term at the CCC Secretariat: 1976-1981

My experience gained at PTC meetings and acquaintance with Secretariat offi-

cials made me wonder what it would be like to work at the Secretariat. A vacancy soon opened in the CCC's Customs Technique Directorate and my candidacy was accepted. On 1 September 1976 I started working at the Secretariat as a Technical Officer; the first representative of Finnish Customs, with a term of five years.

The Kyoto Convention continued to be the first priority of the Customs Technique Directorate. Every Officer drew up a draft Annex which was then examined and given its final form at internal meetings of the Directorate. After that the draft was submitted to Member Customs administrations for comments. The draft and the comments received were included in a working document which was discussed at the Working Party and the PTC.

During my first year I prepared drafts for two Kyoto Annexes, one dealing with Customs formalities concerning commercial means of transport (Annex A.3), and the other with ships and aircraft stores (Annex A.4). In the latter Annex I included the Nordic system relating to the control of tax free use of ships' stores. Later I was entrusted with drafting Articles concerning Customs transit for a Model Agreement that UNCTAD was preparing in order to facilitate access to seaports for landlocked countries. I also had to revise the CCC Glossary of International Customs Terms, with Kyoto providing many new ones.

My first term at the Secretariat culminated in the 1st Meeting of the Administrative Committee for the Customs Convention on Containers, 1972. This Convention had been adopted at the United Nations Economic Commission for Europe (UNECE) in Geneva, but its administration had subsequently been transferred to the CCC.

The main objective of the meeting was the acceptance of the amendments made to the Convention on International Transport of Goods Under Cover of TIR Carnets (TIR Convention), administered by UNECE, concerning technical requirements for containers which could be used for the transport of goods under Customs seal, and also for the purposes of the Container Convention since the requirements had to be identical in the two Conventions.

Return to Finland: 1981-1987

I returned to Finnish Customs from 1981 to 1987 but my activities still involved numerous contacts with the CCC, more particularly in 1983 when Jorma Uitto, the then Director General of Finnish Customs, was elected Chairman of the CCC Council.

Also, I became involved in a process that was of much interest to the CCC Secretariat and which brought me back to Brussels often – the negotiation of two agreements between the European Union (EU) and European Free Trade Association (EFTA); one on the adoption by EFTA countries of the EU Customs declaration or Single Administrative Document (SAD), and the other on a Common Transit Agreement.

Second term at the CCC Secretariat: 1987-1992

In 1986, a vacancy opened at the Secretariat for a Director which required knowledge of temporary importation and of the SAD, as the CCC was planning to adopt a single convention on temporary admission and a Customs declaration form of its own for worldwide use. I sent in my application and was back at CCC headquarters in September 1987.

The CCC intended to take an all-embracive approach to facilitating temporary admission. Over time it had adopted a number of Customs conventions on temporary admission, concerning goods, such as professional equipment, pedagogic material, and goods for display at exhibitions and fairs. Of particular importance was the ATA Convention which provided for the use of an ATA carnet as a handy instrument that incorporated both a Customs clearance document and a guarantee.

As the instruments had been adopted at different times, the time-limits for temporary stay of goods and the means of control differed much between these conventions. This led to the decision by the CCC to include all earlier instruments under a single convention in order to simplify and harmonize Customs procedures on temporary admission.

My predecessor had given the project a good start and what was left for me to do was to bring it to conclusion at the PTC. This also involved discussions and meetings with the Paris-based International Bureau of Chambers of Commerce which ran the international ATA guaranteeing chain, and other relevant organizations such as the International Automobile Association and the International Association of Film Producers.

Another time-consuming project for me started at the beginning of 1988. Inspired by the EU/EFTA SAD, the CCC decided to draw up a model Customs declaration form for international use. I decided that this form had to be an improvement of the SAD which had space for declaring goods falling under one Customs tariff heading only.

Since studies had shown that some 70-80% of all consignments moving in international trade contained goods which fell under more than one tariff heading, I decided that the CCC Single Goods Declaration (SGD) had to remedy the shortcoming in the EU/EFTA SAD, resulting in the setting up of a Working Group to draw up the SGD.

The CCC Council adopted both the new Convention on Temporary Admission (Istanbul Convention) and the SGD. In the autumn of 1990 I tried to sell the brand new SGD to UNCTAD for use in the ASYCUDA data processing system which they had designed for developing countries' Customs administrations. I was not successful; the EU Commission had the same plans for its SAD and since it could offer plenty of financial support which the CCC was unable to do, UNCTAD quite understandably chose the EU form.

A third of WCO Members have acceded to the Istanbul Convention to date. As for the SGD, it was clear that it would not supersede the SAD form in EU and EFTA countries. And in other countries, it was most likely that the SGD data contents did not satisfy national requirements which could not be changed for one reason or another.

In October 1991 the CCC sent me to Geneva to attend the meeting of the Group

of Experts on Customs Questions Affecting Transport; a body established under UNECE. I was given a challenging task to try and obtain the transfer of the administration of the Convention on International Transport of Goods Under Cover of TIR Carnets, 1975 (TIR Convention), from UNECE to the CCC.

Although this had been attempted before, the CCC had always felt that, as a worldwide Customs organization, it should have an international Convention on Customs transit of its own. It is true that the CCC had drawn up the ITI Convention dealing with international transit, but it had never entered into force, having obtained only three accession signatories to date.

The reasons for such limited success were obvious: UNECE's TIR Convention had already obtained a strong foothold in Europe and outside Europe. But the CCC did not give up and, when the administration of the Customs Convention on Containers, 1972, was transferred from UNECE to the CCC, the latter also tried to obtain the TIR.

I did propose the transfer to Brussels of the TIR Convention, but to no avail. There was no support even though almost all UNECE Member States were also CCC Members. I presume the reason was that, had the TIR been moved to Brussels, UNECE's Customs Committee would not have been left with much work to do. Furthermore, the International Road Transport Union (IRU), which operated the TIR guarantee system and issued TIR carnets to Contracting Parties, was based in Geneva.

In December 1991 I attended a United Nations Environment Programme (UNEP) seminar in Kuala Lumpur, Malaysia. It had been organized to promote the Prior Informed Consent (PIC) system which had been developed to control international transport of toxic substances; for example, permission needed to be obtained from the country of destination before a transport operation started.

My task was to advise participants on how the transport of toxic substances could be secured by Customs measures. Most amusing was the young male officer from UNEP who found it almost impossible to believe that entering the Customs tariff heading of the substance in transport documents and prior notification by Customs in the country of departure to Customs in the country of destination were useful.

I left Brussels for Finland in 1992. This marked the end of my career at the Secretariat, but did not end my contact with the CCC. In 1994 the CCC adopted the working name "World Customs Organization" to better reflect its worldwide nature and growth in membership.

Back in Brussels: 1996-1998

Had I not had enough of Brussels? Obviously not. I was back in 1996 as the Customs Attaché at the Permanent Representation of Finland to the EU. My work included the Customs Code Committee of the EU with its numerous sub-sections, as well as the various WCO working bodies.

In general, though, I had only an assisting role since, as a rule, there was always someone from Helsinki attending the meetings. This was of course necessary since Finnish Customs is responsible for the application in practice of decisions taken at these meetings.

A complete overhaul of the 1973 Kyoto Convention was going on at the WCO. The Revised Kyoto Convention was adopted in 1999, with the "new" one being considerably more binding than the old one: all Contracting Parties had to accept the General Annex, comprising all central Customs procedures, with no reservations allowed.

To compensate for this, a transitional period of a few years could be obtained for the application of the Standards and Recommended Practices of the General Annex. Also, the WCO Secretariat undertook to provide technical assistance on request for Contracting Parties needing assistance with the implementation of the General Annex.

Negotiations with the Belgium Government on new premises for the WCO had been completed. The WCO would be given a building in downtown Brussels constructed specifically for its needs. I participated in the laying of the foundation stone of the new building in April 1997. The event was followed by celebratory drinks.

The final years with Customs

Back in Finland and until my retirement in 2007, I remained very involved with the work of the WCO, the organization that has given me so much. At my farewell party I promised to put something on paper about my career with Customs, a task which I accomplished with fond memories.

More information

jukkapekka.miettinen@gmail.com

GOVERNMENTS AND INSTITUTIONS SERVICES

"Borders divide, Customs connects" thanks to SGS designed solutions:

- Single Window solution to simplify customs and port clearance
- Intensive practice in scanner detection to meet international regulations, identify fraud and potential security threats

SGS IS THE WORLD'S LEADING INSPECTION, VERIFICATION, TESTING AND CERTIFICATION COMPANY

WWW.SGS.COM

WHEN YOU NEED TO BE SURE

SGS

The box that changed the world

In April 1956, a refitted oil tanker carried 58 shipping containers from Newark to Houston. This trip marked the beginning, although modest, of container shipping which would develop into a huge industry that made the boom in global trade possible. In his book "The Box", Marc Levinson tells the story of the container's development and decade of struggle before it was widely adopted. This article traces the outline of its epic journey.

THE STORY OF the container is complex and has many important subplots, but the overall story also has an overarching shape:

- On one end, you have four fragmented and heavily regulated industries in post World War II mode (railroads, trucking, shipping and port operations). Goods ranging from fruit baskets, cotton bales and spare parts to coffee are moved in bulk and packed in crates, boxes or bags, and loading and unloading require a large labour force. It was a system that was costly, inefficient, almost designed for theft, and slow, keeping transportation systems stationary and losing money.

- On the other end is the world we now live in, where goods move, practically untouched by humans, from anywhere in the world to anywhere else. Along the way the container did to distribution what the assembly line had done earlier to manufacturing, it made mass distribution possible. The fortunes of port cities old and new swung wildly, regulation fell apart, and supply chains became globally integrated as manufacturing got distributed.

The early days

The high cost of freight handling was widely recognized as a critical problem as early as the late nineteenth century and cargo boxes of various shapes and sizes started being used to carry freight. The British and French railways tried wooden containers to move household furniture, using cranes to transfer the boxes from rail flatcars to horse carts. At the end of World War I, almost as soon as motorized trucks came into wide civilian use, the Cincinnati Motor Terminals Company hit upon the idea of interchangeable truck bodies that could be lifted onto and off a wheel base with a crane. Farsighted thinkers were proposing a standardized unit container which could be transferred between railroad flat cars, auto chassis, warehouse floors and vessels.

During the 1920s, different container systems came into use on railways in response to a new competitive threat, the truck, and in 1933 railroads formed the International Container Bureau, an organization dedicated to making international container freight practical in Europe. The US military began using small steel containers called Conex boxes for soldiers' personal belongings, and after the war several shipping companies had developed their own box to carry freight. Yet these efforts were far from successful, notably in the maritime sector – the mode most constrained by the time taken to load and unload.

Boxes were small, most European ones were made of wood with no tops and had to be covered with canvas while in the US they were made of steel and very heavy. Wasted

space was quite considerable. For international shipments, Customs authorities often charged duties on the container as well as on the contents, and there was the cost of sending emptied boxes back. Last but not least, the handling of containers led to hardly any cost savings: moving them with a forklift often damaged the containers, many of them required longshoremen to climb atop of them to attach hooks and these men were also required to stow containers alongside loose freight in the holds of ships where the boxes had to be manoeuvred past ladders.

Interest in finding a remedy was widespread. Shippers wanted cheaper transport, less damage, less pilferage and lower insurance rates. Ship owners wanted to build bigger vessels, but only if they could spend more time at sea, earning revenue, and less time in port. Truckers wanted to be able to deliver to and pick up from the docks without waiting for hours. Business people having invested in port cities wanted to boost traffic through their harbours. The solution came from an outsider who had no experience with ships.

A man with a vision

Malcom Purcell McLean was a self-made trucking magnate. In 1953, he was concerned with increasing highway congestion and worried that domestic ship lines able to buy war-surplus cargo ships from the government for almost nothing, might undercut his trucking business. Rather than driving down crowded coastal highways, why not just put truck trailers on ships? He would soon put this idea into practice. In 1955, he acquired a small steam ship company, Pan-Atlantic, but had to sell his trucking enterprise because the law stated that one could not own a truck company and a shipping line.

A few months later, in April 1956, on the waterfront at the port of Newark, he supervised the loading of his first container ship bearing the name Ideal X. Two cranes from which a spreader bar hung lifted 58 containers onboard the refitted oil tanker bound for Houston. The operation took less than 8 hours. The containers themselves were 33-foot aluminium boxes designed by an engineer named Keith Tantlinger whose job was to design truck trailers and who had designed in 1949 the first modern shipping container. Piers at the port had been reinforced to accommodate the added weight and the rails and large power supplies the cranes required had been installed. Trucking companies had been contracted to pick up the shipments at customer's loading docks and to transport arriving containers to their final destinations.

McLean's fundamental insight was that the shipping industry's business was moving cargo, not sailing ships. He understood that reducing the cost of shipping goods required not just a metal box but an entire new way of handling freight. The container itself was to be at the core of a highly automated system for moving goods with minimum cost and little complication. Every part of the system – ports, ships, cranes, storage facilities, trucks, trains and the operations of the shippers themselves – would have to change.

