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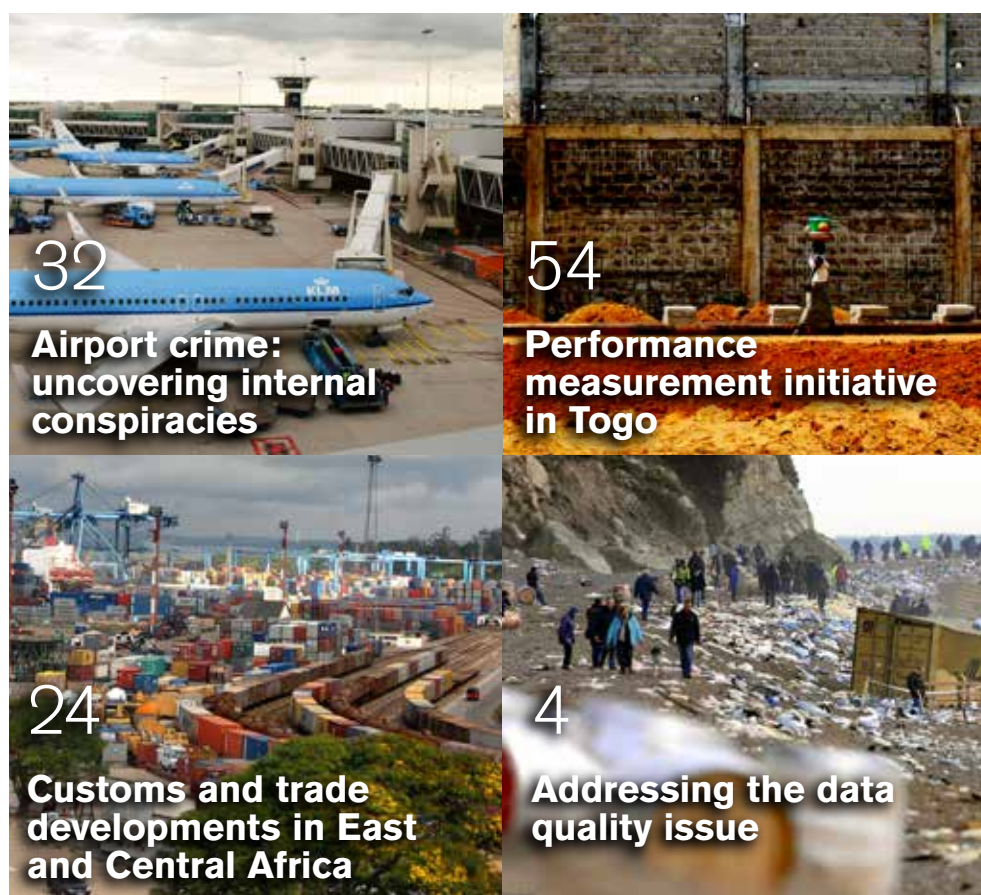


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Data quality and economic competitive amongst the “flotsam” of a ship wreck

A container ship founders

ON 18 JANUARY 2007, at approximately 10.30 in the morning, the crew of a container ship sent out a distress call. Not long afterwards, the captain ordered the crew to abandon ship. They were at sea in their lifeboat for several hours before all 26 of them were picked up by rescue helicopters and safely taken ashore. One helicopter broke two of its winch lines during the difficult rescue of the seamen, making the operation even harder. In addition, due to rough seas and gale force winds, many of the men suffered acute seasickness, including dehydration in some cases.

The ship was subsequently taken under tow by salvage tugs towards a nearby port. The flotilla proceeded with the container ship listing more dangerously and, with strong winds forecast, refuge was sought in a bay sheltered from the northwesterly, westerly and southwesterly

winds common at the time of year. The ship's deteriorating condition raised doubts about its ability to withstand the rigours of the journey back to port, so the man in charge of the salvage operation decided to beach the ship.

In the aftermath, the salvagers' and insurer's representatives examined the containers and their contents following their recovery. In some instances, it was clear that the carrier had no reasonable means of ascertaining who was responsible for the containers and their contents. In addition, the manifest information contained many errors which raised several concerns, including concerns about data quality.

The risks of poor data quality

Data quality issues can be found in all modes of transport and this is a topic of increasing concern for Customs and trade worldwide. Risks arising from poor data

quality need to be managed and mitigated because many aspects of the tasks and responsibilities undertaken by Customs authorities are based on data received from the trading community.

This data is used by Customs for various purposes, including security risk analyses, admissibility decisions, trade facilitation measures, revenue collection, resource allocation and coordinated border management, as well as for compiling statistics used by governments for macroeconomic policy decisions. All are impacted by the quality of the data received.

Misdeclaration of Customs information may be willful or accidental. Whatever the case, if the data is of poor quality, it could lead to Customs taking incorrect decisions with the results ranging from annoying to



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potentially disastrous – citizens may not receive the protection they expect from Customs, governments may be deprived of revenue and make poor decisions about the economy, and legitimate traders may face unnecessary controls.

The Customs and trade “salvage team”

Under the umbrella of the World Customs Organization (WCO), trade and Customs have initiated high-level discussions about data quality. Senior Customs officials and the WCO Private Sector Consultative Group (PSCG) are engaged in a collaborative and constructive dialogue to address the challenge that both sides face, agreeing that data quality is fundamental to the smooth running of government and business operations alike.

The WCO SAFE Working Group, which “manages” the WCO Framework of Stan-

dards to Secure and Facilitate Global Trade, has also set up an expert group, consisting of Customs and PSCG representatives who will work together to find ways to improve data quality. Improved data quality will enhance supply chain security, support trade facilitation, maximize supply chain efficiency and contribute to economic competitiveness, a highly sought-after “commodity” in this day and age.

The expert group has just embarked on its journey to compile best practices developed by Customs, other government agencies and the trade. It will also be investigating instruments devised by other international organizations, including frameworks, that ensure data quality. The results will fuel the debate on how to find the best practical and workable solutions. Its quest may lead to new WCO instruments or the adaptation of existing ones.

The nCEN application, bridging the gap through technology

IN SOME COUNTRIES around the world, Customs may be responsible for the collection of up to 50% of government revenue and, in a few cases, this amount can be as high as 70%. There is consequently a need for an efficient national Customs administration, based on the principles of good governance, modern operational methods, state-of-the-art revenue collection and information and communications technology (ICT) systems, all of which form a set of key building blocks underpinning those countries' stable economic growth.

The automation of Customs processes was an important catalyst in reforming Customs operational methods in the early 1990s. But despite progress in automation, capacity building missions have often observed that the features offered by automated systems are still not being utilized to the full and the analytical use of available Customs data, especially in enhancing risk management approaches, is less than satisfactory. Some Customs administrations have attributed this situation to the minimal data-mining capabilities of existing applications. Additionally, it has been observed that opportunities for deeper Customs cooperation have not been fully exploited despite countries being members of various trading blocs. These opportunities include, amongst others, joint intelligence and risk management systems through extensive sharing of information on seizures and offences, as well as on suspected persons and entities.

The latest product issued by the WCO, the National Customs Enforcement Network (nCEN) application, gives Customs administrations the ability to collect, store, analyse and disseminate law enforcement data effectively at the national level, in order to establish robust intelligence capabilities, enhance profiling on a strategic, tactical and operational level – including risk mapping of commodities, routes and traders

most prone to Customs tax evasion – and boost information-sharing between Customs administrations at a regional or international level, thus enhancing cooperation across the entire border sector. All these measures will in turn contribute not only to an overall improvement in law enforcement, but ultimately to increased revenue mobilization.

The nCEN application consists of several complementary components, namely three independent databases (seizure database, suspect database, company database), as well as a secure internal communication system. The core database of national seizures and offences comprises nominal data required for analysis, including means of conveyance, routes, and the option to view pictures or X-rays of unusual concealment methods. The application includes a powerful search function for cases or photos, and users can transfer the non-nominal components of the search results to an MS Excel spreadsheet for analysis. An in-built statistics feature makes it easy to convert the available data into tangible results at the click of a button, and to download these statistics in Excel format for further use.

Two supplementary databases hold information on suspected persons and offending business entities, facilitating a structured investigation process. An investigation can be initiated based on a case in the suspect database, or on a seizure case received from another Customs administration. A predefined workflow allows for officers to be assigned to specific investigations, while additional system functionality manages all communications related to an investigation in a structured manner. Information must be input manually to the seizure and suspect databases, but may be uploaded auto-



matically to the company database using a standard template, allowing a smooth transfer of legacy data from existing national systems directly to the nCEN.

Apart from the email system which facilitates cooperation between officers at the national level, the Information Communication Interface (Icomm), included in the nCEN, allows for the exchange of data on seizure cases with other Customs administrations using nCEN (provided the necessary legal premise exists), and/or the transfer of non-nominal components of the data directly to the global Customs Enforcement Network (CEN) database, thus fostering improved law enforcement capability on a global scale.

The nCEN software is free of charge to all WCO Members. The costs of the hardware needed to run the nCEN application (server, back-up disks, laptop), the costs associated with the training, and possible costs for modifications to the local IT infrastructure (if applicable) are, however, the responsibility of the implementing Customs administration. In a global economy based on information computerization, nCEN enables Customs administrations to take major strides forward on the path to good governance, trade facilitation, improved revenue mobilization, stricter law enforcement and ultimately, the broader goal of sustainable development and economic growth.

More information
cis@wcoomd.org

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Latest accessions to WCO instruments

HS Convention



Sao Tome and Principe

Date of Accession: 2 July 2013

148th Contracting Party

Revised Kyoto Convention



Cape Verde

Date of Accession: 27 June 2013

87th Contracting Party



Côte d'Ivoire

Date of Accession: 27 June 2013

88th Contracting Party



Yemen

Date of Accession: 27 June 2013

89th Contracting Party



Armenia

Date of Accession: 19 July 2013

90th Contracting Party



Malawi

Date of Accession: 6 September 2013

91st Contracting Party

More information

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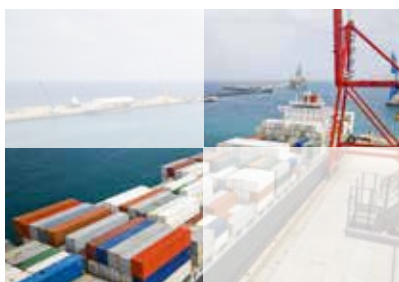
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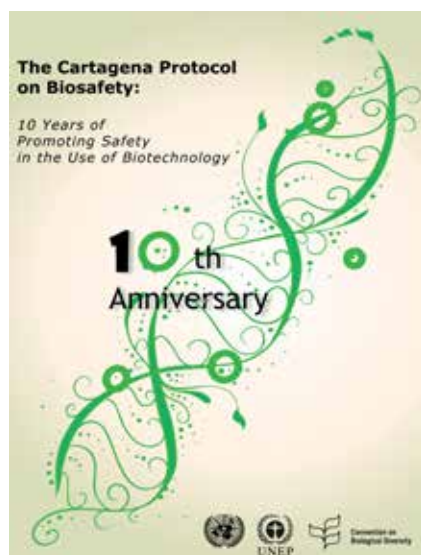
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Ten years of promoting safety in the use of biotechnology

THE CARTAGENA PROTOCOL on Biosafety, which very recently celebrated its 10th anniversary on 11 September 2013, is an additional agreement to the Convention on Biological Diversity (CBD). It aims to ensure the safe transport, handling and use of living modified organisms (LMOs) resulting from modern biotechnology that may have adverse effects on biodiversity, also taking into account risks to human health.



To mark this historic occasion, Braulio Ferreira de Souza Dias, the CBD Executive Secretary said, "...for the Protocol to be fully effective, we need to...foster a better understanding among all stakeholders on how the Protocol contributes to sustainable development." He urged all countries that have not yet done so to fast track their national processes to ratify or accede to the Protocol and its Supplementary Protocol on Liability and Redress.

The Protocol establishes procedures for regulating the import and export of LMOs from one country to another. There are two main sets of procedures, one for LMOs intended for direct introduction into the environment, known as the advance informed agreement (AIA) procedure, and another for LMOs intended for direct use as food or feed, or for processing (LMOs-FFP).

The 10th anniversary of the Protocol takes place under the banner of the 2011-2020 United Nations Decade on Biodiversity which underlines the importance of "Living in harmony with nature".

Fast facts

The Cartagena Protocol was adopted on 29 January 2000 and entered into force on 11 September 2003.

As of September 2013, 165 countries plus the European Union (EU) have ratified or acceded to the Protocol.

The Nagoya-Kuala Lumpur Supplementary Protocol on Liability and Redress to the Cartagena Protocol was adopted on 15 October 2010 in Nagoya, Japan.

14 Parties to the Cartagena Protocol have ratified or acceded to the Supplementary Protocol, as of September 2013.

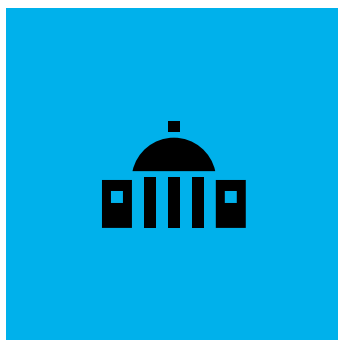
The Cartagena Protocol has the added distinction of being the first major international environmental agreement of the 21st century.

More information

www.cbd.int

The WCO and its Member Customs administrations have long played a critical role at borders in ensuring that enforcement-related controls on environment-sensitive goods are carried out effectively, and in ensuring compliance with all national environment-related laws and regulations, including compliance with the provisions of international environment agreements.

Of the WCO's 179 Members, 152 (plus the EU) have ratified or acceded to the Cartagena Protocol and of the Protocol's 166 Contracting Parties (including the EU), 13 are non-members of the WCO.



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This edition's dossier captures some of the highlights of this year's annual Council sessions which took place in Brussels from 27 to 29 June 2013.

Directors General of Customs gathered at WCO Headquarters to endorse the work done by the Organization over the past 12 months, and to chart the way forward for the months ahead.

Over the three days, they discussed all the key issues impacting on the international Customs environment as well as the opportunities and challenges presented by developments in global trade.

The dossier touches on the WCO's main areas of work – compliance, facilitation, tariff and trade affairs, and capacity building – as well as other interesting events that added to the success of Council 2013.

Together, we are prepared for all eventualities

By Kunio Mikuriya,

SECRETARY GENERAL,
WORLD CUSTOMS ORGANIZATION



THE RECENTLY CONCLUDED June 2013 WCO Council Sessions provided a clear vision for the future. Guided by a new three-year Strategic Plan, the WCO will actively focus its energies on four strategic packages

concentrating on revenue, compliance and enforcement, economic competitiveness and organizational development. Together, these packages support the adoption and application of modern Customs practices and raise awareness on the vital role of Customs in international trade. In this article I will touch on some of the highlights of the strategic packages and offer a few reflections on other priority issues for Customs in the year ahead.

The Revenue Package (RP) is now in its second phase, which includes the development of two diagnostic tools to enhance Customs' ability to collect revenue that

is legally due. These tools will cover (1) controls and infrastructure relating to classification, valuation and origin, and (2) the establishment of a post-clearance audit infrastructure. In addition, the WCO will host a Revenue Conference immediately following the 2014 Council Sessions, which will include expert discussions on subjects, such as revenue gaps, transfer pricing, pre-shipment inspection, destination inspection, post-clearance audit and informal trade practices.

The WCO will continue to promote and roll out the Economic Competitiveness Package (ECP). Customs administrations have huge potential to enhance the economic competitiveness of their national economies by facilitating international trade. The ECP includes encouraging more WCO Members to accede to the Revised Kyoto Convention (RKC) on the simplification and harmonization of Customs procedures, and supporting them in implementing RKC standards. In addition, expanding use of the ECP toolkit can help ensure that WCO Members are fully ready to support the introduction of a future WTO trade facilitation agreement.

The Compliance and Enforcement Package (CEP) consists of four elements, namely enforcement tools, enforcement technology and infrastructure, partnerships to address supply chain risks, and operations. In this respect, you may recall that during the Council Sessions I announced that Operation Biyela, which targeted health and safety risks in Africa during April 2013, had resulted in significant seizures of fake medicines, foodstuffs and vehicle parts. Given the successes achieved during these enforcement operations, more will be organized in the coming months aimed at combating various forms of illicit trade.

Turning to capacity building, another continuing priority for the WCO, the Organizational Development Package (ODP), which consists of strategic advisory support and delivery, human resource development, integrity, and stakeholder engagement, will provide a vehicle for the WCO to assist its Members in their reform and modernization programmes. It is worth mentioning that the ODP will also focus on strengthening and developing management capabilities within Customs administrations, which is essential for bolstering the overall capacity and efficiency of an administration.



The WCO is ready, willing and able to assist in the implementation of the trade facilitation agreement, if one is finally concluded. Regardless of what happens in Bali, the WCO will continue to work with any Customs administration seeking assistance in the trade facilitation domain.

While the WCO Strategic Plan is guiding our work, we also need to remain mindful of current events and be prepared to deal with any eventuality, whether positive or negative, that might impact Customs or international trade. It is imperative that the WCO and its Member Customs administrations remain agile, responsive and ready at all times in order to deal effectively with challenges and take advantage of opportunities presented by an ever-changing global trade environment.

For Customs, December 2013 will be a particularly intriguing month. For years, negotiators at the World Trade Organization (WTO) have been crafting a new international agreement on trade facilitation. As a Customs community, we should all be proud that the text produced by the Trade Facilitation Negotiating Group (TFNG) is largely based on the RKC, and that the WCO has supported the TFNG since its inception. In December, the WTO will hold a Ministerial Conference in Bali and, while it is difficult to predict what will happen, I do know this: the WCO is ready, willing and able to assist in the implementation

of the trade facilitation agreement, if one is finally concluded. Regardless of what happens in Bali, the WCO will continue to work with any Customs administration seeking assistance in the trade facilitation domain.

Regionalization is also a topic of vital interest to Customs administrations. In September, I participated in the 5th Ordinary Meeting of the African Union Sub-Committee of Directors General of Customs in Cotonou (Benin), where Customs leaders discussed, among other things, planning related to a possible Continental Free Trade Area. At the annual PICARD Conference in St. Petersburg (Russian Federation), the impact on Customs of the development, implementation and administration of regional integration was one of the three research themes; discussions also covered the Russian Federation-Kazakhstan-Belarus Customs Union.

Continuing the regionalization theme, action is also heating up over the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP): the TPP would create a

free trade agreement involving a dozen countries, covering 40% of the world economy and approximately 33% of all international trade; and the TTIP, which would be a free trade agreement between the European Union and the United States, would also be massive with many implications for international trade and the rest of the global economy.