A rigid environment

Small scale demonstrations of the container's potential took place in 1957 and 1960, offering powerful examples of the efficiency that container shipping could achieve once specialized ships and equipment were brought into being. Yet in 1962, six years after it arrived on the scene, container shipping remained a very fragile business. The problem was not that seamen failed to notice the significance of the time and costs associated with the labour-intensive loading and unloading of loose cargo. Indeed, most of them were keenly aware of the problems. Industry insiders had, however, become comfortable working within the rigid regulatory and governmental support structure.

As Levinson notes, for all their "earthy bluster", America's leading maritime industry operators had survived, "thanks almost entirely to government coddling": "On domestic routes, government policy discouraged competition among shipping lines. On international routes, rates for every commodity were fixed by conferences, a polite term for cartels, and the most important cargo, military freight, was handed out among US-flag carriers without the nuisance of competitive bidding. Decisions about buying, building or selling ships, about leasing terminals, and about new sailing routes all depended upon government directives" (pp. 150-151).

Coming of age

McLean expanded his waterborne operations to Puerto Rico in 1958, to the West Coast via the Panama Canal in 1962, and north to Alaska that same year. In the meantime, other US-flag steamship companies began to explore the opportunities of containerization. Matson Navigation Company inaugurated a container service between California and the Hawaiian Islands in 1958, and Grace Line put its first container ships into service between New York and Venezuela in 1960. Viewed at the start of 1965, containerization's first nine years were positive but unspectacular; only three shipping lines were offering an international container service from the US! However, the prerequisites for the container revolution were falling into place:

- Dock labour costs were falling;
- International agreements were in place on standards for container sizes and lifting methods;
- Wharves designed for handling containers were on the way;
- Manufacturers had learned how to organize their factories so that they could save money by shipping large loads in single units;
- Railroads, truckers and freight forwarders had grown familiar with switching trailers and containers from one conveyance to another to move what was now being called 'intermodal freight';
- Regulators were cautiously encouraging competition.

On 23 April 1966, ten years after the first converted container ship sailed, McLean's vessel Fairland sailed from Port Elizabeth in the US to Rotterdam in the Netherlands with 236 containers on board. This was the first pan-Atlantic voyage of a container ship.

Container technology gets a boost

The 60s also saw the emergence of a new supporter of the use of the container: the US army. During the rapid build-up to the Vietnam War, the US military was faced with a logistics problem concerning the transportation of supplies to troops. It had somehow to transport mass supplies to a war zone in Southeast Asia through a single under-developed port on the Saigon River and a partially-functioning railway. It created "what may have been the greatest logistical mess". This "mess" finally gave McLean and his associates an opportunity to prove the tremendous benefits of their approach. He convinced the military that containerization could solve many troublesome problems associated with maintaining an effective chain of supply. In the late

1960s he was able to tap an interesting market, moving supplies to and from South Vietnam for the US military who became the greatest advocate of container technology and made containerization a tool for reform of the way supply agencies and military traffic managers were handling procedures.

McLean also was aware that a considerable portion of traditional manufacturing was shifting from North America to Asia. Because vessels bound for Vietnam were returning to North America largely empty, he established a triangular trade from the West Coast to Vietnam with war supplies, from Vietnam to Japan and Hong Kong empty, and then back across the Pacific with commercial cargo from Asia to North America. When transpacific trade grew, McLean teamed up with Southern Pacific Railroad to develop the first double-stack freight car for carrying containers inland from West Coast ports. The transpacific logistical supply line that was established in support of the war provided another dramatic example of the efficiencies of container ships.

The ships

Container shipping began to prove its worth at an international level but one crucial ingredient was missing for the business to develop: ships. Most lines had no ships with container cells in their holds and desperately tried to meet customers' demands by packing containers into conventional break bulk cargo ships. These ships were hard to service with container cranes, requiring longshoremen to climb atop the box to attach and detach hooks at the corners.

1968 and 1969 were the "baby boomer" years for container shipping. At the end of 1969, 16 second generation container ships designed from the start to work smoothly with dockside container cranes were at sea. From 1968 to 1975, no fewer than 406 container ships entered service. Shipping lines also added more than 200 partially containerized ships and almost 300 roll-on roll-off ships to serve routes that lacked the volume to justify container ships. European and Asian firms, which now dominate the industry, were late entrants in the game. Maersk Line built its first container ship in 1973. Mediterranean Shipping Company did not exist until 1970 and Evergreen was founded in 1968.

Ports awaken

Another part of the container ship saga is the reconfiguring of port facilities around the world to handle inbound and outbound containers efficiently. For ports, capturing container traffic was going to be expensive, requiring investments out of all proportion to what had come before. For shipping lines, the days when vessels meandered along the coast, calling at every port in search of cargo, would soon be over. Every stop would mean tying up an expensive container ship that could generate revenue and profit only when it was on the move. Only ports that could be relied upon for large amounts of freight were worth a visit and all others would be served by truck or barge.

By the late 1950s, it was clear that maritime traffic would be drawn to a small number of very large ports. Government agencies would have to be far more closely involved in financing, building and running ports if they hoped to capture the jobs and tax revenues that would come with being a major transportation centre. In the US, ports responded with no overriding rhyme or reason; cities such as New York and San Francisco squandered tax money on wharves and cranes that had little chance of recouping the initial investment, even as cities that might have become important container ports, such as Philadelphia, failed to invest in time.

The first decade of container shipping was an American affair. Ports, railroads, governments and trade unions around the world spent those years studying ways that containerization had shaken freight transportation in the US. They knew that the container had killed off thousands of jobs on the docks, rendered entire ports obsolete, and fundamentally altered decisions about business location. Even so, the speed with which the container conquered global trade routes took almost everyone by surprise. Some of the world's great port cities soon saw their ports all but disappear, while insignificant towns on little-known harbours found themselves among the great centres of maritime commerce. In Britain, the government was so terrified of the waterfront unions that it took few steps to prepare for the container era until the first ships were already in port. In continental Europe, the ports that had had the foresight to plan for container shipping, notably Rotterdam, Antwerp and Bremen, were the first to capture the traffic.

Port activities at Long Beach, California, 1915.
Courtesy of the Port of Long Beach.

One region did learn from the American and European experiences: Asia Pacific. In Japan, the transport ministry came up with a plan to build 22 container ship berths in Tokyo and in Kobe in 1966. The Australian Maritime Services Board quickly planned to build conventional wharves at Sydney and invited bids for construction of a container terminal in September 1966, although no international shipping line had yet expressed interest in providing a container ship service to Sydney. But no government was more aggressive than Singapore's whose strategy was to use containers to become the commercial hub of Southeast Asia. The port authority began construction in 1967 on a terminal at which long-distance vessels from Japan, North America and Europe could transfer containers to smaller ships serving regional ports. East Asia's ports were ready and waiting as the new vessels came on line in 1971.

Government investment in ports had been crucial to the development of container shipping in the 1960s and 1970s. Excluding Felixstowe in the United Kingdom and the port of Hong Kong, every major container port in that era was developed at public risk and expense. At the time there was no alternative – undercapitalised shipping lines and stevedoring companies could not have financed port development on their own. As investment needs grew larger, public officials began to lose their enthusiasm for running ports. The possibility that a shipping line's departure or demise could leave a public agency to pay for idle cranes and silent container yards was too great for many governments to chance. British Prime Minister Margaret Thatcher broke the ice by selling off 21 ports to a private company in 1981. Governments in other countries followed suit. By the end of the 20th century, nearly half the world's trade in containers would be passing through privately controlled ports.

The initial effects of the container were felt mainly within the narrow confines of the maritime industry by shipping lines, port agencies and dockworkers. It had very few wider consequences as ocean transportation itself accounted for a very small share of the world economy and longshore work was a tiny percentage of total employment. The true importance of the revolution in freight transportation would be found later as the impact of containerization resonated among the hundreds of thousands of factories, wholesalers, commodity traders and government agencies with foods to ship. The container would reshape the world economy only when it changed shippers' costs in a significant way. This did not happen quickly.

Driving down shipping costs

The overall cost of shipping goods internationally remained relatively high through the mid 1970s, even with containerization. At some point in the late 70s, the trend seems to have begun to change and the real cost of shipping goods internationally started to fall rapidly. Rates were set by liner conferences that brought together most of the shipping lines that serve a given route. So, what happened to make shipping cheaper? The answer has to do with the shippers. Containerization required the buyers of transportation to learn a whole new way of thinking about managing their freight costs. As they became more knowledgeable, more sophisticated, and more organized, they began to drive down the cost of shipping by defying the shipping cartels and by supporting the deregulation of transportation.

It was in Australia, where farmers were almost totally dependent upon exports, that shippers began to flex their muscle. In 1971 sheep farmers and wool buyers formed a joint organization to oppose rises in freight rates. A year later, rubber traders in Singapore responded to conference surcharges by finding a non-conference carrier to move their products to Europe for 40% less. By 1973, shippers' power on the East Asia-Europe route was substantial enough that the conference was forced to bargain.

Floating highways

In 1997, container shipping reached a landmark. Container ships were put into service between South Africa and Europe, the last big maritime route still handled by break bulk cargo ships. Containers were by no means universal; on many less trafficked routes, especially to African and Latin American countries, traditional ships still dominated. In commercial terms, though, these were niche markets, not large opportunities. The major ocean routes had become the floating highways that Malcom McLean had envisioned.

More information

The Box, Marc Levinson, Princeton University Press, 2006

The first "container" ship sails from Port Newark on 26 April 1956. Courtesy of the Port Authority of New York and New Jersey.

Not even astronauts can escape the long arm of Customs!

by M.V.N. Rao
FORMER CHAIRMAN OF THE INDIAN CENTRAL BOARD OF EXCISE AND CUSTOMS

Many remember the first landing on the Moon, when Apollo 11 touched down on its surface on 20 July 1969 and Neil Armstrong, one of its astronauts and the first man to walk on the Moon, uttered his now famous phrase: "One small step for man, one giant leap for mankind". People were either glued to the television or hunched around the radio as the world witnessed this historic event. But little did the astronauts know that when they returned to earth, a duty-conscious Customs officer would stop them and ask the most famous words associated with Customs services across the globe: "Do you have anything to declare?" Not even astronauts can escape the long arm of Customs!

NASA

M.V.N. Rao, a former Chairman of the Indian Central Board of Excise and Customs who chaired the WCO Policy Commission Sessions in Brussels in December 1988, shares an interesting true story with us, which he calls 'The Ubiquitous and 'Duty'-Conscious Customs', involving Apollo 11 astronauts and the then US Customs Service. An extract of his story appears below.

Almost six decades ago, in 1954, as a 'probationer' in the service, I had to spend a few days away at Santa Cruz Airport in Bombay to learn the intricacies and nuances of clearing (for Customs purposes) aeroplanes, passengers and cargo arriving from and departing to foreign countries by air.

During the course of the 'briefing' about the implications and modalities of granting inward/outward clearance for aircraft, crew, passengers and cargo, etc., one of the Inspectors was explaining, pompously, how 'powerful' Customs is and how no aircraft can arrive or depart without obtaining an inward/outward clearance from Customs.

Those were the days when the air was abuzz with reports of US and USSR attempts to launch satellites and humans into space, as well as landing men on the moon. As the Inspector was pouring forth the details of the procedures, I casually mentioned to him that the day was not far off when Customs officers would be granting port clearances to spacecraft travelling to and from the Moon. Thereafter, I forgot all about the matter.

Thirty years later, in October 1984 to be exact, during a visit to the US Department of the Treasury, under whose jurisdiction the Customs Service fell, an officer of the Department was explaining prevailing procedures at international airports in New York, among other things. As he was talking to me, I recollected and mentioned to him what I had said as a probationer at Santa Cruz Airport.

On hearing this, he said to me "wait a minute", went to the Department's archives and brought me a very precious document. It was a 'General Declaration for Agriculture, Customs Immigration and Public Health' taken by a Customs Inspector when Apollo 11 landed at Honolulu Airport in Hawaii, on its return from the Moon odyssey on 24 July 1969.

The Declaration was taken from and signed by the crew consisting of Commander Neil A. Armstrong, Colonel Edwin E. Aldrin, Jr. and Lt. Colonel Michael Collins. Inward entry had been granted by a Customs Inspector, and the cargo declared as "Moon rock and Moon dust samples" with the flight routing indicated as Cape Kennedy, Moon, Honolulu.

What a precious and invaluable cargo indeed! We are all used to dealing with terrestrial objects and products. But how do we classify extra-terrestrial objects? What will be the valuation? Can one dare to treat them as samples of "no commercial value"? All this is food for thought!

Apart from the personal satisfaction of having been so futuristic at the young age of 23, I have always wondered how, in an atmosphere surcharged with excitement and emotion, with millions of people following the event, the Customs officer in charge was so thoughtful, so duty-conscious and had such a keen presence of mind that he had asked for and taken a Declaration from such an exalted and august crew about the cargo on board, for purposes of granting a formal inward entry.