These are just some of my reflections on what the WCO has done, what it will be doing, and what will impact on its work in the coming months. The Organization will continue to enhance its communications to ensure that WCO Members and Customs' stakeholders remain cognizant of our activities and can fully benefit from them. To that end, you can stay fully connected to the WCO by regularly visiting our website – www.wcoomd.org, subscribing to our global magazine – WCO News – or joining our social media platforms. In addition, WCO Members may consult the Secretariat's monthly Management Committee Reports online.

I look forward to your support as we work together to ensure a better future for Customs and all our trade stakeholders.



Facilitation

Economic Competitiveness Package

In order to contribute to the economic development of its Members, the WCO launched the Economic Competitiveness Package (ECP) in June 2012. An Action Plan was approved by the WCO Policy Commission in December 2012 and implementation is underway with the emphasis on regional seminars and obtaining more input and best practices from WCO Members.

21 innovative and best practices have been received so far and regional workshops have been held in Brazil, Malawi and Hong Kong, China. Another three are scheduled to be held later in the year in the remaining three WCO regions. The outputs from these events will serve to develop regional strategies for economic competitiveness and to give more direction in terms of support for national needs.

An ECP Toolkit has been developed in order to link each element of the World Trade Organization (WTO) Trade Facilitation Draft Consolidated Negotiating Text to relevant WCO instruments, tools and programmes.

WTO trade facilitation negotiations

During the July 2012 meeting of the WTO Negotiating Group on Trade Facilitation (NGTF), WTO Members asked the WTO Secretariat to organize another round of needs assessments relating to the preparedness of WTO Members to implement measures that will be contained in the future WTO Trade Facilitation Agreement. The WCO was approached to support this work.

WCO Revised Kyoto Convention implementation assessment

A Revised Kyoto Convention (RKC) Toolkit for assessing the implementation of the

RKC has been developed for use by RKC Contracting Parties, in order to assess their level of compliance with the provisions of the Convention and, above all, their level of implementation of these provisions.

Data quality and data security

All Customs tasks and responsibilities are performed at least in part on the basis of data received from businesses engaged in trade – for example, revenue collection, risk management, admissibility checks, resource allocation, cooperation with other agencies and the collection of statistical data for macroeconomic decisions.

To examine the risks arising from poor data quality, an Expert Group on Data Quality and Security Issues has been set up under the SAFE Working Group. It is open to other parties, including procedures and enforcement experts, and will report to the SAFE Working Group.

Air cargo security

Progress made in pilot projects

The Technical Experts Group on Air Cargo Security – comprising experts from Customs, Transport, Aviation Security, Police, Immigration and other relevant agencies – has identified eight potential data elements (known as 7 + 1) that will enable high-risk cargo to be targeted for aviation security purposes. The following pilot projects are now underway to test the data elements and find practical solutions to identified operational issues:

- **United States Air Cargo Advance Screening (ACAS) pilot**

Express consignment carriers, passenger carriers, freight forwarders and all-cargo carriers participated in the pilot. Lessons learned so far have confirmed that the ACAS data elements are available early in

the supply chain and prior to loading of the aircraft at the last point of departure to the United States (US), and that they are sufficient for targeting and mitigating air cargo security/aviation security threats. The pilot has been opened up again for additional participants.

- **European Union Express Consignments pilot**

Operational testing was conducted in Member States of the European Union (EU) with express hubs, namely Belgium, France, Germany and the United Kingdom. The 7 + 1 data elements, also tested under the US ACAS pilot, were considered a good fit for a first layer of security risk analysis to detect devices that could bring down an aeroplane. The EU will extend the pilot to other air cargo business models in the near future.

- **Canadian Pre-Load Cargo Targeting (PACT) pilot**

The same 7+1 data elements, used in the EU and US pilots, are being tested in this pilot. The outcomes will be shared shortly.

WCO/ICAO cooperation

The WCO and the International Civil Aviation Organization (ICAO) have developed a joint brochure titled “Moving Air Cargo Globally” that aims to promote awareness of the air cargo and mail supply chain and is intended for a broad audience.

The two Organizations are also developing a joint training module to assist both Customs and aviation security officers to better understand the international air cargo supply chain, each other's roles and the roles of other important actors. This module will form the basis of joint training sessions for both Customs and aviation security staff. The WCO Council endorsed the outline of the module.

All Customs tasks and responsibilities are performed at least in part on the basis of data received from businesses engaged in trade. To examine the risks arising from poor data quality, an Expert Group on Data Quality and Security Issues has been set up under the SAFE Working Group.

The WCO and ICAO have, in addition, prepared the outline of the Terms of Reference of a Harmonized Security Programme pilot, which was also endorsed by the WCO Council. The pilot will explore matters associated with the design, development and implementation of a harmonized security programme that meets the international requirements of the WCO Authorized Economic Operator (AEO) and ICAO Regulated Agent/Known Shipper programmes.

eATA Carnet Project

Discussions on the possibility of moving towards a paperless environment for ATA Carnets continue within the eATA Carnet Working Group which comprises representatives of the WCO Secretariat, WCO Member administrations and the International Chamber of Commerce/World Chambers Federation (ICC/WCF).

Four issues are currently being discussed: the requirement to amend the WCO Istanbul and ATA Conventions, both dealing with the temporary admission of goods, to allow the use of eATA Carnets; the selection of the most appropriate architecture; the cost sharing and financing of the project; and the time-frame for the implementation of the system. Besides traditional meetings, a virtual discussion platform has been set up in order to facilitate further discussion.

Globally Networked Customs

The Globally Networked Customs (GNC) concept aims to improve the way information exchanges work by streamlining them and by using Protocols, Standards and Guidelines. After the Feasibility Study was approved in 2012, it was agreed that GNC would enter a development and testing or “proof-of-concept” phase for at least two years, where WCO Members would engage in pilot projects aimed at testing,

evaluating and documenting the various standards that have been laid down.

Two projects are currently formally regarded as “proof-of-concept” (i.e. a project establishing structured exchange of information): the first is the mutual recognition of AEOs between the EU and the US; and the second is the “Systematic Electronic Exchange of Data in the Western Balkans (SEED)” project, which involves six Balkan Customs administrations.

Recommendation

A Recommendation Concerning Customs Formalities in Connection with the Temporary Admission of Container Security Devices (CSDs) was adopted. The Recommendation covers the following main points:

- Use of the designation “Container Security Devices” as the appropriate name for the device;
- CSDs include mechanical and electronic seals;
- For CSDs which are imported as accessories or equipment of containers, no individual Customs formalities should be required;
- CSDs which are imported separately from a container and are intended to be re-exported should be granted temporary admission, provided that the person (or their representative) responsible for the temporary admission declares them in the required manner and keeps a record as required.

Interactive Advanced Passenger Information

Guidelines for ‘Interactive Advanced Passenger Information (API)’, a more advanced method of passenger processing at airports, have been approved. This system requires data elements to be collected and transmitted by airlines to border control agencies at the time of check-in.

Passenger data is checked against warning alerts, and may also be checked against visa and passport data. Border alert processing is done for each passenger as they check in, and a message is returned to the airline advising whether or not the passenger should be allowed to board.

Developed together by the WCO, the International Air Transport Association (IATA) and ICAO, the Guidelines will help the

three organizations’ respective Members to implement the Interactive API system.

Customs information management

Kyoto ICT Guidelines

The Information and Communication Technology (ICT) Guidelines, which refer to Chapter 7 of the RKC, have been updated. They identify the principal areas of Customs programme delivery where the application of ICT may be viable. They also identify and suggest possible trading partner interfaces, and attempt to outline a number of issues that Customs administrations will encounter should they choose to develop ICT systems.

Some of the issues that the Guidelines attempt to address include legal issues and requirements, security, client consultation and a brief explanation of various communication protocols.

WCO Data Model

The document titled ‘WCO Data Model: A Framework of Conformity’ has been updated in order to help readers better understand the impact and benefits of adopting the Data Model (DM) and the costs of non-conformance with the instrument.

Version 3.3 of the Model was released in autumn 2012. It presents the DM as two distinct components, namely (i) a library of standard components, including the data elements and (ii) ‘Information Packages’ that provide standard electronic templates indicating how the DM may be used. This new way of organizing the DM will make it easier for WCO Members to locate information that is relevant to their national requirements.

The latest version of the DM enables the production of electronic templates for data exchange, not only for ‘Business-to-Government’ and ‘Government-to-Business’ messages but also ‘Government-to-Government’ messages, licences, permits, certificates and other types of authorizations required in the context of cross-border trade.

Version 3.3 also contains ‘Information Packages’ on the Single Administrative Document (SAD), the International Maritime Organization (IMO) FAL Forms, the valuation declaration and guarantee management.

Capacity Building

Organizational Development Package

The WCO continues to provide outstanding capacity building assistance to WCO Members around the world. New and emerging key strategic drivers, however, are impacting international trade and Customs administrations. This requires capacity building efforts to remain responsive and needs-driven to ensure Customs administrations can obtain the support they require to pursue reform and modernization. To further bolster these objectives the WCO Council endorsed the Organizational Development Package (ODP) in June 2013 which provides a list of tools that are available to support WCO Members. The ODP is underpinned by three enablers - political will, people and partnerships, and is divided into four sections: Strategic Advisory Support and Delivery; Human Resource Development; Integrity; and Stakeholder Engagement. This article discusses a sampling of the initiatives within these four sections.