CAPE KENNEDY

MOON

JULY 24, 1969
HONOLULU

MOON ROCK AND
MOON DUST
SAMPLES Cargo
Manifests Attached

Moon Customs declaration 1969

This historic Declaration serves as a standing tribute to this duty conscious US Customs officer and is in a way applicable to the Customs fraternity all over the world. Indeed, as the late US President John F. Kennedy is reported to have observed about Customs: "Their successes are never sung but their failures are heralded".

Algeria takes a candid look at its performance measurement system

by Hakim Berdjoudj
DIVISIONAL INSPECTOR AND DIRECTOR OF STUDIES IN THE RESEARCH DIRECTORATE RESPONSIBLE FOR THE ORGANIZATION AND MODERNIZATION OF SERVICES WITHIN THE ALGERIAN DIRECTORATE GENERAL OF CUSTOMS

Since 2008, the Algerian Directorate General of Customs has been applying a new management policy based on performance measurement. In this article, it reports on its trialling of performance contracts, taking a candid look at progress to date and the problems encountered, and sharing its findings and ideas for improvement.

Overview

In 2007, Algerian Customs launched a three-year modernization programme in which a system was to be put in place to evaluate services in the light of performance contracts. A performance contract is an official document signed by the Director General of Customs and the Regional Director concerned, under which the latter is responsible for ensuring performance based on targets jointly negotiated between the two parties.

During July 2008, the Directorate General of Customs set out the policy it had adopted for the evaluation of decentralized services and shortly afterwards sent a mission statement to its Regional Directors in order to prepare them for the signature of performance contracts for 2009. At the same time, an initial performance indicator panel was drawn up and permanent units (one central and the rest regional) were established to manage and monitor the performance evaluation system for the decentralized external services.

Practical implementation

The first performance contracts were signed in the second half of 2009, and, at the same time, information campaigns were run in the field to publicize the performance contracts to Regional Directors and their teams. The system was extended in 2010 and was further discussed at a national seminar, at which 10 recommendations were adopted and circulated to all central and external services.

Impact of the system

The performance system being operated by the Algerian Customs administration is still far from perfect. In many respects, it is still at the stage of experimentation,

discovery and exploration of possible improvements. Nevertheless, the impact of the system introduced back in 2008 is making itself felt in several ways.

Firstly, a gradual change in behaviour has been noted, which is essential to the success of the project. The services have taken the new language of the performance system on board and are using it as a matter of course. They have accepted values and ideas that were once considered alien and unsuited to an administrative organization. Clearly, no project, however sound it might be, will produce the expected results in the long term without a positive change of behaviour.

Progressive adoption of the performance culture and the values it promotes reduces traditional forms of resistance to change and encourages initiative and competition within services. Apart from the aim of achieving the targets set, services are also working on presenting satisfactory progress reports at evaluation meetings and highlighting all positive achievements and efforts made.

Current shortcomings

The initial attempts at evaluating performance contracts by the permanent central unit revealed a generally low level of development.

The first finding was the absence of a dedicated performance information system. Although the Administration has had an automated information management system (SIGAD) since 1995, this automated Customs clearance system does not automatically carry out data mining. Neither does it have an automated system for monitoring and providing feedback on information relating to performance contracts; data for establishing performance indicators is collected manually. There are plans for an information system built into the management of the performance system, however it is not yet operational.

The second finding was the lack of communication with field officers. Apart from work meetings with Regional Directors organized by the central administration, external service managers do not, generally speaking, make enough effort to provide information to operational units. As a result, the latter are not fully involved or sufficiently familiar with the system, and feedback that might generate improvements is lacking. External service managers themselves are not properly conversant with the performance system, particularly the "corrective action plan" element. For instance, when targets are not achieved, there is no recourse to causal analysis characterized by identifying the causes that contribute to bringing about each problem. Thus, it is difficult to assess whether the solutions proposed by the respective corrective action plans are appropriate and correct.

The third finding concerns shortcomings in the operation of the permanent central unit charged with monitoring the performance system. This unit needs to be far more dynamic. The problem is partly internal – the unavailability of unit members as they hold senior positions within their respective services, and partly external – Regional Directors fail to meet their obligation to submit regular management reports summarizing the most relevant and sensitive information on performance indicators.

The unreliability of data is another factor. It is the job of the central unit to analyse and interpret the data in the reports from Regional Directors, suggest solutions, and help develop the performance system, but the data collected is unreliable. Also, communication between the central and regional units is inadequate, and the quality of the information exchanged is poor due, in part, to the fact that, in the absence of servers, there are no official email accounts. This imposes an extra and unnecessary workload, wastes time, and makes the action taken by the units more ineffective.

Future perspectives

The Administration is now focusing on consolidating its approach, particularly in the areas of improvement identified above. The Directorate General has decided to upgrade its policy to meet the levels identified by services through the organization of a wide-ranging campaign to raise awareness and publicize the system. As evaluation is a way of capitalizing on experience, the lessons learned from 2008 to 2010 will be presented and shared.

The problem of data collection and reliability will be resolved once the information system that is an integral part of the management of performance policy comes into operation. It has been developed by the National IT and Statistical Office and is currently being validated by the IT Steering Committee.

In a different vein, a training scheme has been started for external service staff. Management staff from Regional Customs Directorates at the port of Algiers and outside Algiers have already been trained. Among the trainees were trainers from the Customs Training Schools who in turn are expected to provide training to other Regional Directorates.

The organization and operation of the permanent central and regional units will be reviewed, to turn them into fully dedicated structures with the resources they need. Motivational methods will also be re-assessed in order to increase involvement by external service staff in the performance process.

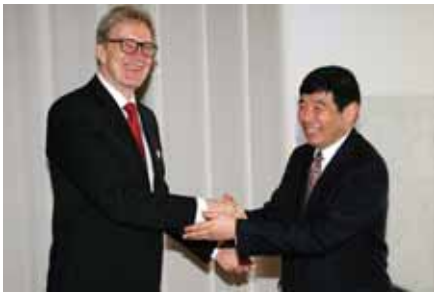
There are also plans to evaluate the relevance of performance indicators, but that will not be possible until the information system is operational, officers play a more active role, and feedback has been improved. The aim then will be to develop better versions of the indicators. Once the Administration has reliable results over a long enough period, it will be possible to distinguish between good practice and bad, by comparing two identical offices or comparing the same office under different management. Reference figures might also be used to set realistic target figures in performance contracts and improve the negotiation of contracts.

Finally, as part of the 2011-2015 Customs modernization support programme, steps will be recommended to develop the system gradually but steadily, working progressively on the concepts involved in performance as per the following timetable:

2011-2012	2013-2014	2015
Effectiveness	Efficiency	Cohesion

More information
orgdgd@douane.gov.dz

Finnish Customs' 200th anniversary



Tapani Erling welcomes Kunio Mikuriya

19th century Finnish Customs uniforms

THE BICENTENNIAL OF Finnish Customs was celebrated on 15 February 2012. Tapani Erling, Director General of the National Board of Customs and former Chairperson of the WCO Council, who has since retired, expressed his warmest thanks to his colleagues in Finland and around the world for his rewarding years at Customs.

Congratulatory addresses were delivered by Kunio Mikuriya, WCO Secretary General, Heinz Zourek, EU Director General of Taxation and Customs Union (TAXUD), and Andrei Belyaninov, Head of the Russian Federal Customs Service, as well as by Finnish Minister of Public Administration and Local Government, Ms. Henna Virkkunen.

The speakers commended Finnish Customs for its efficiency and professionalism, as well as for its significant contribution to the international Customs community, including Customs capacity building activities. On three occasions, Finnish Customs has been recognized as one of world's leading Customs administrations.

Finnish Customs personnel celebrated the bicentennial at several parties around the country. Two Customs officials attending the festivities organized by the National Board of Customs in Helsinki wore 19th century Customs uniforms in a fitting tribute to the celebrations, much to the delight of all the important guests.

Although Customs activities in Finland can be traced back to medieval times, 18 February 1812 is considered the date when Finnish Customs was first established.

More information

Katariina.Jankkila@tulli.fi

Israeli Customs celebrates its achievements

by Doron Arbely
DIRECTOR GENERAL, ISRAEL TAX AUTHORITY

IN MARCH 2012, the Israel Customs Directorate held its annual National Customs Convention to celebrate the work and achievements of Israeli Customs over the past year and to bring together all those engaged in trade within the country and who work together regularly.

This year's guests included the Minister of Finance, Dr. Yuval Steinitz, and senior managers from the Ministry. Also attending were the CEOs of seaport and airport companies as well as organizations involved in global trade, and the Chairman and members of the Israeli Federation of International Freight Forwarders and Customs Clearing Agents.

With the WCO having dedicated 2012 to the promotion of "Connectivity", Israeli Customs decided to honour some of its partners involved in border management – the Israel Airports Authority and the Shipping and Ports Authority – by awarding them WCO Certificates of Merit.

The gathering provided the ideal opportunity to highlight various achievements and initiatives:

- The bestowal of the Yitzhak Rabin National Award for Quality and Excellence in Public Service to Customs for its efforts to raise the quality bar, streamline processes and engage in a continuous process of improvement.
- The launch of an historical book "The Customs in Israel: Past–Present–Future, 1870-2010".
- The issue of a special postage stamp featuring Israeli Customs.
- The progress made in implementing "Sha'ar Olami" (Global Gate), an information system for managing Israel's foreign trade that will make Customs clearance processes more efficient, simpler and cheaper, while contributing to improved enforcement.

More information

fca@brussels.mfa.gov.il

Famous Israeli entertainers host the event

The Minister of Finance receives a stamp with his portrait from Doron Arbely

Bureau Veritas
Your Trade Facilitation Partner

Bureau Veritas solutions, where facilitation and security come together

In-full adjustable Single Window

Implementation and operation of an information system that automates, optimizes and secures business processes of public and private stakeholders of a business community (port, corridor, etc.) for import, export and transhipment.

- Dematerialization of exchanged documents and automation of administration logistics and customs operations through a centralized platform
- Full supply chain coverage B2G, G2B, G2G, B2B
- WTO and WCO compliance

Smart*LANE* Risk Management System

- Descriptive data analysis and predictive models
- Targeting, selectivity and random selection
- Integrates to multiple databases sources
- Data Mining
- Full integration to all Customs Management Systems

Destination X-Ray Scanning Inspections

- High technology tool for customs operations fully integrated in IT (EDI) process flows
- Optimization of customs controls and focus on high risk cargoes
- Full operational transparency via web monitoring tools

Bureau Veritas
Government Services & International Trade
67/71 Boulevard du Château
92200 Neuilly-sur-Seine - France
Tel.: +33 1 55 24 77 72
Fax: +33 1 55 24 70 40
gsit@bureauveritas.com
www.bureauveritas.com/gsit

Move Forward with Confidence

BUREAU VERITAS

Marine | Industry | Inspection & Verification in service | Health, Safety & Environment
Construction | Certification | **Government Services & International Trade**

Georgia destroys the myth that corruption is cultural

WHEN THE ROSE Revolution occurred in 2003, Georgia was, at the time, regarded as being one of the most corrupt countries of the former Soviet Union, plagued by crime and dysfunctional public services. Yet, less than ten years later, it is considered by many international observers as one of the best "corruption busters" in the world – successfully having reduced corruption in its public services considerably. How this transformation occurred is the focus of a book published by the World Bank in 2012, entitled "Fighting Corruption in Public Services: Chronicling Georgia's Reforms".

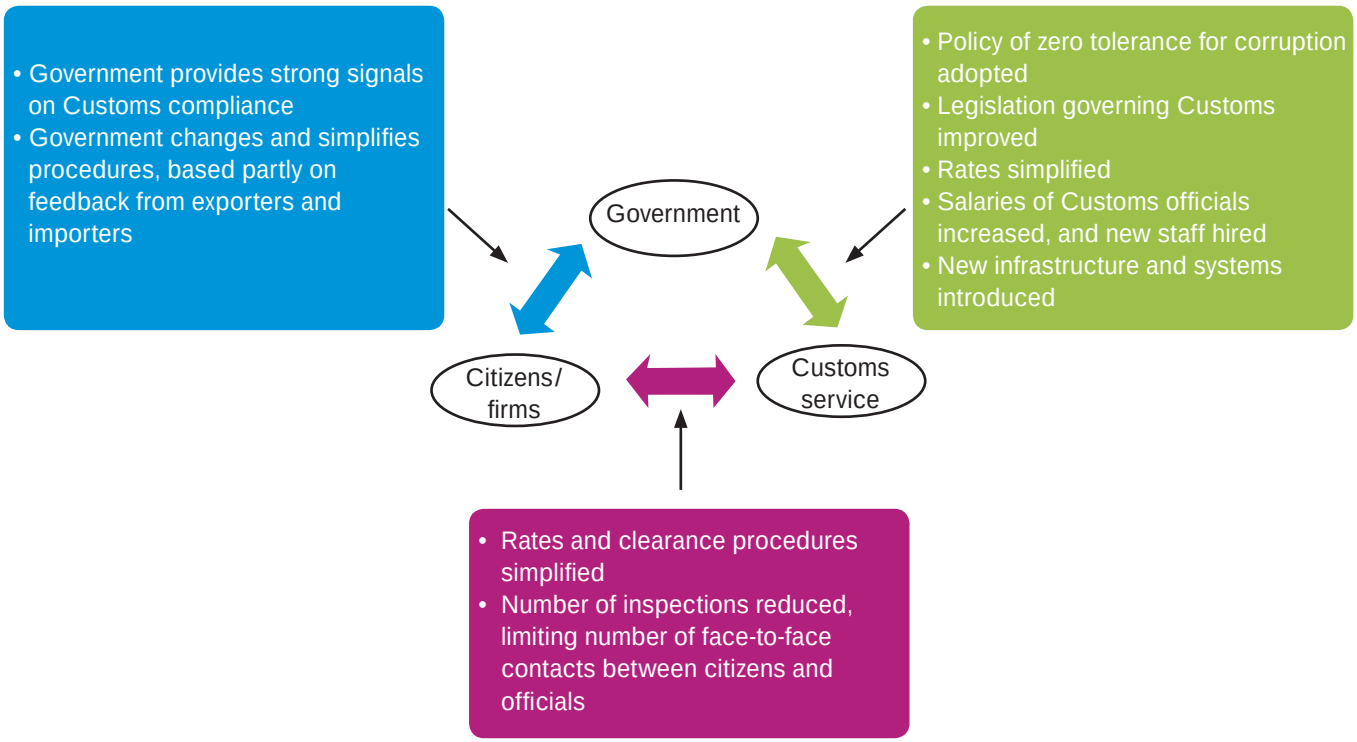
After setting the scene in the country before November 2003, when tens of thousands of demonstrators carrying roses took to the streets to protest against the flawed results of a parliamentary election forcing the President to resign, the book takes a case-study approach to chronicle the implementation of reforms in eight specific public services: Customs, tax, traffic police, electricity distribution, higher education, issuance of identity documents, property and business registration, and municipal services. In all these sectors, the objectives of the Government's reforms were the same: to eliminate corruption and improve service.

"Doggedness in maintaining zero tolerance of corruption was key to the success of Customs reform" says the author in the chapter dedicated to Customs, adding that "it proved to be neither easy nor quick and required a comprehensive programme, comprising changes in legislation, personnel, institutions, systems, and infrastructure".

In 2003, despite an average tariff of more than 20%, Customs revenue collected represented less than 1% of Gross Domestic Product (GDP), making Georgia's Customs revenues among the lowest in the region. Anyone could bribe his way into the country with any kind of cargo. There was no competitive recruitment or qualification test to become a Customs officer, instead prospective officers bribed officials to get their jobs, with some paying as much as 10,000 US dollars (USD). The multiplicity of duty rates – there were 16 categories, with rates ranging from 0 to 30% – created a complicated system in which Customs officers could abuse their power and extract bribes.

To reduce opportunities for corruption, the Georgian Government cut the number of import tariffs from 16 to just 3, amended the Customs Code, and passed legislation that liberalized the trade regime. Firing incompetent officials and aggressive prosecutions of corrupt ones, competitive hiring of new staff, improved incentives and procedures, a new service culture, and automation all helped to "clean up" the Customs service. It was a process of "fits

Accountability Framework for Customs Government



and starts" with numerous setbacks along the way. The book attempts to shed light on the decision-making processes on reform design and the sequencing and complementarities among the various reforms.

The successes led to what The Economist called a "mental revolution", exploding the widespread notion that corruption was a cultural phenomenon in Georgia (The Economist 2010).

In his general conclusion, the author reminds us that no country has successfully dealt with systemic corruption by piecemeal reforms, suggesting that only a comprehensive approach is viable. Although every country has a unique set of initial conditions, and the nature of the corruption problem and the type of political economy differ, Georgia's experience can provide some insightful ideas to countries which are struggling to improve their public services and free their citizens from the burden of having to pay bribes for services.

Selected Indicators of Customs Performance, 2003-2010

Indicator	2003	2008	2009	2010
Revenue (USD millions)	202	1,199	958	908
Customs staff	1,320	969	1,101	1,168
Annual number of declarations	75,252	204,556	162,353	183,862
Revenue collected/Customs staff (USD)	153,530	1,237,358	870,118	777,397
Trade volume (millions)	1,603	7,901	5,840	6,602
Declarations/staff	57	211	147	157

Source: World Bank staff calculations, based on data from the Ministry of Finance.

More information
www.worldbank.org.ge

Ten years of Customs regional training in Moscow


Russian Customs Academy

ON 25 NOVEMBER 2002, the WCO and the State Customs Committee of the Russian Federation signed a Memorandum of Understanding regarding the utilization of the Russian Customs Academy (RCA) as a WCO Regional Training Centre (RTC). Since then, more than 600 Customs officials have been trained at the RTC on various Customs issues, including risk management, anti-smuggling methods, Customs procedures, Customs audit, non-intrusive inspection technologies and WCO tools and instruments.

Located in the city of Lyubertsy in the Moscow region, the Centre trains Customs personnel from the Russian Federation, as well as from Member countries of the Commonwealth of Independent States (CIS) and the Eurasian Economic Community (EurAsEC). This training has enabled officials from these countries to forge links with one another, develop valuable partnerships, and ensure "connectivity" between Customs administrations in the region.

Aside from organizing training sessions, the RTC also hosts international and regional events which gather participants from around the world. In recent years representatives from Customs services in China, Denmark, Germany, Hungary, India, Sweden, Turkey, the United Kingdom, and the United States as well as other countries have visited the Centre.

In addition to preparing reference documentation and informative material, the RTC also promotes Customs knowledge and research by contributing to publications, such as the World Customs Journal issued by the International Network of Customs Universities (INCU) and the recently created Customs Scientific Journal, an electronic publication which it co-manages together with the WCO Regional Office for Capacity Building in Azerbaijan and the WCO RTCs based in Ukraine and The Former Yugoslav Republic of Macedonia.

The first edition of this peer-reviewed academic journal, called "Customs", contained two articles written by researchers working at the Russian Customs Academy, one by A. Gubin on "Problems in assessing the effectiveness of the activities of Customs authorities", and the other by P. Afonin entitled "The technology for ensuring safe use of x-ray equipment during Customs examinations in the Federal Customs Service of Russia".

Founders of the Journal regard it as a mirror of the implementation of the Capacity Building Strategy for the Europe region, as a regional communication and coordination mechanism to support the establishment of Customs-to-Customs partnerships, and as a vehicle to enhance the identification and exchange of modern technologies and best practices within the region. It covers all aspects of the roles and responsibilities of Customs, with a focus on Customs-Business partnerships, professional education in the Customs domain, the implementation of WCO standards and best practices, and the development of research activities.

Created in 1993, the Russian Customs Academy which hosts the WCO RTC is located in an impressive building with two training and laboratory complexes, a library, a fitness room, two hotel buildings and a canteen. The RTC is currently headed by Igor Rodin.

The WCO extends its best wishes to the Academy and hopes that it and other WCO regional entities will continue to prosper given the very valuable role they play in strengthening the effectiveness and efficiency of Customs administrations which will enhance the contribution of Customs to national and regional economic competitiveness.

More information
adr_omd@mail.ru

Hong Kong Customs moves forward with e-Lock plans

THE HONG KONG Customs and Excise Department reports that RFID-based container locks can effectively improve the security, convenience and visibility of the Customs process for cargo entering the airport. In November 2011, the Department began testing three types of electronic locks (e-locks) in order to speed up the process of performing Customs checks on containers filled with cargo.

The solution, known as the Intermodal Transhipment Facilitation Scheme (ITFS), was implemented as a way to streamline the clearance of cargo passing through Customs at Hong Kong International Airport destined for the domestic market and areas outside of Hong Kong. Installation and consulting services were provided by the Hong Kong Research & Development (R&D) Center for Logistics and Supply Chain Management Enabling Technologies (LSCM). An electronic lock with an active radio-frequency identification (RFID) tag is being used to secure freight, ensuring that the cargo remains tamper-free, while also expediting the clearance process.

Hong Kong Customs estimates that the system reduces the amount of time required for clearing each container through Customs from two to three hours down to five minutes, since Customs officials can now be assured that the containers have not been opened between their inspection at the border control point and their arrival at Hong Kong International Airport. What is more, the Department can now collect a digital record of where each container has been, along with when it was inspected.

Cargo is loaded into freight containers or directly onto trucks in Mainland China, and is then transported to a Customs control point located at the border with Hong Kong, where Customs officials inspect the cargo and clear it for entry into Hong Kong. Following that clearance, the shipment continues on to Hong Kong International Airport's cargo terminal, where the goods are unloaded from the container or vehicle, and are placed into an air cargo container. Once this has occurred, the cargo is moved through another Customs control point at the airport, where officials again inspect and approve or reject its passage.

To speed up this process, the R&D Center implemented the use of an e-lock, consisting of a physical lock activated by a built-in active RFID tag, designed to receive a transmission from a RFID reader that allows the lock to be opened or closed. Three types of e-locks are currently being used, provided by three different vendors, and each of the three products employs a different frequency, but all comply with the ISO 17712 standard for mechanical seals designed for freight containers. LSCM has installed fixed RFID readers (provided by the three e-lock vendors) at two border control points – Lok Ma Chau and Shenzhen Bay – as well as at Hong Kong International Airport.

When a shipment first arrives at one of the border control points, a Customs official attaches an e-lock, reads the ID number encoded on its built-in RFID tag via a handheld reader, and links that ID with the vehicle registration number of the truck transporting the container. The transporting company must pre-register each vehicle with Hong Kong Customs prior to its arrival; the truck's ID number is listed in the Department's database, and the Customs official can confirm that the vehicle is, in fact, the one expected.

That data, along with the specific cargo being transported, is then stored on Customs' integrated tracking software platform, developed by LSCM, which collects and processes the data and

Hong Kong Customs

then displays it for Customs officials when necessary. The system stores the e-lock ID number linked to the vehicle ID, and transmits instructions to the e-lock, along with a password, thereby causing it to lock. The device also requires a physical key, which remains in the driver's possession. In this way, two actions must be completed before the container or vehicle can be unlocked: The e-lock must be electronically unlocked via a password from a Customs official, and the driver must use a key to physically open the padlock.

The shipment is then transported approximately 42 kilometres to the airport. The e-lock comes with a built-in GPS device that tracks the vehicle's location as it moves. In that way, the e-lock stores a record of where the vehicle has been. When the lock is later read at the airport, the back-end software compares the actual GPS data against the container's expected route. The system can issue alerts in circumstances in which an e-lock is found to have lost a GPS signal, or, based on GPS data, the truck appears to have deviated from the intended route.

At Hong Kong International Airport, a Customs official either selects the container for inspection, or simply instructs the system to issue an unlocking command with the matching password; the container is then brought to a site where the cargo is removed and then loaded onto an aircraft. If the container is selected for inspection, the e-lock remains locked. In this scenario, a truck driver would be instructed to await a Customs officer, and would be unable to unlock the container without providing the proper password. The officer, upon arrival, would then use a handheld device to read the e-lock, instructing it to unlock by providing the necessary password.

LSCM installed a total of 38 readers at the two land border control points, five logistic hubs at the airport and two marine control points, namely the Kwai Chung Customhouse and the Tuen Mun River Trade Terminal, for items arriving by sea. Altogether, by February of this year, 109 vehicles had been equipped with the e-lock device. An average of 100,000 consignments pass through the border daily, and the ITFS e-lock system is utilized for about 17% of that cargo.

The solution has enabled a faster Customs clearance process, as well as providing a digital record of what was unlocked, and thus inspected, and when this occurred. It also improves security, since only Hong Kong Customs officers who know the proper password can access the container.

More information
www.rfidjournal.com

TIR Get on board!

Fast and secure international trade

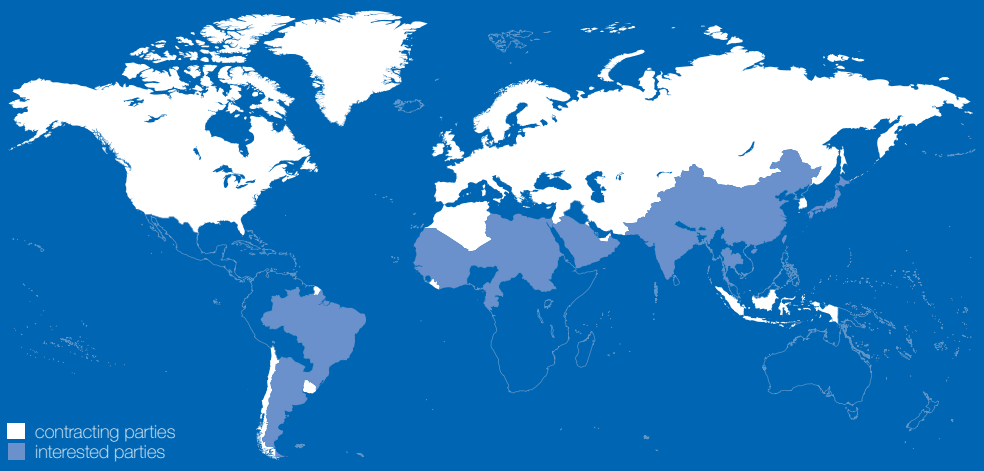
68 contracting parties

+60 years experience

+3 million international transport operations every year

+USD 1 billion in financial guarantees issued per day

WCO SAFE Framework Compliant



'TIR' (Transports Internationaux Routiers) is the only truly global customs transit system, based on a UN Convention, managed under UN mandate in Public-Private Partnership by the International Road Transport Union (IRU).