Strategic Advisory Support and Delivery

The WCO's Strategic Advisory Support and Delivery derives from the WCO's 2003 *Capacity Building Strategy*. The strategy entails: needs-assessment employing a diagnostic mechanism, the development of a comprehensive strategic plan, implementation of WCO standards, and regular monitoring of performance indicators. Key WCO capacity building tools to support these actions include the

Diagnostic Framework and the Capacity Building Development Compendium.

Performance measurement also constitutes an important element of the ODP Strategic Advisory Support and Delivery and is an integral part of successful reform and modernization. To assist Customs in identifying bottlenecks in border-related procedures and to improve their efficiency and effectiveness, the WCO emphasizes the importance of the WCO Time Release Study (TRS) tool. The WCO also provides technical assistance on the use of performance measurement contracts between Customs Directors General and frontline Customs officers based on data extracted from automated Customs clearance systems. This tool has led to increased revenue collection, improved trade facilitation and enhanced integrity.

The WCO virtual working group on performance measurement (VWG) is also developing additional tools to assess how measurement can assist Customs modernization with particular reference to the principles set out in the Capacity Building Development Compendium chapter on organizational performance measurement. Under the WCO's online training tool CLiKC!, a database of national performance measurement indicators is being developed. The WCO is also collaborating with the World Bank, the Inter-American Development Bank (IADB) and the Inter-

national Monetary Fund (IMF) on other organizational performance measurement initiatives.

Human Resource Development

The WCO has an extensive training infrastructure with the Regional Training Centers (RTCs) and in the compendium of national training centres. This is further strengthened by E-Learning modules which are available on CLiKC!. The WCO is also developing a tool on recruitment to help support Members to improve their human resource capacity.

The WCO supports a number of programmes that give Customs officers the opportunity to work at the WCO and conduct research on Customs matters. These programmes include the Fellowship Programme, the Scholarship Programme, and the Career Development Programme.

The WCO has also offered its Members a Customs Leadership and Management Development (LMD) Programme, the first component being a LMD Workshop which is taught over a 10-day period. All material distributed during the LMD Workshop is sourced from, and developed in partnership with, WCO Members and representatives from academia and the private sector. It covers a range of leadership and management related issues over 13 modules, including a new module on Gender Equality and Diversity (GED).





The new GED module was promoted recently through the Women in Leadership Forum held in the first week of July, after the 2013 Council Sessions. Delivery of the LMD programme is underway and several facilitator courses have already been completed, the aim of which is to ensure a durable 'domino' effect whereby trainers take responsibility for delivering training in their respective regions and languages. The LMD Programme also includes a Top Executive Dialogue (3 days).

Integrity

Integrity is a cornerstone of a modern Customs administration and a building block by which Customs objectives can be achieved. The WCO provides capacity building assistance through seminars and workshops to support implementation of the principles of the Revised Arusha Declaration. The WCO Council has approved the revised version of the Integrity Development Guide. An Integrity Newsletter that contains articles with Members' best practices is published several times a year. An additional new initiative to support integrity includes the aforementioned performance measurement contracts project.

Stakeholder Engagement

Stakeholder engagement entails co-operation and co-ordination with many actors, including governmental

policyholders and donors. To assist WCO Members in their interaction and negotiations with policymakers, the WCO developed the *Orientation Package*, which provides a clear picture of the modern Customs function, the vital part it can play in achieving national objectives and the necessity of investing in Customs. It also contains advice on how best to utilize this information, including the preparation of business cases or presentations by Customs leaders.

The Orientation Package can thus prove beneficial in encouraging *donor engagement*. The WCO continues to make significant progress in securing funding for capacity building and fostering dialogue with international banks, donor agencies and other development partners. These partnerships also serve to underline the fact that Customs play a pivotal role in the achievement of national, regional and international objectives. This dialogue has enabled the WCO to better understand donor processes and requirements related to financial support for Customs reform and modernization programmes. Following the successful regional donor events Americas and Caribbean region of the WCO, two further regional donor events have been held in the WCO Asia/Pacific region and WCO East and Southern Africa region.



Tariff and Trade Affairs

Revenue Package

Background

DEVELOPED AS A response to WCO Members' concerns with regard to 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, guidance notes, and training material.

Implementation

Phase I of the Package, finalized in 2012, led to the development of a series of new tools for Customs administrations, including an HS-related diagnostic tool and new Practical Guidelines for Valuation Control, Post-Clearance Audit (PCA), and Preferential Origin Verification.

Phase II, which will be finalized by June 2015, will include further diagnostic tools to assist Customs administrations in the fields of PCA and control of valuation and origin, and a study of the linkages between Customs valuation and transfer pricing to provide assistance in dealing with related-party transactions. There will also be a study on the typology of irregularities in the field of origin and on Members' origin certification systems.

In addition, the Secretariat will study means of identifying and analysing the revenue gap in relation to revenues collected by Customs, including Customs duties, excise duties, and value added tax (VAT).

Global Conference on Revenue Issues

In order to enhance the sharing of information and best practices with regard to revenue collection, a Global Conference on Revenue Issues will be organized in 2014.

Rules of origin

Harmonization of non-preferential rules of origin

The technical work related to the nego-

tiations on the harmonization of non-preferential rules of origin at the World Trade Organization (WTO) is continuing. The revised Draft Consolidated Text (WTO document G/RO/W/111/Rev.6) contains both the texts already agreed by the WTO Committee on Rules of Origin (CRO) and elements which have not been endorsed by the CRO or which represent a compromise proposal by the Chairperson of the Committee.

The WTO Secretariat has begun to transpose the revised Draft Consolidated Text into recent versions of the Harmonized System (HS) Nomenclature. While a large proportion of the HS amendments have little or no impact on rules of origin, the transposed rules could become overly complex in certain cases if the transposition were carried out in a purely mechanical manner without any simplification.

In order to assist the WTO and ensure that the transposed rules are simple and clear, the WCO Secretariat prepared a document examining complex cases for the 2002 and 2007 transpositions and suggested simplifications to these rules. The document was sent to the CRO as a WCO Secretariat recommendation.

WCO Action Plan on Preferential Origin

Work undertaken in relation to the Action Plan on Preferential Origin, adopted by the WCO Council in June 2007, is progressing. In this connection it is worth recalling that the objective of the Plan's designers is to provide Customs administrations with all the necessary tools and modern techniques to ensure that rules of origin are clearly understood and implemented.

The latest initiatives include the updating of the Database of Preferential Trade Agreements, developing a section on the ASEAN Free Trade Area (AFTA) rules of origin within the Comparative Study on

Preferential Rules of Origin and undertaking a typology study on origin irregularities. Regarding this latest initiative, a letter has been sent to WCO Members asking for contributions on misinterpretation, fraud and other irregularities encountered in the application of rules of origin and other origin provisions.

Capacity building activities in relation to verification of origin have included an event to accredit origin trainers in the Asia/Pacific (A/P) region, a joint workshop with the WTO in Brunei Darussalam, regional seminars for the A/P and East and Southern Africa regions, and national missions in Chile and Sri Lanka.

The WCO Secretariat has also participated in workshops organized by other regional or international bodies, such as the Swedish International Development Co-operation Agency, the Islamic Development Bank, the International Chamber of Commerce, the African Union and the Asia Pacific Economic Cooperation (APEC) bloc.

Valuation

New Advisory Opinion

New Advisory Opinion 4.15 provides guidance on a case where royalties have been paid to a third party licensor (in other words, the licensor is not the seller of the goods) and determines whether or not it is appropriate to include the royalty fee in the Customs value of the imported goods.

Examination of questions

The examination of the question submitted by Thailand concerning the treatment of bonus payments in the direct sales sector has concluded and it was decided to include this matter in Part III of the Conspectus of Technical Valuation Questions (i.e. questions raised, but not presently being considered by the Technical Committee on Customs Valuation (TCCV)).

The TCCV continues to examine questions concerning “related party transactions under the agreement and transfer pricing”. Ongoing work also includes the examination of questions raised by Belarus (Customs value of industrial waste products), Singapore (valuation treatment of distribution fees and payments based on projected net profits), and Uruguay (valuation of software on USB sticks).

The TCCV accepted two new questions, one submitted by Japan concerning the “treatment of the fees for unlocking a function of imported goods after importation (application of Articles 1, 8.1 (c) and 8.1 (d) of the Agreement)”, and the other by Uruguay relating to “goods imported after a series of purchases of goods and/or services for transformation, processing or repair”.

Technical assistance

National workshops on valuation control and post-clearance audit took place in Kyrgyzstan, Armenia, Nigeria and Côte d’Ivoire, while a sub-regional workshop was held in India for South and West Asian countries, and several regional Customs valuation accreditation workshops for experts and trainers were organized in various WCO regions.

A joint workshop on valuation control and trade facilitation was conducted with the WTO in Peru and a joint WCO/OECD Conference on Customs valuation and transfer pricing for the Asia/Pacific region took place in Korea.

Nomenclature and Classification

Amendment of Article 8

The WCO Council adopted an Article 16 Recommendation concerning the amendment of Article 8 of the HS Convention to establish a procedure which will place a two re-examination (“reservation”) limit on certain matters decided by the HS Committee and speed up the Committee’s decision-making process.