Join the TIR Convention to:

- guarantee payment of customs duties and taxes;
- streamline and further secure border crossing procedures;
- undertake customs formalities at origin and destination to minimise controls at each border;
- expedite international trade and reduce costs;
- use, free of charge, web-based applications for customs pre-declaration and risk management, allowing real-time traceability of each TIR transport by customs.

TIR Training

A TIR distance learning package, consisting of 14 up-to-date interactive modules available in five languages, has been jointly developed by the WCO and the IRU.

www.iru.org — tir@iru.org — Tel: +41-(0)22-918-2026 — Fax: +41-(0)22-918-2055

Working together for a better future

IRU

since 1948

Globally Networked Customs in clear and simple terms

DRIVEN BY THE need to ensure that WCO Members were well-positioned to meet the challenges and opportunities of the global trading environment, the WCO Council adopted its Customs in the 21st Century strategic vision in 2008. It comprises ten building blocks, of which Globally Networked Customs (GNC) is the first.

To make GNC a reality, an Ad Hoc Working Group was set up by the WCO to undertake "*a comprehensive analysis of the potential to rationalize, harmonize and standardize the secure and efficient exchange of information between WCO Members*". This article sets out the strategic value of GNC in clear and simple terms, and includes frequently asked questions.

Strategic value

Multi-stakeholder benefits: Between 2009 and 2012, the work of the Ad Hoc Group has reinforced for WCO Members the importance of 'connectivity', and confirmed that the maximum benefits of Customs-to-Customs cooperation can be more effectively delivered by streamlining exchange of information processes which can benefit other stakeholders as well.

Standardized approach: A standardized approach, using generic templates and blueprints, facilitates and enhances these processes by speeding up the drafting and implementation of information exchange agreements. In addition, the compilation of a catalogue of documented arrangements in a standardized form, each of which can be replicated with minimum effort, allows for the scope, growth and reach of Customs networks to accelerate.

Philosophy: At bilateral, multilateral, and plurilateral levels, Customs administrations continue to work toward arrangements and agreements that fully allow for sharing of information in the most effective way possible. Already firmly embraced and growing in the enforcement/intelligence sharing domain, there is an increasing need to upscale in the transactional sharing domain, often between multiple Customs administrations and/or Customs and business stakeholders.

Conceptual framework: GNC, which is underlined by enhanced Customs cooperation, provides an overarching framework through which WCO Members can apply a common, disciplined and coordinated methodology to develop and perfect strategic and operational blueprints based on WCO tools and instruments. These blueprints will facilitate inter-connectedness among Customs administrations through exchange of information arrangements. This principle can be applied across all aspects of work undertaken by WCO committees and the Secretariat.

Enhanced connectivity: Using already available expertise and resources of WCO Members, global standards can be developed to be re-used many times and allow for an industrialized and economized approach to exchanging information. The 'connectivity' be-

tween individual WCO Members through automated systems at the technical level, in the international realm, can be significantly enhanced through this common and 'scaled up' global approach.

Frequently asked questions

• General

What is the GNC concept?
A standardized way for Customs authorities to exchange information.

What is the scope of GNC?
Customs-to-Customs (C2C) information sharing only, including data obtained from commercial sources.

What will GNC arrangements look like?
As happens now, most arrangements will be bilateral, i.e. Customs-to-Customs. Some will be multilateral, in particular where there are Customs Unions.

What are the principle elements of the GNC approach?
As with other WCO instruments, there will be a set of Protocols, Standards, and Guidelines for WCO Members to follow.

What will GNC do for a Customs administration?
It will speed up the time between agreeing on an exchange of information arrangement, and implementation. It will also lower implementation and operation costs.

How will that be achieved?
By complying with GNC, WCO Members can industrialize the set-up of their exchange of information agreements, i.e. speed up the creation of agreements and replicate them at low cost.

Will GNC become the mandatory method for exchanging information?
Using GNC is voluntary. WCO Members can continue to negotiate, develop and agree one-off arrangements. This also applies even if partner countries are using GNC for other exchange of information arrangements.

Are there prerequisites for GNC?
Yes, though they are basic. An administration must have national laws which allow for the exchange of information, and which protect the information shared with others. Customs must also be prepared to share information electronically using GNC standards.

Why are there two tracks, namely a Commercial Track and an Enforcement Track?
This mirrors what already happens. The Commercial Track handles systematic transaction type exchanges. The Enforcement Track handles messages exchanged as a result of specific requests for information made by Customs authorities.

What is in the Commercial Track?
Systematic exchange of information such as export data which is input through a national Customs application. This Track will contain most of the exchanges taking place under GNC.

What is in the Enforcement Track?
Information exchanges initiated by a Customs authority, either under Mutual Assistance agreements/arrangements, or where a risk assessment on data in the Commercial Track triggers the need for further information.

Is GNC future proof?
The model has been constructed so that it can accommodate further stakeholders such as commercial partners or other government agencies, take on a wider range of functions, and capitalize on advances in Information Technology (IT).

Will there be conformity with other WCO instruments?
Where relevant, the standardized approaches for GNC will be constructed in conformance with existing WCO instruments such as the Data Model, the Revised Kyoto Convention and the SAFE Framework of Standards.

What is the implementation process?
Pilot 'proof of concept' projects are envisaged. The results from those which successfully prove that standardized approaches can be easily replicated by any WCO Member will be made available through the WCO Secretariat.

• Utility Blocks

What is a Utility Block?
A specific part of the Customs business process, explained in simple yet comprehensive terms that everyone can understand. It describes strategic aims for policy makers, business processes for managers, legal issues for lawyers, functional approaches for operational officers, and technical specifications for IT staff.

How is a Utility Block put together?
It is constructed and reviewed by experts using a standard development template. It focuses on the needs of a specific part of the Customs business process, including relevant data elements. For example, Authorized Economic Operator (AEO), commercial fraud, transit, etc.

Why break down Customs business processes into individual Utility Blocks?
This allows Customs authorities to be selective about what business process and associated information they choose to share with their partner(s), and to more quickly facilitate those networking arrangements.

Do the same Utility Blocks have to be used in the same way with all partners?
The choice of Blocks falls within the purview of the parties to the agreements. To benefit from GNC, each Block has to be implemented in the same way by all partners. However, there is flexibility within in each Block, such as the list of data elements to be exchanged.

What is the principle attraction of a standard Utility Block?
Once tested and lodged with the WCO Secretariat, it can be accessed and re-used by any WCO Member with little further work required.

Can all the Utility Blocks be implemented in one go?
Yes, but do not assume your partner(s) can also cope with making a quantum leap to full data exchange across all parts of the Customs business at one go. Also, it will take time to build up the WCO library of Blocks.

• Information technology

Is sophisticated IT infrastructure needed?
As a minimum, you will need an Automated Customs System which can process the information to be exchanged. You must be able to access the Internet.

Does an IT system have to be changed?
Existing systems can continue to be used, but they must be able to send and receive information electronically.

Does GNC require the use of the Unique Consignment Reference (UCR)?
Using the UCR is not mandatory. However, there has to be an identifier for transactions included in the Utility Block so that a sender and a receiver can track individual exchanges. GNC recognizes and accommodates the diversity of national identifiers as the solution to achieve this. The same applies to the need for a trader identifier.

• Legal issues

What about security and data confidentiality?
These are covered in the texts of the agreements. Broadly, both parties must have in place, and must observe, laws which guarantee equivalent levels of data security and protection.

Do existing agreements need to be amended?
Yes, if one wants to be GNC compliant. Even then, the need for amendment will be small as GNC texts broadly mirror existing model WCO texts.

Are the GNC texts legally binding on those who choose to adopt them?
The texts are binding, but have sufficient flexibility for both those who want legal agreements and those who prefer to have Memoranda of Understanding (MOUs).

• Costs and benefits

Would it be cheaper and simpler to build one system that everyone can use?
Cheaper at a global level, but not necessarily simpler. Cost is only one factor. Obstacles to that solution at this stage include legal issues, data security and protection concerns, general lack of trust, the need to have an organization responsible for the system, the complexity of setting up and financing such a system, and the absence of initial investment funds.

Are there winners and losers?
No losers, but those in the top and bottom tiers of the World Trade Matrix stand to make the biggest gains. The gains for the middle tier are less dramatic.

What is the World Trade Matrix?
A map of trade flows between 150 countries and Customs Unions. For GNC purposes they have been split into three tiers: high, middle, and low.

Can the middle tier of the World Trade Matrix improve their benefit potential?
Yes. If their business model justifies it, they can have more exchange of information agreements than is the norm for their tier, or they can get together with like-minded countries to form hubs and reap benefits through economies of scale.

Why use it for GNC purposes?
To build a simulation model for cost benefit analysis, on the basis that there would be a correlation between the amount of trade between countries and their business case for justifying exchange of information arrangements.

More information
communication@wcoomd.org

GS1 and the WCO, a partnership for global supply chain standards

FOR THE LAST 30 years, GS1 has been dedicated to the design and implementation of global standards for use in the supply chain. These standards provide a framework that allows products, services, and information about them to move efficiently and securely for the benefit of businesses and the improvement of people's lives, everyday, everywhere.

GS1 Standards today are used by millions of companies in dozens of sectors including the retail supply chain, healthcare, transportation and logistics, aeronautics, defence, chemicals and high-tech. In 2007, the WCO and GS1 signed a Memorandum of Understanding in recognition of the wide range of business interests shared by the two organizations and as a framework for cooperation.

GS1's identification numbers provide the WCO with global standards for the management of goods and assets and for the reconciliation of data. These standards will contribute to the WCO's efforts to secure the trade supply chain, protect society, facilitate international trade, and increase the efficiency and predictability of Customs procedures at national borders.

Cooperation between GS1 and the WCO to date clearly shows that many of the challenges faced by national Customs administrations can be addressed through the adoption of appropriate GS1 Standards. In this regard, a number of joint initiatives demonstrating this fact have already been completed and several more are contemplated.

GS1 Standards in the context of safe and efficient trade

The added value of GS1 Standards is that they provide for the unique and unambiguous identification of items which leads to reduced costs and increased security; vital benefits for both Customs and business in today's world where financial prudence, budget restraints, security-consciousness and fast, unhindered movement of goods are the order of the day.

GS1 Standards include an array of identification keys – special numbering systems – used by tens of thousands of manufacturers, producers, retailers, logistics companies and other businesses around the world.

These keys help to clearly identify items (Global Trade Item Number - GTIN), locations (Global Location Number - GLN), logistics units (Serial Shipping Container Code - SSCC), groupings of logistics units (Global Shipment Identification Number - GSIN), etc. The GS1 Company Prefix assigned to a user company, allows the user to create any of the keys.

- GS1 Standards are entirely bearer-independent and will work with both barcodes and Radio Frequency Identification (RFID) tags.
- GS1 Standards create the possibility of a simple and immediate "Single Window" – using standardized data; one submission can smoothly and easily be accessed by many parties.
- GS1 Standards used across the end-to-end transit of a logistics item contribute to safe and secure border protection by providing quick and easy access to all data related to a shipment via a single reference.
- GS1 Standards can contribute to greatly reduced costs by simplifying internal procedures, eliminating duplicate data submissions and significantly reducing the need for manual data entry, thus reducing labour and the risk of human error.

GS1 identification keys are allocated to transport units early in the supply chain, usually right after manufacturing or during the packaging process. As a result, they can serve as the "passport" of a shipment, identifying a transport unit during its entire life cycle.

Information contained on GS1 identification keys can be encoded into a bar code or into an Electronic Product Code (EPC) format, which is a unique identification code that is generally thought of as the next generation of the standard bar code and is stored on a Radio Frequency Identification (RFID) tag.

EPC Information Services (EPCIS) – one of GS1's interface standards – enables real-time information about physical events in the supply chain to be shared between trading partners. EPCIS data comprises a series of "events", each of which has four dimensions of information: What (object identified); Where (event location); When (event date & time); and Why (business context and object status).

GS1 initiatives that link to Customs and cross-border operations

The GS1, Customs and Trade Initiative: providing key data required throughout the international supply chain

In the late 1990s, the WCO devised the concept of a Unique Consignment Reference (UCR). The idea was to give a traceable identifying number to an international movement of goods, both to monitor the movement during its life, and to audit the movement after it had been completed. Like an electronic staple designed for e-commerce, the UCR would bind information together – all the bits of data about a trade transaction, from initial order and consignment of goods by a supplier, to the movement of the goods and arrival at the border, through to their final delivery to the importer.

For several years, Customs administrations and industry officials have discussed the de-

velopment of the UCR to link shipment information all the way back to the purchase order. From 2005 to 2006, a project to test the use of the GS1 SSCC as a unique identifier for the wine and spirits supply chain between Australia and the United Kingdom was piloted. The pilot's success demonstrated the use of the SSCC key for Customs purposes as a UCR for track and trace and post-event audit. This was the first joint initiative addressing issues of supply chain security and trade facilitation between GS1, Customs and the trade.

US International Trade Data System Product Information Committee: building the business case for using e-commerce data to manage product admission at international borders

Customs inspectors have been challenged by the volume of imports, as well as the tightening of budgets both in the US and around the globe. Future success may well depend on finding new strategies for managing the admissions process. To address this interest, the US International Trade Data System (ITDS) created the Product Information Committee (PIC) to explore ways to utilise additional information that would improve the efficiency and effectiveness of admissions at international borders.

In 2011, the PIC conducted three pilot studies, with three different product sets, to validate the business case for using e-commerce information to improve product visibility. The results of the pilot showed obvious benefits for participating government agencies in the use of global product identification, global classification codes, and industry-standard e-commerce product catalogues in the United States. In addition, both government and the private sector benefited from distinct cost savings.

These case studies went on to show that the use of the GS1 GTIN could reduce the volume of consumer toy products subject to examination by the Consumer Product Safety Commission (CPSC) by 75% or more – a transformational advantage for a resource-challenged government agency.

In-transit Container Escort Exemption Programme: smoothing the way for goods passing through Customs

The Customs administration of Chinese Taipei has been using the GS1 EPC RFID solution at the Port of Kaohsiung to replace human escorts for the last four years as part of its In-transit Container Escort Exemption Programme. The Programme benefited from a number of vantage points, including a significant reduction in labour intensive requirements, an improvement in overall Customs efficiency, a clear reduction in manpower and cost, and a much more robust approach to tackling smuggling and preventing cargo loss.

In 2010, Customs decided to implement an EPCIS compliant system which will read GS1 compliant e-seals to collect and exchange Customs information. Chinese Taipei is the first Customs sector in the world to "own" an EPCIS. The next steps allow for extending the system to improve cross-border cooperation and Customs information sharing with its external trade partners and others.

APEC Supply Chain Visibility Initiative: reducing the cost of supply chains by 10% by 2015

A number of GS1 Member Organisations in the Asia-Pacific Economic Cooperation (APEC)

zone have been working with their border agencies to explore and explain how GS1 identification and e-commerce standards can enhance supply chain visibility to improve business operations, as well as governments' cross-border security inspections.

A key initiative is in Japan, where the drive to make the entire supply chain process visible using automatic identification technologies, such as RFID, has been accelerating over the past several years. GS1 Japan is working with the Ministry of Economy, Trade and Industry (METI) to conduct the APEC Study for Transport & Logistics Supply Chain Visibility.

GS1's EPCIS is one of the main study items because it is considered an effective tool for supply chain visibility, and the study committee is also considering adopting the EPCIS in a port information system currently in development.

EC CASSANDRA project: efficient and effective means to ensure full supply chain control and security in business and government

As part of the European Commission's Seventh Framework Programme for Security, the Common Assessment and Analysis of Risk in Global Supply Chains (CASSANDRA) project was launched. It addresses supply chain visibility, specifically in the international flow of containerized cargo. Its main strategic goal is to improve business operations and governments' cross-border security inspections.

This aligned, new approach for risk assessment for both business and government will enable piggy-backing (the re-use of business data and activities) by Customs, thus making Customs risk assessment more efficient. The new risk-based approach for auditing will help Customs to assess business processes and procedures while identifying secure supply chains. Customs may then use the data to assess risk, without having to open every container, and to improve risk analysis procedures thanks to data sharing.

GS1 is participating in the CASSANDRA project to help drive awareness of existing visibility standards for container contents, and GS1 Hong Kong will manage some of the project's "Living Labs" where innovations are tested in a real-world setting.

Conclusion

GS1 encourages national Customs administrations to get in contact with the GS1 Member Organization in their country to find out how they can begin to use GS1 Standards to make their operations safer and more efficient.

Interested Customs authorities are invited to visit the following links for further details:

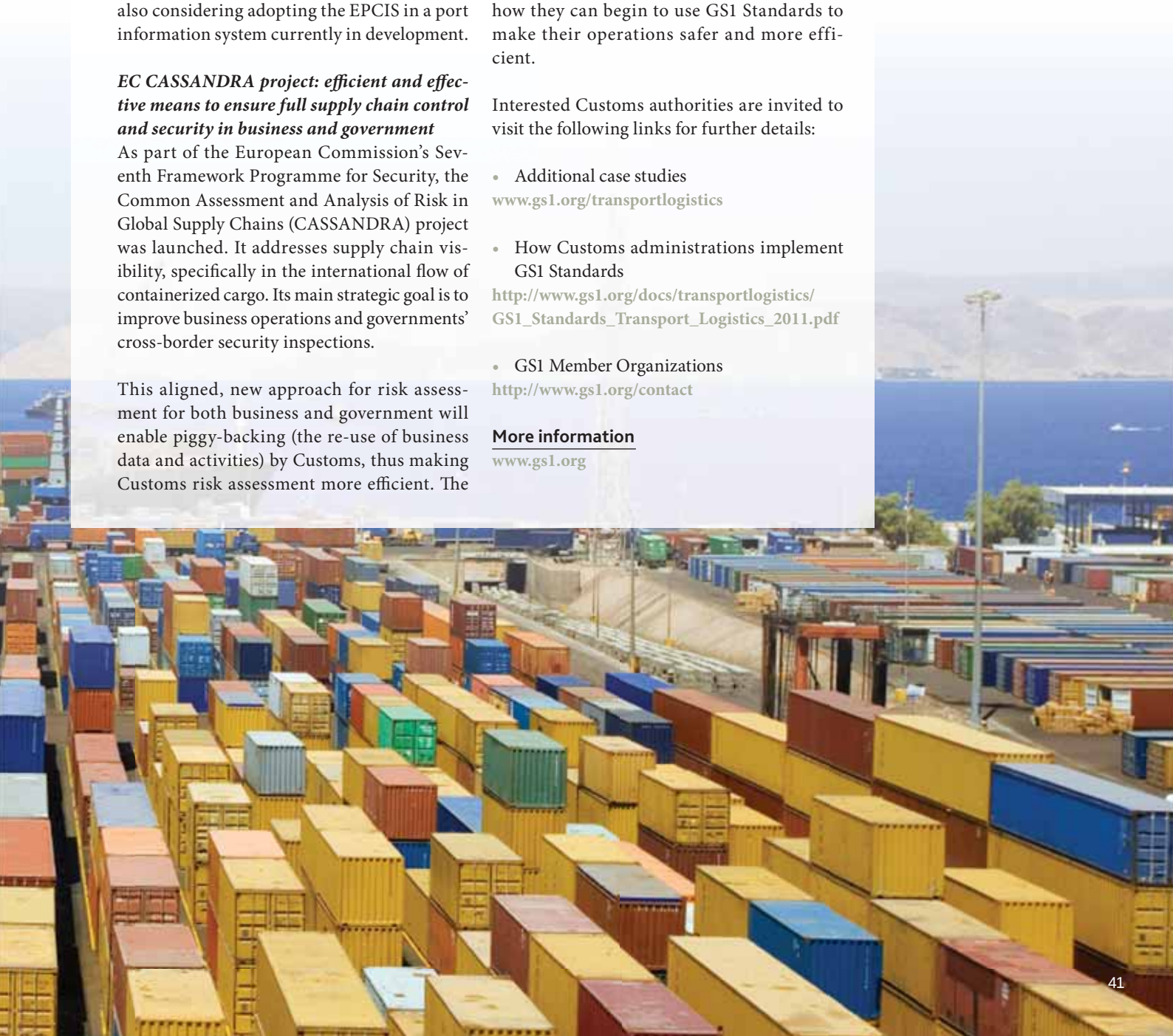
- Additional case studies
www.gs1.org/transportlogistics

- How Customs administrations implement GS1 Standards
http://www.gs1.org/docs/transportlogistics/GS1_Standards_Transport_Logistics_2011.pdf

- GS1 Member Organizations
http://www.gs1.org/contact

More information

www.gs1.org



Smarter Planet solutions for Customs risk management

by Ziv Baida and Norbert Kouwenhoven

Ziv Baida (left) is IBM's Lead Global Subject Matter Expert for the Customs industry. Norbert Kouwenhoven (right) is IBM's Solutions Leader for Customs, Borders & Revenue Management.

This article is a call to action for Customs administrations to adopt a Smarter Planet strategy in the area of Customs risk management. Smarter Planet solutions build on the understanding that the world is becoming:

- Instrumented: More sensor data is becoming available with new forms of data collection now including data generated by radio-frequency identification (RFID) tags, data from vessel movements, data from container tracking devices, and data from traders' internal systems.
- Interconnected: Data is shared across Customs administrations, across functional domains within a single agency, among participants in a logistics or supply chain, and Customs employees may have access to location-independent data.
- Intelligent: Analytics tools create insights and knowledge out of the wealth of information, enabling decisions to act upon events that in the past went unnoticed.

Integrated risk management and analytics

A survey among Customs and immigration executives for the IBM Customs, Immigration and Border Management Executive Forum 2011 concluded that Customs administrations' top business priority is in the area of targeting and selection. The survey results pointed out that targeting and selection offer a lot of potential for improving efficiency and effectiveness.

As a consignment is shipped from an exporter in country A to an importer in country Y, it passes via a number of "Customs events" or "Customs processes", including the export declaration, the physical exit from the country or economic zone of export, the potential arrival in, storage in and departure from countries of transit, the physical arrival at the country or economic zone of import, and finally the import declaration.

Traditionally, Customs risks are assessed in each of the above-mentioned steps separately, such that in each step only the information related to that specific step is made available, making it hard to detect risks that span the boundaries of a single Customs event or process. Integrated risk management is a new way to manage Customs risks, namely by connecting the dots between various events, processes and transactions.

Complex event processing technologies tackle exactly this challenge of detecting risks by correlating events of different types occurring across disparate systems, where events may or may not be ordered, where an event presence or absence may be significant, where the actionable event may be derived from real events, where the response process is unstructured and driven by the occurrence of an event or pattern of events, and where time to respond is of the essence.

Analytics is the use of data and related insights developed through applied analytics disciplines – for example, statistical, contextual, quantitative, predictive, cognitive and other models – to drive fact-based planning, decisions, execution, management, measurement and learning. Analytics and complex event processing rely on the availability of a robust, supportive information management platform.

Successful implementation

IBM has implemented a wide range of analytics solutions in practically every industry to detect fraud, such as fraudulent Customs declarations, credit card fraud, money transfer fraud, social security fraud, and healthcare fraud, in order to improve revenue collection, smartly and dynamically assign scarce resources to "hot spots" and enable a wide variety of strategic, tactical and operational decision-making in an era of abundant information.

For example, IBM's implementation of complex event processing technology for a Customs service allowed this administration to detect more complex fraud than before. In other industries, IBM's predictive analyt-

ics helped the Danish tax administration (SKAT) to assess the behaviour of debtors and adjust collection methods, resulting in a reduction in workload for the collections department. It also helped the Memphis Police Department to reduce serious crimes by 27%.

Implementing these capabilities on a solid information infrastructure (sharing and managing data) will improve risk assessment, fraud prevention, and efficiency and profitability for traders. This will lead to reduced risks, improved use of Customs inspection resources and a reduced administrative burden for legitimate trade.

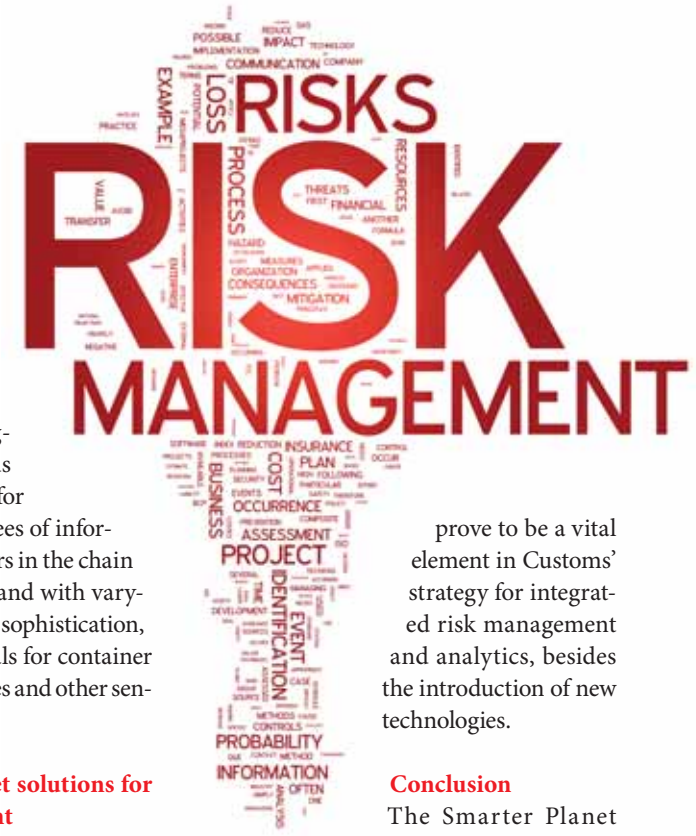
Secure Trade Lanes and information sharing

Whilst acknowledging that the implementation of analytics-based integrated risk management within the boundaries of a single Customs administration is already a challenge, we strongly believe that the next generation of innovative Customs risk management is bound to rely on a stronger degree of international collaboration and on a stronger degree of information sharing between Customs and private sector actors.