Implementation of HS 2012

The 5th Edition of the HS entered into force on 1 January 2012 and, at present, 102 out of 148 Contracting Parties are applying the 2012 version. Three WCO Members which are not Contracting Parties to the HS Convention have also implemented the 2012 amendments.

Technical assistance

Some 12 national and three regional capacity building and technical assistance activities have been conducted in the area of the HS and related matters, with an emphasis on the modernization of Members’ classification infrastructure.

HS Review Cycle

The HS Review Sub-Committee will complete its work on the Fifth HS Review Cycle at its 46th Session in November 2013. The Committee will submit the draft HS Article 16 Recommendation regarding the HS 2017 amendments to the WCO Council in June 2014 for adoption.

Strategic review of the HS

In recent years, granularity (or specificity) has increased for some products in response to requests by WCO Members and international organizations. These requests have raised the fundamental question of whether, for certain strategic goods, even more granularity could offer some benefits, such as enabling better risk assessment, targeting and admissibility decisions in areas relating to, for example, the environment, security, and health and safety.

With regard to the possibility of reviewing the HS in response to these requirements, there were three possible options, namely: (1) maintenance of the status quo, (2) expanded use and promotion of the HS in its existing form, and (3) reform of the HS, entailing the amendment of the HS Convention, in particular to increase the number of nomenclature digits as a means of increasing the specificity of HS commodity classification.

A second question was whether the current length of the HS review cycle (five years) could be shortened in order to update the Nomenclature more frequently for commodity areas characterized by rapid technological change.

The Council concluded that there was consensus for a cautious and prudent approach in respect of the HS. Regarding the introduction of significantly increased granularity, the Council chose option 2. The Secretariat will examine other coding systems and how they could support Customs operations, especially with regard to risk management in the areas of health and safety, and security.

As for the length of the review cycle, it will remain five years given the many challenges raised, such as WCO Members’ limited implementation capacity and the implications for Secretariat resources.

Compliance and Enforcement

Compliance and Enforcement Package

CUSTOMS SHOULD BE equipped with the necessary tools that allow it to effectively enforce laws and regulations in cases of non-compliance. Tools and instruments that improve risk management capabilities, inspection, investigation and enforcement techniques are fundamental to ensuring compliance (i.e. traders and travellers abiding by the law).

In this regard, the WCO, in close cooperation with its Members, has developed an extensive library of instruments, tools, guidance material and operational coordination activities aimed at supporting all Customs compliance and enforcement actions.

The Compliance and Enforcement Package (CEP) provides a succinct compilation of these elements which can be grouped into four main categories: partnerships; tools; operations; and technology and infrastructure.

The objective of the CEP is to assist members modernize their enforcement capability and to increase the visibility, awareness, use and implementation of these tools, in order to identify potential gaps in existing procedures, and where necessary, develop new tools and instruments to fill any such gaps.

Cargo Targeting System

The Cargo Targeting System (CTS) enables user countries to capture advance electronic cargo manifest information supplied by international shipping lines to perform automated and manual risk assessment, profiling and targeting. The CTS maritime module for container screening has recently been piloted in the Bahamas and Jamaica.

Security Programme

Security risks in the Customs context often centre on phenomena such as terrorism, the proliferation of weapons (and materials) of mass destruction, the trafficking of small arms and explosives, and the illicit diversion of dual-use goods, those being goods that can be equally used for civil and military purposes.

In this regard, the WCO Council was informed of the development of Programme Global Shield (PGS), an initiative launched in 2010 to monitor the trade in 14 chemicals in order to identify those that could be diverted for the illegal manufacture of improvised explosive devices. A comprehensive training manual on explosive precursor chemicals has been developed, and training and capacity building activities are continuing, with 103 law enforcement officials from 12 countries having been given training and an additional 17 officials from 12 countries benefitting from train-the-trainer sessions.

PGS has actively moved forward in its outreach activities aimed at the freight logistics and chemical and fertilizer industries. The aim of this outreach is to engender a 'know your client/customer' philosophy and to encourage the reporting of any suspicious activity to Customs.

Other outreach activities included the promotion of the role of Customs in the management of border-related security threats at key international forums, such as the United Nations (UN) High-Level Meeting on the Sahel and the WCO Global Conference on Strategic Trade Controls and their Enforcement. During 2013/2014, the focus will be on developing a handbook for Members on implementing effective strategic trade controls and the delivery of six regional workshops to raise awareness of the topic.

The WCO has also gathered information on the latest trends in relation to the smuggling of restricted and prohibited goods, such as weapons and explosives, and this was included in the WCO Illicit Trade Report 2012, issued in June 2013.

During 2012/2013, the WCO participated in three counter-terrorism missions organized by the UN Counter-Terrorism Executive Directorate. The missions related to UN Security Council Resolution (UNSCR) 1373. The WCO also partnered with Saudi Customs and UNSCR 1540 Committee experts to organize training for frontline Saudi Customs officers related to the proliferation of weapons of mass destruction.

Revenue Programme

Revenue risks include commercial fraud activities, such as undervaluation, misuse





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of origin and preferential duties, misclassification, and drawback fraud. They also include revenue leakage through smuggling of high-tax goods, such as motor petrol, tobacco, cigarettes and alcohol.

The latest work undertaken at the WCO in this field includes the development of a "Customs Guide against Origin Fraud" and the revision of the "Compendium on Customs Operational Practices for Enforcement and Seizures".

Following the revision of the WCO Guidelines for Post-Clearance Audit, the WCO has received a significant number of training requests. Accordingly, a Training Manual on Post-Clearance Audit (PCA) is currently being developed, building on the new Guidelines, and a delivery strategy will soon be presented.

The WCO also hosted an Excise Summit in early July 2012. The Summit focused on the fair and efficient collection of excise duties, a key topic for many Customs administrations and their governments.

As regards revenue enforcement operations, Operation MEERKAT, which targeted illicit trafficking in cigarettes, tobacco and alcohol in East and Southern Africa, was organized in conjunction with INTERPOL in July 2012 and proved to be a resounding success.

Several operations are scheduled for the months ahead, including Operation GRYPHON, focused on Customs controls associated with shipments of tobacco products, and Operation CULLINAN, an initiative to support international activities to combat the illicit trade in rough diamonds, which is of particular interest to Kimberly Process member countries.

Drug Programme

Two enforcement operations have been facilitated and supported by the WCO in this domain: Operation SKYNET which focused on trafficking in drugs and chemical precursors via postal and express carrier channels; and Operation WESTERLIES targeting illicit trafficking in methamphetamine by air passengers.

Turning to the UNODC-WCO Container Control Programme (CCP), Port Control Units (PCUs) are, at present, fully operational in 19 countries. Given its success, the CCP is expanding rapidly with 22 new countries expected to join in the near future, once the basic training of the new PCUs has been completed. The 2012 CCP Annual is available to Members.

Health and Safety Programme

Risks linked to intellectual property rights (IPR) and health and safety issues in the Customs context largely refer to goods, such as fake or counterfeit pharmaceuticals and other dangerous counterfeit and pirated goods, substandard items, such as electrical components and vehicle and aircraft spare parts, and tainted foodstuffs.

The WCO has implemented a strategy which builds on increased cooperation with right holders to raise awareness about the dangers of these types of goods and to increase detection capabilities through enhanced targeting techniques and backtracking investigations.



Three operations were conducted by the WCO between July 2012 and June 2013, as part of its Health and Safety Programme:

- Operation VICE GRIPS 2 (July 2012) – 16 Sub-Saharan African seaports;
- Operation EASTERN GATE (December 2012) – 8 Sub-Saharan countries;
- Operation BIYELA (April 2013) – 23 participating countries across Africa.

All three Operations primarily targeted products directly or indirectly affecting consumer health and safety, such as medicines, spare parts, foodstuffs and ‘everyday’ consumer goods. The results of the Operations saw millions of suspect and dangerous goods being prevented from reaching their intended markets.

Interface Public-Members (IPM), the WCO online database that enables right holders to provide Customs field officers with real-time data and information on their products, has undergone several stages of development. A mobile application is now available to Customs officers and a project with GS1, allowing officers to obtain information from the IPM system simply by scanning bar codes, is under implementation.

The IPM system also offers a new service, called “IPM Connected”, which enables Customs officers to use the ‘track & trace’ method and authentication solutions found on products and packaging. One of the first authentication solution companies to join “IPM Connected” was AlpVision, a world leader in digital solutions for product authentication.

With respect to events, the WCO chaired the Seventh Global Congress on Combat-

ing Counterfeiting and Piracy which was held in Istanbul, Turkey from 24 to 26 April 2013. The many issues discussed and experiences shared during the Congress were highlighted in an article published in the June 2013 issue of the WCO News magazine, which is available in print or online (www.wcoomd.org).

Environment

Environment risks, as they relate to Customs, primarily concern illicit cross-border trafficking in endangered species, hazardous and toxic waste, ozone depleting substances and the trade in indigenous or protected timber, among others.

One of the WCO’s key projects in this domain is Project GAPIN, initiated in 2010 to enhance the fight against the illicit trade in endangered species of wild fauna and flora and to address integrity-related issues uncovered during the course of the Project. The Project continues to deliver good results, while raising awareness about the importance of integrity and ethical behaviour.

Two workshops for frontline officers at airports and one workshop for officers at seaports were conducted, as well as two seminars in Uganda and Zambia involving Customs, international organizations and non-governmental organizations (NGOs). These activities culminated in the launch of Operation HOPE in October 2012 with the participation of 41 Customs administrations in Africa, Asia and Europe.