The European Union's Cassandra Project in which IBM collaborates with HM Revenue and Customs in the United Kingdom, the Dutch Customs authorities, GS1 and 22 freight forwarders, port authorities, universities and other organizations, is an incubator for next generation solutions for integrated risk management.

Cassandra builds on the results of its predecessor, namely ITAIDE (Information Technology for Adoption and Intelligent Design for e-Government), a project where IBM implemented the Secure Trade Lane (STL) solution in conjunction with Dutch Customs, offering supply chain visibility for Customs and its supply chain partners, enabling improved compliance monitoring by safeguarding container integrity and providing alerts on container integrity breaches. While Cassandra does not necessarily assume the usage of smart seals for container security, both projects promote and rely on the sharing of supply chain data by legitimate companies with the government, and primarily with Customs.

STL is a true Smarter Planet initiative. It is instrumented – using track & trace devices that send container location information and security alerts, it is interconnected – enabling businesses and government agencies to share supply chain information through data standardization and a service-oriented architecture (SOA), and it is intelligent – enabling Customs to take action when supply chain integrity breaches occur. Various forms of STLs are possible, for example with varying degrees of information sharing among actors in the chain from exporter to importer and with varying degrees of technological sophistication, such as the use of smart seals for container security, track & trace devices and other sensors.



fotolia.com

Benefits of Smarter Planet solutions for Customs risk management

Complex event processing and analytics, when applied on top of the information platform (relying on data sharing in STLs as well as without it), may offer a revolution in the risk management or targeting capabilities of Customs. Important benefits will include reduced fraud, improved safety and security, and improved operational efficiency for Customs.

Yet, at least as important is the fact that these solutions make it possible for Customs to identify potentially fraudulent traders and shipments and distinguish them from compliant ones. This, in turn, can enable Customs administrations to develop new business models for interaction with Logistics Service Providers (LSPs) and traders by relying on openness, information sharing, collaboration and, ultimately, on post-clearance control, which will provide financial advantages for LSPs and Authorized Economic Operators (AEOs) who will benefit from major simplifications in trade procedures.

Technology alone is not enough

The IBM executive report, "The Power of Analytics for Public Sector", helps lay the foundation for analytics capabilities within Customs and other border management agencies. IBM's experience in implementing these solutions has shown that well-performing organizations using analytics developed three key competencies: (1) information management, (2) analytics skills and tools, and (3) a data-oriented culture. Change management may therefore prove to be a vital element in Customs' strategy for integrated risk management and analytics, besides the introduction of new technologies.

Conclusion

The Smarter Planet strategy for Customs works to improve the efficiency and effectiveness of Customs operations and achieve both control and trade facilitation. Past projects demonstrate substantial benefits from the application of analytics and complex event processing technologies for risk assessment, creating new insights out of data and making decisions based on these insights. The case studies described in this article are selected examples.

While the promise of integrated risk management is big, a legitimate concern is the amount of required resources. There is no "one size fits all" response to this concern, as the degree of sophistication should fit the situation of each and every Customs administration. In our paper "Customs 2015: The Smarter Planet Strategy for Customs Administration" we demonstrate that substantial benefits can already be achieved quickly by implementing small, focused, commercial-off-the-shelf (COTS) solutions.

Interested Customs administrations are invited to visit the following links for further details on IBM Smarter Planet solutions:

- http://public.dhe.ibm.com/common/ssi/ecm/en/gvw03042usen/GVW03042USEN.PDF
- www.ibm.com/smarterplanet

More information

ziv.baida@nl.ibm.com
norbert.kouwenhoven@nl.ibm.com

Douanes de Madagascar

Decades of successfully working with Customs authorities

SGS first introduced services to governments in 1965. These programmes were intended to combat over-invoicing of goods in order to prevent capital flight and illicit transfer of profits. In the mid 80s, governments realised that SGS could also assist in the prevention of undervaluation which had a direct impact on Customs revenue collections.

After almost 15 years of Pre-Shipment Inspection (PSI) for Customs purposes, SGS understood that its services had to evolve for various reasons, including the increasing capacity within Customs, the introduction of new technologies, the increase in the volume of trade, and the change in trade patterns, justifying the need for a risk-based approach.

This marked SGS' evolution from providing traditional services to the introduction of new solutions, notably in the field of Customs valuation, risk management, scanning services and the development of a Single Window environment. In addition, SGS realised that a service provider was often imposed by a government and not necessarily chosen by Customs, while still having to work in partnership with the Customs administration.

Being a pioneer in the industry, SGS has successfully transformed its operations and has spent considerable effort building good working relationships with Customs administrations, including the WCO. Its services are complementary to Customs and can be of tremendous value when certain technical skills fall outside the domain of a Customs administration or whilst Customs is in the process of building the necessary capacity.

Below is a snapshot of just some of the projects involving Customs and SGS that have achieved good outcomes:

Madagascar's Customs modernization programme

The Government of Madagascar appointed SGS to implement new solutions in preparation for the country's transition towards the introduction of a Single Window. The contract, which was valid for five years and could not be extended, provided for PSI to be phased in and out during its duration. In addition, it incorporated a vigorous train-

ing and capacity building component, while promoting a partnership approach. During this time, the WCO assigned an expert, within the framework of an agreement with the World Bank, to work directly with the Director General of Customs to introduce the necessary reforms.

Customs managers, the WCO expert and SGS representatives worked closely together on the programme, resulting in a number of achievements, among others, being realized:

- Completion of PSI within the contract time frame;
- Introduction of significant changes in the Customs administration;
- Introduction of the first container scanning operations – moving progressively from inspection at origin to risk-based inspection at destination;
- Reengineering of processes;
- Customization of the ASYCUDA system;
- Introduction of recommendations emanating from the WCO SAFE Framework of Standards;
- Preparation for the development of a comprehensive import monitoring programme around a Single Window project.

As a result of this first phase, Madagascar successfully launched a seven year Single Window project that included the deployment of scanning equipment at three ports and at Ivato International Airport initially, the management of a scanner that was offered by the Government of China to Madagascar, and the introduction of a fifth scanner. Both the World Bank and the WCO recognized the success of their efforts to assist Madagascar in its Customs reform and modernization initiative.

As part of this project, SGS introduced an advance cargo information (ACI) system that not only speeds up clearance of goods on arrival but also enables SGS and Customs to profile all transactions to determine the level of risk as soon as goods depart from the country of origin. High risk transactions can also be selected for value verification at Customs request. The valuation tool enables the detection of high risk consignments, to control that the price is within an acceptable range (previous verified values or periodic market research), and to carry out investigations whenever applicable in the country of the seller/supply, on a post-entry basis, in order to provide Customs with the necessary information to facilitate final assessment.

Ghana's Single Window project

SGS pioneered the idea of implementing trade facilitation solutions within the context of Public Private Partnerships (PPPs). The first programme was delivered in 2003 when SGS successfully rolled out the Ghana Community Network (GCNet). This success story was then replicated in Madagascar and Mozambique using the same model. PPPs have now become unanimously recognized as the most effective way to deliver Single Window solutions. The reason is simple – the Government provides the roadmap and the commitment, and the private sector ensures that delivery and operations are provided on a sustainable basis.

The establishment of a joint venture company dedicated to delivering a Single Window is a key factor to success. Beyond the technology, this approach ensures the creation of an impartial communications bridge between Customs and stakeholders involved in the supply chain. This leads to a balanced solution which facilitates trade whilst ensuring compliance with trade regulations. Today, with an ever increasing need to exchange data electronically, and specifically between countries, the SGS approach resonates with the WCO's 2012 connectivity theme, with the slogan "Borders divide, Customs connects".

Scanner services around the world

Within the framework of a PPP, Malagasy Customs inaugurated its fifth x-ray cargo container scanner in February 2012 at the Port of Toamasina. Operated by GasyNet, the port now has the capacity to inspect over 100 containers per hour. The equipment is financed through a tax levied by GasyNet on importers and exporters, with Customs performing the analysis of radioscopic images. SGS provides technical services related to the creation of images, the maintenance of the system, data entry, and radiation safety.

SGS also provides scanner services in Africa, Asia, Europe and South America, either through the design of a programme based on a Build Operate Transfer (BOT) model, through a concession or by way of an operation and maintenance contract.

In Asia, Bangladeshi Customs decided to equip the major port of Chittagong with the latest generation of scanning equipment. Customs decided to subcontract the 24/7 365 days a year operation and maintenance of the equipment to SGS. Customs performs the analysis of the container x-ray images whilst the maintenance, replenishment of consumables, data entry, radiation safety checks and traffic management are managed by SGS due to the fact that these technical processes require specialized skills outside the scope of the Customs administration.

Image analysis training for Customs

In order to facilitate inspections for Customs, SGS has used its experience of scanning operations to create and develop unique image analysis training courses for both cargo and baggage x-ray systems. SGS training courses concentrate on critical areas, such as enhancing the object recognition skills of Customs officers, as well as increasing their threat detection capabilities for weapons, explosives and prohibited items.

SGS has provided training to numerous Customs administrations worldwide, most recently in Albania, Jordan, Kosovo and Montenegro. This training was funded by the US State Department's Export Border Control Programme, which specifically aims to stem the proliferation of weapons in countries. The training concentrates on enhancing the skills and techniques of Customs officials in relation to image analysis. In Bangladesh an Image Analysis Regional Training Centre has been established to train Customs officers. In this regard, SGS has trained a Bangladeshi Customs officer as a trainer, who is now in charge of image analysis training for all new agents assigned to scanning services.

More information

governments@sgs.com

Canada Border Services Agency

Mission

The Canada Border Services Agency (CBSA) works to ensure Canada's security and prosperity by managing the access of people and goods to and from Canada.

Vision

An integrated border agency that is recognized for service excellence in ensuring Canada's security and prosperity.

Scope of activities

The CBSA is a unique organization. It is equally the face of Canada at the border, welcoming visitors and returning residents, as well as a professional enforcement agency responsible for interdicting and preventing the entry of inadmissible people and goods. Balancing these roles requires a strong commitment to service excellence, underpinned by the Agency's values of respect, integrity and professionalism. Since its creation in 2003, CBSA has consistently delivered on its dual mandate of managing access to the border by large numbers of people and goods, while maintaining the integrity of the border and protecting Canada from threats to its security and prosperity.

Service excellence

As the first point of contact for entry into Canada, the CBSA is committed to providing the best possible service to all its clients – Canadian citizens, permanent residents, new immigrants, visitors and the trade community – while protecting the safety and security of Canada. This means providing quality service that is fair, accurate, accessible, efficient and timely. To realize these goals, CBSA has established service standards for everything from border wait times to commercial release programmes. All of its border services officers are trained to deliver service excellence on the front line. As part of its continued commitment to stakeholder engagement, the CBSA regularly consults with the trade community through various fora that promote mutually beneficial collaboration on border matters to the benefit of the Canadian economy and Canada's trade sector.

International cooperation

Canada has been a Member of the WCO since 1971 – the CBSA is a long-standing Member of the WCO Policy Commission and served as Vice-Chair for the WCO Americas and Caribbean Region from 2006 to 2008. It also represents Canada at other international organizations and fora, including the Asia-Pacific Economic Cooperation (APEC) Sub-Committee on Customs Procedures and the World Trade Organization (WTO). CBSA also engages bilaterally with other Members of the WCO that are signatories to international conventions and agreements and through participation in meetings and conferences.

Capacity building

CBSA is a keen supporter of WCO capacity building activities. It is the current chair of the WCO Capacity Building Committee and is actively engaged in providing technical and capacity building assistance to other Customs administrations. Over the last few years, the CBSA has completed Customs capacity building projects in Af-

ghanistan and the Americas, and is currently working on projects in Haiti and countries in Central America, the Caribbean and Southeast Asia.

Priorities

Annually there is over 250 billion dollars of direct investment between Canada and the United States (US) and bilateral trade of more than half-a-trillion dollars. Nearly one million dollars in goods and services cross the shared border every minute and 300,000 people cross daily for business, pleasure, or other reasons. Against this background, the implementation of the Beyond the Border Action Plan, recently concluded between Canada and the US, is a priority for the CBSA.