The WCO will also continue to organize operations targeting illegal waste shipments, which follow on from two previous operations which produced very successful outcomes.

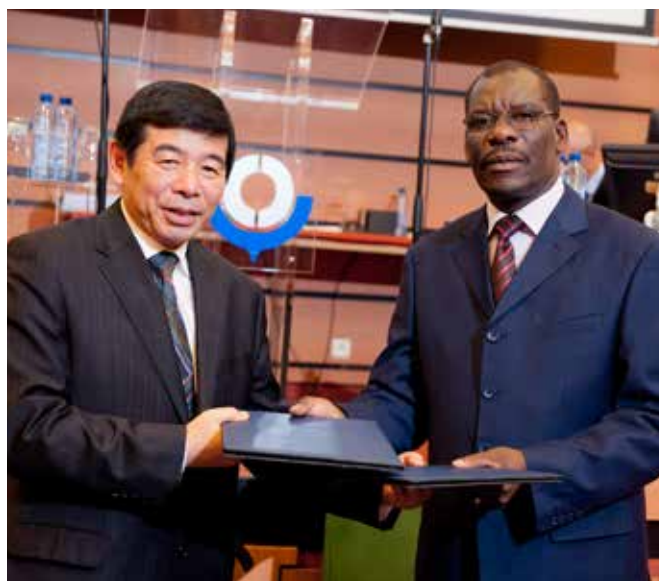
Finally, the WCO, as a Member of the International Consortium on Combating Wildlife Crime (ICCWC), has contributed to the Wildlife and Forest Crime Analytic Toolkit published by the United Nations Office on Drugs and Crime (UNODC). The Toolkit provides countries with a technical resource to undertake a national assessment of the main issues relating to wildlife and forest offences and to analyze the crime prevention and criminal justice response at the national level. ICCWC will support countries interested in conducting a review throughout the entire process. The implementation of the Toolkit is fully government-led.

The CEN suite

The Customs Enforcement Network (CEN) application, which was devised to assist Customs in gathering data and information for intelligence purposes, currently comprises 1,600 users, representing 139 Members and 11 Regional Intelligence Liaison Offices. The CEN being essentially an analytical tool, the quantity and quality of data received is of utmost importance. The WCO feels that there is still room for even greater participation by its Members and therefore urges administrations to do their utmost to ensure that every seizure related to illicit trade is inputted into the CEN.

CENcomm, the CEN communication application, is becoming ever more popular. In 2013 so far, it has been used in 47 operations and projects, almost twice as many as in 2012.

Signing ceremonies



DURING THIS YEAR'S Council sessions, Memoranda of Understanding (MOUs) were signed with the Economic and Monetary Community of Central African States (CEMAC) to enhance

cooperation between the two organizations, and with Mauritius Customs to establish a Regional Training Centre (RTC) in Port Louis.



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2013 WCO IPR Competition

THE 2013 WCO IPR Trophy was awarded to the Angolan Customs administration in light of initiatives taken, the quantity and type of articles seized and the identification of new methods of concealment.

During Operation VICE-GRIPS 2, coordinated by the WCO and carried out in July 2012, Angolan Customs detected in excess of 33 million counterfeit pharmaceutical products concealed in stereo speakers, including anti-malaria products, antibiotics and anti-parasitics, none of which contained any active ingredients.

In Operation BIYELA, conducted in April 2013, Angolan Customs discovered a further seven million illicit pharmaceutical products, underpinned by the use of the WCO Interface Public-Members (IPM) tool, the use of sound risk analysis, and a partnership with the private sector and other government agencies.

The WCO has decided to close this annual competition, as it considers that the goal, namely raising awareness on the importance of IPR protection, both for Customs and for policy-makers, has been achieved.

The Organization will now look for new ways to recognize the achievements of Customs administrations across a broad range of enforcement areas.





2013 WCO Photo Competition

"CUSTOMS OFFICERS AMIDST a fast-changing world" is the caption of this year's winning entry from Thailand Customs. Two Customs officers inspecting goods in a cargo warehouse, find themselves in the middle of fast-paced logistics activities. The photo illustrates the challenge the Customs community faces to keep up with a fast-moving trade environment.

Council Chairperson and Secretary General re-elected for new terms

ELECTION HIGHS OF the 2013 WCO Council sessions included the re-election of Josephine Feehily, Chairman of the Office of the Revenue Commissioners (Ireland), as Chairperson of the Council, and the re-election of Kunio Mikuriya, the incumbent Secretary General of the WCO, for a further five-year term at the helm of the Organization, effective 1 January 2014.

Ms. Feehily expressed her gratitude for the ongoing confidence placed in her by the Council, and Dr. Mikuriya said that he was deeply honoured by the confidence that the Council has in his leadership, and that he was fully committed to continue raising the profile of Customs and the important work it does across the globe.



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Customs and trade developments in east and central Africa's northern transport corridor

By Creck Buyonge Miritto,

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CENTRE FOR CUSTOMS & EXCISE STUDIES

ON 28 AUGUST 2013, Presidents Uhuru Kenyatta of Kenya, Yoweri Museveni of Uganda and Paul Kagame of Rwanda met at Mombasa Port in Kenya for the official commissioning of a new berth that will reportedly increase the port's capacity by 200,000 from the current 250,000 to 450,000 twenty-foot container equivalent units a year. While President Kenyatta urged fellow East African leaders "to address missing infrastructural links and other communication bottlenecks that impede enhanced movement of people, goods and services across the borders", he expressed his government's commitment to remove existing non-tariff barriers and ensure professionalism and integrity in Customs and port operations. President Museveni challenged the business community to enhance manufacturing capability and value addition so that the port is not only used to bring imports into the region, but also to take exports out, while President Kagame expressed his appreciation of the leadership demonstrated by Kenya, as seen in the improvements in port infrastructure.

There is unprecedented optimism for Customs and trade in East Africa for a variety of reasons. Firstly, the political leadership appears to be in sync regarding the need to improve the hard and soft infrastructure facilitating regional and international trade. A standard gauge railway line between Mombasa (Kenya), Kampala (Uganda) and Kigali (Rwanda) was one of the infrastructure projects discussed at a trilateral infrastructure summit held in

Kampala in July 2013. Secondly and interestingly, the leaders agreed that personnel from the Rwanda and Uganda Revenue Authorities should work with their Kenyan counterparts in Mombasa to facilitate prompt clearance of goods destined for the hinterland. Thirdly, they agreed that, from January 2014, their nationals may cross each other's borders on production of an Identity Card instead of a travel document as has been the case in the past. Finally, they agreed on a single tourist visa costing 100 US dollars to encourage foreign tourists to visit more than one country in the region.

Another reason for optimism is that the region is going through a period of reduced conflict. According to a recent report from the International Chamber of Commerce (ICC) Commercial Crime Services, pirate attacks in the Gulf of Aden and the Red Sea have dropped significantly, "likely due to increased/active military action on suspected skiffs, military land-based anti-piracy operations and preventive measures by merchant vessels." The ICC cites similar reasons for the reduction in piracy activity off the Somali coast, where in the past, attacks took place more than 1,000 nautical miles from the coast, and even closer to the coast of Tanzania, Kenya, Yemen and Oman.

The ongoing African Union (AU) Mission in Somalia (known as AMISOM) seems to have brought a measure of stability to a country that has not known a stable government since the overthrow in January 1991 of the military dictator, Major-General Mohamed Siad Barre – President

of the former Somali Democratic Republic from 1969. Although we still hear reports of conflict between Kenya and Uganda over the disputed Migingo Island on Lake Victoria, the conflict has not erupted into war, and is unlikely to do so due to the apparent improvement in relations between the two countries, following the accession of Uhuru Kenyatta to the Kenyan presidency in April 2013. In spite of rebel activity in the Eastern part of the Democratic Republic of the Congo (DRC) which neighbours Rwanda, joint operations between the DRC military and a 3,000-strong United Nations (UN) brigade has contained the conflict within the DRC's borders.

A further reason for optimism is the drive towards making the East African Community (EAC) region a Single Customs Territory (SCT). Last year, the Summit of Heads of State and Government adopted, in principle, the destination model of clearance of goods where assessment and collection of revenue is at the first point of entry and revenues are remitted to destination Partner States. Although detailed procedures on the operation of this model, including suitable IT infrastructure, are yet to be drawn up, it is apparent that the leaders of Kenya, Uganda and Rwanda are keen to get the ball rolling sooner rather than later. Such a model would facilitate free circulation of goods within the East African territory. While the trade community has supported this policy shift, sections of the clearing and forwarding industry in the region have paradoxically opposed it, ostensibly due to the possibility of loss of jobs and the potential closure of businesses at the border.



The 1964 Cairo Conference of the then Organization of African Unity (OAU) resolved to maintain the territorial integrity of the newly independent African States by establishing the principle of the inviolability of the borders inherited from colonial powers in spite of the recognition that the carving out of those boundaries at the Berlin Conference (1884-1885) was done without regard to pre-existing geographic, ethnic or cultural affinities. Although African countries espoused this principle, there have been numerous conflicts. Indeed, the then President of Somalia, H. E. Aden Abdulla Osman, in his speech at the launch of the OAU in Addis Ababa in 1963, claimed that Kenya's Northern Frontier District, and some other territory under Ethiopian administration (the Haud and Ogaden regions), were part of Somalia. The conflict escalated into war in 1977/78 until negotiations led to disengagement.

Similarly, the conflict between Ethiopia and Eritrea over the border from Badme to Bure escalated into an all-out war in the years 1998-2000 when the two States resorted to international mediation through the Eritrea-Ethiopian Boundary Commission, based in The Hague. Keith Somerville, a Senior Research Fellow at the Institute of Commonwealth Studies in the United Kingdom (UK), estimates in an article, aptly titled 'Africa's Borders: Porous, Unprotected and Blocking Trade and Economic Development', that as at February 2013, there were over 100 continuing border disputes between States in Africa, including the ongoing dispute between Tanzania and Malawi on the delimitation of the lake border between them.

This history of border conflicts, and the fact that less than 50% of Africa's borders have been delimited and demarcated, means that for most African countries, issues of borders are seen more through the prism of peace and security rather than trade and opportunities for cultural exchange. As recognized in the Declaration of the African Union Border Programme and its Implementation Modalities (2007), "the lack of delimitation and demarcation gives rise to 'undefined zones', within which the application of national sovereignty poses problems, and constitutes a real obstacle to the deepening of the integration process". It is instructive to note that even in the midst of this apparently chaotic situation, border communities cooperate through trade, the sharing of

trans-boundary resources, and activities that promote social cohesion. Law enforcement officials, including Customs border staff, are sometimes required to deal with some negative aspects of 'border integration', including smuggling and other cross-border criminal activities, where the lack of clear boundaries poses quite a challenge as it is not obvious when officials may go beyond their territorial responsibilities when enforcing national laws.

These are some of the challenges that regional Customs administrations, in collaboration with the WCO, donor agencies and other partners, have had to face in the implementation of the WCO EAC Trade Facilitation Project (www.wcoeac-tfp.net). The Project, which started in 2009, has as its primary objective "to contribute to sustainable and improved economy in terms of trade, security and social protection through the development of Customs authorities as fair and effective trade management partners, as well as modern social protection and revenue collection services". Through the Project, an Authorized Economic Operator (AEO) programme has been introduced in all EAC Partner States with the ultimate aim of ensuring the application of a common risk management framework in the region, the maintenance of a balance between trade facilitation, revenue collection and the security mandate of Customs, and the promotion of partnerships between government, the business community and Customs services.

These developments are positive, a harbinger of better things to come, but at the same time evoke a sense of déjà vu – Ugandan Customs officers working with their Kenyan counterparts at the Kilindini wharf. Similar arrangements, including agreed mechanisms for sharing of revenue, were in place before the break-up of the first EAC in 1977. There used to be an East African Airways, an East African Railways and Harbours Corporation, and even an East African Posts and Telecommunications Corporation.

Established in 1958, the UN Economic Commission for Africa (UNECA) has, since the early 1970s, promoted the construction of a system of nine main highways that criss-cross the continent to provide as direct routes as possible between the capitals of the continent, contribute to the political, economic and social integration of Africa and ensure road transport facili-

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ties between important areas of production and consumption. Trans-African Highway Number 8 (6,260 km) was conceptualized as a link between Mombasa on the Indian Ocean coast and Lagos (Nigeria) on the Atlantic. The highway passes through Kampala, Kisangani (DRC), Bangui (Central African Republic) and Yaoundé (Cameroon). It is estimated that out of the 6,260 km of the highway, only about 2,300 km (36%) is paved, and even some of the paved sections are dilapidated as a result of years of under-investment in maintenance.

On a positive note, the African Development Bank (AfDB), in collaboration with the AU and the New Partnership for Africa's Development (NEPAD), has commenced implementation of the Programme for Infrastructure Development in Africa (PIDA). In the past, financing infrastructure development in Africa was left to international finance institutions. In contrast, the AfDB has designed a new infrastructure delivery vehicle dubbed 'Africa50'. In the words of the AfDB President, Donald Kaberuka, Africa50 is "a facility set up to finance bankable infrastructure projects supported by African institutional investors, pension funds, insurance companies, as well as international public and private sector funding". With a fresh leadership determined to deliver and move beyond rhetoric, reduce corruption and infuse a spirit of professionalism in the public and private sector, and a private sector anxious to see results, the change has to and must be sustained.

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Sri Lanka celebrates 20 years of dedication towards conservation



Part of the repository of confiscated wildlife and archaeological artefacts



Dried seahorses concealed amongst fish maw

By K.P.D.C.H. Kaushalya,

ASSISTANT SUPERINTENDENT OF CUSTOMS, BIODIVERSITY, CULTURAL AND NATIONAL HERITAGE PROTECTION BRANCH, SRI LANKA CUSTOMS

THE BIODIVERSITY, CULTURAL and National Heritage Protection Branch of Sri Lanka Customs commemorated its 20th anniversary on 17 July 2013. It is worth noting the service rendered and the milestones reached by this unique Branch over the past 20 years, as it is recognized as the world's first specialized Branch formed within a Customs administration to safeguard a country's environmental and cultural heritage.

As a signatory to many multilateral environmental agreements, such as the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), the Convention on Biological Diversity (CBD), the Montreal Protocol on Substances that Deplete the Ozone Layer, and the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade, Sri Lanka is required to enforce these agreements effectively.

Sri Lanka is also recognized as a 'biodiversity hotspot' by the International Union for Conservation of Nature (IUCN) due to the richness of its species, its high percentage of endemic flora and fauna, and the prevailing threats to the survival of these species. The latter are significantly influenced by anthropogenic activities, with a leading role played by illegal wildlife trade, which is second only to habitat destruction. The rich archaeological and cultural heritage of the country, dating

Sri Lanka is also recognized as a 'biodiversity hotspot' by the International Union for Conservation of Nature (IUCN) due to the richness of its species, its high percentage of endemic flora and fauna, and the prevailing threats to the survival of these species.

back well over 2,500 years, is also severely threatened by illicit trafficking, hence Sri Lanka's national and global responsibility to take adequate steps towards conserving its rich biodiversity and cultural heritage.

As a frontline law enforcement agency regulating the cross-border movement of travellers and merchandise, Sri Lanka Customs decided to set up a specialized unit in 1993 called the Biodiversity Protection Unit (BPU). The BPU is now known as the Biodiversity, Cultural and National Heritage Protection Branch (BCNP) and functions under the Social Protection Directorate which forms part of Sri Lanka Customs' enforcement cluster. The Directorate's central aim is social and environmental protection by enforcing the law to protect Sri Lanka's biodiversity, as well as its cultural and national heritage, and to ensure due revenue while facilitating legitimate trade.

Since the inception of the BPU, Sri Lanka Customs has successfully thwarted several attempts made by local and international organized criminal syndicates to smuggle wildlife and cultural heritage in and out of the country. Some of these detections received international exposure, while others led to national policy decisions. The legislative power to act on trans-boundary environmental and archaeological crimes was provided to the BCNP through the provisions of Customs Ordinance (Chapter 235) No. 17 of 1869, as amended. Other national laws enforced by the BCNP at the border are the Fauna and Flora Protection Ordinance, the Plant Protection Act, the Agricultural Products Ordinance, the Forest Ordinance, the Fisheries and Aquatic Resources Act, and the Antiquities Ordinance.

The expert assistance of the BCNP has been extended to conducting investigations into the seizure of 349 pieces of raw ivory tusks originating in Kenya, the seizure of rhino horns, and the seizure of red sanders shipped from India, in transit through Sri Lanka. The BCNP itself has been involved in many seizures too, such

as sandalwood, sea-horses, endangered plants, endemic fish, CITES-listed endangered birds, butterflies, pangolin scales, turtles, leopard skins, reptile leather and ivory carvings; demand for these types of products being high in the illegal wildlife trade.

Numerous artefacts of archaeological and cultural importance, such as ancient coins, pottery, statues, cloths and manuscripts, have also been seized during attempts to smuggle them out of Sri Lanka. Some of these goods date back several thousand years, and, although their exact value cannot be determined, are certainly worth several hundred million Sri Lankan rupees. The good work carried out and the commitment shown by the BCNP to environmental protection has been recognized on many occasions, including receiving the Environment Success Story award. The main architect of the BPU, R.S. Gunasekara, who is the current head of the BCNP, received the President's Environmental Award 2004 for his outstanding contribution to the environmental sector.

Self-developed risk profiles, databases and identification manuals are used as resource material when conducting investigations. The Directorate is also equipped with the latest Contraband Team Inspection Kits received through the Mega Port Operations project, and it is proposed to set-up a mini laboratory to conduct essential analysis as and when required. Expert evidence and opinion on the subject matter is sought mainly through informal networks established among related government and non-government institutions due to the absence of a formal network.

The BCNP, in parallel with its 20th anniversary celebration, organized a forum on gap analysis comprising all line institutions, including Customs, Forest, Wildlife, Quarantine, Fisheries and Archaeology, to discuss issues arising at the time of import and export of biodiversity products and archaeologically important articles. The forum was well attended and impor-

tant decisions were made to streamline the existing legal gaps in order to combat trans-boundary wildlife and archaeological crimes more effectively.

Forum participants agreed to strengthen coordination among relevant authorities for speedy information and intelligence sharing through both informal and formal networks, in order to act on incidents of smuggling and illegal wildlife trade. They also identified existing gaps found in current legislation in the presence of the heads of line departments, in order to strengthen enforcement.