The Action Plan involves multiple governmental organizations in both Canada and the US and sets out joint priorities in four key areas of cooperation: addressing threats early; trade facilitation, economic growth and job creation; integrated cross-border law enforcement; and critical infrastructure and cyber security. Of the 32 initiatives under the Action Plan, the CBSA is the lead on 11 initiatives that fall under two principles: addressing threats early and trade facilitation.

Addressing threats early is essential to strengthening the shared security of both countries and enabling the free flow of legitimate goods and people. To achieve this goal, Canada and the US are working on initiatives that will continue to "push out the border". These activities include conducting joint integrated threat assessments to develop a shared understanding of shared threats, mutual recognition of air cargo security programmes, implementing entry and exit verification, and establishing and verifying the identity of foreign travellers to North America to improve immigration and admissibility decision-making.

The Agency's activities in support of trade facilitation will facilitate cross-border business, promote supply chain connectivity, and bring greater public transparency and accountability to the application of border fees and charges. Current programme expansion and harmonization will facilitate trade and enable trusted businesses and travellers to move more efficiently across the border. New initiatives are also being developed to expedite the movement of legitimate travellers and cargo.

These two principles take into consideration international conventions and frameworks, such as the WCO Revised Kyoto Convention on the simplification and harmonization of Customs procedures and the SAFE Framework of Standards to Secure and Facilitate Global Trade.

As an integrated border services agency, the CBSA is charged with managing, controlling and securing Canada's borders in support of national security priorities. It is responsible for enforcing legislation that governs the admissibility of goods, plants and animals, as well as people coming into and leaving Canada.

Enforcement activities are essential to managing access to Canada in order to preserve the integrity of the immigration and refugee programme, and to protect the health, safety and good order of Canadian society. The CBSA's activities include preventing illegal migrants and other undesirables from entering Canada, identifying and removing criminals, illegal migrants, failed refugee protection claimants and illegal visitors from Canada, and ensuring that the provisions of the Immigration and Refugee Protection Act are respected.

General information

President
Mr. Luc Portelance

Official address
Canada Border Services Agency
Ottawa, Ontario
K1A 0L8
Canada

Date of establishment
12 December 2003 (*as a coordinated border management agency*)

Total staff
14,000 (over 7,200 uniformed officers)

General contact point
Border Information Services
Tel: +1 204 983 3500 (English)
Tel: +1 204 983 3700 (French)
Email: contact@cbsa-asfc.gc.ca

More information
www.cbsa-asfc.gc.ca

"I find the domain of Customs to be extremely diverse and challenging, as well as highly important and critical to an efficient and secure trading system"

William E. Kennard is the United States' Ambassador to the European Union, a position he assumed in November 2009. Prior to his appointment, he was Managing Director of The Carlyle Group, a global private equity firm. From 1997 to 2001 he was Chairman of the US Federal Communications Commission (FCC). Before being appointed Chairman, Ambassador Kennard served as the FCC's general counsel from 1993 until 1997, having joined the FCC from a law firm where he was a partner and member of the firm's board of directors. He is a graduate of Stanford University and Yale Law School.

EVENTS ON 11 September 2001 radically changed the way the world looks at security. And, with international trade being a key factor in economic security, the global Customs community was charged with finding urgent ways and means to prevent terrorists and organized criminal gangs from threatening vital trade life-lines.

The WCO's SAFE Framework of Standards to Secure and Facilitate Global Trade, which was adopted in 2005, was the beginning of Customs' response to the horrific terrorist attacks that took place in the United States. Since then, other equally important initiatives have been launched by the WCO and its partners to secure international trade.

The United States has put in place a host of measures to counter security breaches, and continues to refine and introduce new measures both nationally and in concert with its international partners, such as the WCO. US Ambassador to the European Union, the Honourable William E. Kennard, shares his thoughts on his engagement with the WCO, particularly in the area of security.

You have been quite engaged with the WCO during your time as US Ambassador to the EU. What is your impression of the organization and its work?

Yes, I have been actively engaged with the WCO and work closely with the Customs and Border Protection and Immigration and Customs Enforcement personnel accredited to my mission. Together with their colleagues from throughout the global Customs community, including our partners here in the EU, they are on the frontline of major border security policies that positively affect the world. I find the domain of Customs to be extremely diverse and challenging, as well as highly important and critical to an efficient and secure trading system.

What reflections do you have on the WCO's efforts in the realm of secure supply chains and the role of Customs therein?

The WCO plays a major role in the area of supply chain security, especially as it relates to the ongoing implementation of the SAFE Framework of Standards. This remains a highly important WCO programme and guides WCO Members toward more streamlined and enhanced Customs-to-Customs and Customs-to-Business arrangements. On the Customs-to-Business partnerships aspect especially, I am very pleased to see the progress that has taken place in the alignment of these programmes at the global level so that security and facilitation objectives will be more broadly felt by all relevant stakeholders.

In my previous time as Chairman of the US Federal Communications Commission, the value of stakeholder engagement was a key element in developing effective and implementable regulations. Working on solutions that effectively scaled up to the global level was also an important element of the work that we did at that time. I find a similarly robust and useful dynamic to be a key factor in the current Customs-Business partnership dimension.

What is your sense of how the security dimensions of Customs' role has evolved?

Customs administrations are playing an increasingly key role in fulfilling a frontline security posture that has a broad effect on both economies and their citizens, relying on Customs' ability to be flexible and adaptable to security challenges. For example, following the incident in Yemen where terrorists attempted to utilize express parcels as a delivery mechanism for improvised explosive devices (IEDs), Customs and other services moved quickly to address the threat and immediately began to identify improvements by working directly with stakeholders.

We are seeing quick and decisive efforts by Customs to adapt their strategically layered risk management approach to air transport. Along with such actions, and as

a result of industry engagement, Customs and other agencies are collaborating like never before. And, we are seeing coordinated border management activities start to pay important dividends as governments look to cost-effectively enhance their approaches to emerging challenges.

You have been a strong proponent of Programme Global Shield. What are your reflections on this initiative?

I am particularly impressed by the work that has taken place in the WCO, together with INTERPOL and the United Nations Office on Drugs and Crime (UNODC), in rising to the challenge of addressing the growing threat associated with the illicit diversion of common precursor chemicals used to manufacture IEDs.

Global Shield draws upon the unique ability of law enforcement and Customs officials to do what politicians and diplomats frequently cannot. Police and Customs agencies have the power to reach across the border to their counterparts in another country – regardless of politics – and "operationalize" a good idea, moving beyond dialogue to true collaboration. At the core of the Programme is the recognition that no state is immune from international crime, and no state acting in isolation can effectively counter the criminal networks that ignore our borders with impunity. The multiplicity of threats posed by organized crime and illicit global networks are too large, complex, and sophisticated to address unilaterally.

Can you tell us more about the recently released US National Strategy for Global Supply Chain Security?

The National Strategy for Global Supply Chain Security is the first US strategy on this topic. All US Government departments and agencies with roles and responsibilities related to the supply chain participated in the development of the National Strategy. It provides high-level guidance to US departments and agencies and will guide our policies and activities as well as our interactions with stakeholders: domestic and international, public and private. Our focus in this Strategy is the worldwide network of transportation, postal and shipping pathways, assets, and infrastructures – including communications and information infrastructures – by which goods are moved until they reach the consumer.

Secretary General Mikuriya welcomes Ambassador Kennard to WCO Headquarters

The Strategy establishes two goals: the first is to promote the efficient and secure movement of goods, and the second is to foster a resilient supply chain system. Our approach is to manage risk and to work collaboratively with other stakeholders to develop strong and coordinated solutions to global supply chain challenges. The US Government is interested in receiving views and recommendations from national governments, transportation sector partners, and other affected stakeholders on a wide range of areas. Interested stakeholders can learn more about the process by visiting http://www.dhs.gov/globalsupplychain.

What are your broader views on how the role of Customs leads to other security aspects, such as economic and competitive security?

Certainly the work of the WCO and its Members leads to the strengthening and facilitation of secure global trade. I must say though, I truly had no idea how much Customs-related cooperation contributes to jobs, economic growth, security and sustainability – for both governments and the private sector. As a result, we are witnessing a new era of global opportunities for Customs cooperation, as well as the necessary connectivity to make it most effective. I am also impressed by the efforts that WCO Members are making to facilitate legitimate trade, and to ensure that measures to further secure trade do not impose unnecessary burdens on the flow of goods.

By facilitating trade, Customs is also playing a vital role in spurring global economic recovery. Customs plays a key role as the gatekeeper of goods passing across borders and they therefore have the opportunity to truly affect peoples' lives – from security, economic, and health & safety aspects – which very few other governmental authorities can by comparison. This also means that Customs has extraordinary authority and responsibility that has a direct and major impact on goods in the trading system. I applaud you all for the work that you continue to do in this regard.

International Customs Day 2012 in pictures

A pictorial celebration of WCO Members' activities around the world, commemorating this special day on the Customs calendar.


The Bahamas


Estonia


Finland


Ireland

Korea


The Former Yugoslav Republic of Macedonia


Luxembourg


Australia


Azerbaijan


Bosnia and Herzegovina


Egypt

Hong Kong, China


Italy


Malaysia

Singapore

Slovakia

Togo

Turkey

Ukraine

Ukraine

Spain

Mongolia

United Kingdom

Serbia

Saudi Arabia

Switzerland

Yemen

WCO Integrity Sub-Committee: all the highlights from its annual session

OVER 120 DELEGATES from around the world gathered at the WCO in March 2012 to deliberate upon Customs integrity-related issues. The Agenda included a presentation on progress made in relation to integrity pilot projects and the work undertaken to review the Integrity Development Guide - the main WCO training tool based entirely on the Organization's Revised Arusha Declaration on Integrity.

Two round tables were held:

- The first addressed communication as a tool to build trust in State institutions. One country, Cameroon, showed how its communication policy vis-à-vis Customs officers and the private sector has generated support for reform projects and has produced convincing results in terms of efficiency and effectiveness. The European Border Assistance Mission to Moldava and Ukraine (EUBAM) also took part in the round table, mentioning that Customs is often perceived by the public as being responsible for integrity problems at the border, even if these problems are related to other border agencies. The importance of the role played by communication in changing this image and showing what Customs is doing to solve certain problems as well as the anti-corruption measures it is putting in place was stressed.

- The second dealt with the usefulness of having an "internal affairs service" to enhance integrity within Customs. Three countries, Ghana, Hong Kong, China and the United States, gave presentations on their "internal affairs services" and the different facets of its activities. It transpired that each country has tailored its mechanisms to fit local conditions, however all are focused on combating corruption through a variety of ways, including tests prior to recruitment, investigations, awareness-raising, and tests in the field to assess the integrity and professionalism of officers. The importance of ensuring that a Customs agency offers the conditions necessary for its employees to flourish in a high-integrity environment was also underscored.

Another topic of interest at the Integrity Sub-Committee was informal trade practices and their impact on integrity; in particular, how to mesh them with the reality of countries where, at times, 60% of traders are operating in the informal sector, and how Customs can manage this type of practice while ensuring compliance with the law. Against this backdrop, the International Trade Centre (ITC) reported on a trade facilitation project looking at informal trade involving women in Uganda. This pilot project will shortly be replicated in other countries within the East African Community (EAC).

The Sub-Committee also reaffirmed the importance of social and welfare activities to promote integrity and an 'esprit de corps' within Customs and fiscal administrations. In addition, the WCO Secretariat and the Netherlands Customs administration presented the integrity component of the WCO Leadership and Management Development Programme. This Programme underlines the need for Heads of Customs administrations and their managers to take measures to promote integrity within their areas of responsibility.

More information

capacity.building@wcoomd.org

Calendar of Events

July	
2 - 3	Excise Tax Mini Summit
2 - 13	Knowledge Academy for Customs and Trade
5 - 6	WCO/ICAO Joint Conference, Singapore
September	
17 - 18	Harmonized System Committee, Working Party
19 - 28	Harmonized System Committee, 50th Session
25 - 27	PICARD Conference, Marrakesh (Morocco)
October	
11 - 12	WCO/IATA/ICAO API Contact Committee, 6th Meeting
15 - 19	Data Model Project Team
15 - 19	Technical Committee on Customs Valuation, 35th Session
23 - 24	WCO Counterfeiting and Piracy Group, 7th Meeting
November	
5 - 9	Permanent Technical Committee, 197th/198th Sessions
12 - 13	EastWest Institute Worldwide Security Conference
14 - 15	Revised Kyoto Convention Management Committee, 11th Meeting
19 - 30	Harmonized System Review Sub-Committee, 44th Session
21 - 23	UNODC-WCO Container Control Programme Annual Meeting (Panama), 6th Meeting (TBC)
December	
2 - 3	Private Sector Consultative Group
3 - 5	Policy Commission, 68th Session
10 - 12	Working Group on Commercial Fraud, 8th Meeting

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 – under the "Events" section.

The Webb Fontaine group of companies is present in Europe, Asia, the Middle-East and Africa. Its Single Electronic Window and Customs transaction processing solution, TradeWorldManager (TWM), provides the most advanced integrated solution to Customs, Government agencies and all international trade stakeholders; enhancing trade efficiency and revenue collection.