Examples of actions that would be taken to strengthen enforcement in the interim included the adoption of temporary measures to address the issues arising from overlapping and contradicting provisions in two main legal enactments relevant to fish and wildlife conservation and trade in Sri Lanka, namely the Fauna and Flora Protection Ordinance and the Fisheries and Aquatic Resources Act, and the effective enforcement of CITES using existing legislative provisions, while specific regulations were being formulated.

The BCNP is also committed to officer training, research, and publications, to raising public awareness to prevent environmental crimes, and to facilitating and guiding legitimate traders. It also maintains a huge repository of artefacts comprised of wildlife products and archaeologically important articles seized over the past 20 years, with some of the archaeological specimens so unique that they are not even available in the National Museum of Sri Lanka. This unique collection of confiscated items is to be put on public display in the Customs Museum which is scheduled to open shortly.

There is no denying that stern action needs be taken by all countries to curtail the menace of the illegal trafficking in wildlife and forest products, and archaeological artefacts. Sri Lanka's BCNP can be considered a role model in this regard and a success story in the achievement of its objective, namely the protection of Sri Lanka's biodiversity, as well as its cultural and national heritage, to the benefit of the global community.

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Nigeria develops an organic National Single Window

As part of the transformation agenda of the President of Nigeria, H.E. Dr. Ebele Goodluck Jonathan, Nigeria Customs Service (NCS) has been pursuing a six-point agenda, diligently being implemented by NCS Comptroller-General, Abdullahi Dikko Inde, aimed at building the capacity of NCS and its trade stakeholders and enhancing the manner in which Nigeria conducts its cross-border trade.

International trade is a key component in the expansion of the Nigerian economy, and NCS intends to facilitate this process by making it cheaper and quicker to conduct cross-border trade through the introduction of a National Single Window (NSW). To develop an innovative NSW that promotes efficient trade, improves safety and security, and increases revenue, NCS adopted a holistic approach that includes all regulatory, financial, transport, logistics and commercial procedures in its scope.

Recognizing the need for technical expertise in this area, NCS partnered with Single Window (SW) experts, namely West Blue Consulting, to conduct a feasibility study (including a gap/needs analysis and a proof of concept) in February 2012 for the NSW programme focused not only on Customs functions, but on all procedures relating to the global trade supply chain – the UN/CEFACT Buy-Ship-Pay Model.

The UN/CEFACT Buy-Ship-Pay Model describes the main processes and parties in the international supply chain, which ensures that goods are ordered, shipped and paid for while complying with regulatory requirements and supporting trade security. The Model identifies key commercial, logistical, regulatory and payment procedures involved in the international supply chain and provides an overview of the information exchanged between the parties throughout its various steps.

Approach

As each country has its own unique trade environment, it was important to understand Nigeria's trade supply chain strengths, weaknesses and priorities, to ensure an effective, organic development approach to Nigeria's SW environment as opposed to a 'copy and paste' approach. The aim of the NSW programme was to establish the current baseline benchmarked to international standards, identify areas that require strengthening, and build capacity and awareness in NCS and among key stakeholders in order to formulate a master plan and a road map – a solid foundation – for the implementation of a NSW.

One major objective of the programme was institutional development, combined with the empowerment of the workforce. Therefore, to ensure effective knowledge transfer and to strengthen the workforce

capacity of NCS and other stakeholders, the SW experts worked very closely with members of the established working group on all aspects and phases of the feasibility study, in order to build a solid foundation for the future.

According to the UNESCAP/UNECE Single Window Implementation Guide, the first level of maturity in SW implementations involves a 'paperless Customs' including e-payment for Customs duty, an e-container loading list and electronic risk-based inspection. Nigeria achieved the first level of maturity in the implementation of its NSW with the introduction by NCS of the electronic submission of Single Goods Declarations (SGDs).

Master plan focus areas

Business processes and data harmonization:

The business process analysis and data harmonization work reviewed the 'as-is' situation and came up with better 'to-be' processes, a business process model, and a NSW data set based on the WCO Data Model (Version 3.3) and its implementation recommendations. A business process manual was also created for the trading community – the first of its kind in Nigeria.

Information and communications technology (ICT):

ICT enables efficient and secure electronic processing of SW services to be rendered. As there is no 'one size fits all' solution for a SW, the feasibility study reviewed the 'as-is' and designed the most appropriate ICT architecture for Nigeria's NSW.

Stakeholder relations and change management:

These two key disciplines are interlinked and are perhaps the most important part of every successful SW implementation. Several consultation sessions were conducted, resulting in recommendations for stakeholder relations and change management. The critical task of continuous sensitization of all stakeholders is being achieved through the use of newsletters,

workshops and social media, such as Facebook and Twitter, in order to provide updates on developments in the SW programme.

Legal, institutional and governance framework:

One of the key components underpinning a SW is the existence of an appropriate legal, institutional and governance framework that provides for effective management, sustainability, certainty, trust, security and privacy of transactions in the exchange of information via a SW mechanism, whether electronic or otherwise. Based on an analysis of the environment and the cost-benefit analysis, this component of the programme provided recommendations and a roadmap for the implementation of a sustainable and legal environment.

Solutions

Working with world class technical partners on the 'to-be' business processes designed for the NSW, the web-based Nigeria Trade Hub was developed as part of the programme, as a means of facilitating trade and increasing transparency, where all information relating to trade from the various involved agencies is aggregated under one roof and is readily available to be searched and viewed.

A non-restrictive online portal – www.nigeriatraderhub.gov.ng – was launched on 19 August 2013 by the Minister of Trade and Investment, Olusegun Aganga, providing information and guidance for international trade business processors in the areas of import, export and transit trade. Key features of the portal include a classification tool, a contact directory, a document library, a currency converter, a Customs procedure code search, a procedures and document simulation tool, a market place and relevant trade news.

The NSW proof of concept – www.nigeriansinglewindow.gov.ng/sw – was also developed with five stakeholders, namely the NCS, the National Agency for Food and Drugs Administration and

Control, the National Environmental Standard and Regulation Enforcement Agency, the Standard Organization of Nigeria, the Nigeria Agricultural Quarantine Service, and terminal operators where traders, with a single submission of data (in line with UN/CEFACT Recommendation 33), can obtain all relevant permits and certificates needed to import products into Nigeria.

The first phase of the electronic risk-based inspection system's Pre-Arrival Assessment Report (PAAR) – www.ncspaar.gov.ng – has been developed to enable NCS to have an end-to-end environment of the risk assessment and inspection processes via operational content and pre-clearance risk analysis profiles. With PAAR utilizing a common classification tool with the Nigeria Trade Hub, transparency and trader compliance has been enhanced.

NSW roadmap

The proposed roadmap for the implementation of the NSW is based on different maturity levels in the SW evolution. This model has five steps:

- Paperless Customs
- Regulatory SW
- Logistics SW
- Fully integrated SW
- Cross-border SW

Nigeria is currently at the first step of the model, namely the paperless Customs phase. Its ambition is to implement a fully integrated SW by 2018, and to achieve a 50% improvement in its position in the World Bank Trading Across Borders Rankings by 2015. To reach these goals requires the introduction of a holistic SW and the implementation of the necessary Customs, regulatory, logistics and commercial procedures, as well as the commitment of all stakeholders to the vision.

More information

<http://westblueconsulting.co.uk>

New Zealand Single Window opens for business

IN AUGUST, THE New Zealand Customs Service (NZCS) and the Ministry for Primary Industries (MPI) officially opened the Trade Single Window (TSW) for business, leveraging the WCO model to improve risk management and facilitation of compliant trade. New Zealand's economic wellbeing relies on efficient international travel and trade, while maintaining a secure border.

During 2012/13 NZCS processed 9.7 million international air passengers, and 6.21 million import and 3.48 million export transactions, while collecting 11,239 billion NZ dollars in revenue. With primary production currently generating more than two thirds of the country's export earnings, effective screening of arriving people, goods and craft for biosecurity risk is an ongoing concern for MPI.

NZCS and MPI have been developing their Joint Border Management System (JBMS) over the last three years. The JBMS modernizes the two agencies' border systems and allows them to better share processes, data and technology. The TSW is a key component of the JBMS, and will ultimately provide a single channel for New Zealand's international cargo industry to submit information and receive responses from border agencies.

Existing border systems

All people, goods, and craft entering and leaving New Zealand must be reported to NZCS, and this is mainly done using electronic messages based on an early United Nations trade facilitation committee data model. Airlines and shipping lines submit information about the aircraft or ship, and its cargo, crew and passengers, in messages, including Inward and Outward Cargo Reports.

Information about arriving ships and crew is currently provided in an emailed form which is shared with MPI and New Zealand's maritime safety agency and port health officers. Commercial importers and exporters or their agents have to submit more detailed information electronically to obtain Customs clearance, including import entries and export entries.

The existing Customs system manages this, identifying craft and cargo that could pose a risk, managing import and export permit controls, collating information for invoicing duty and tax, sending clearance notifications to cargo terminals, and recording the results of inspections and audits for analysis and learning.

Information on export and import cargo that is required to manage biosecurity and food safety risks is also sent to MPI systems. Importers may need to submit a Biosecurity Authority Clearance Certificate (BACC) application to MPI for inbound shipping containers and many imported consignments. They are currently either sent electronically or by fax, and may be supplemented by data passed from Customs' system.

Importers of certain foods need to email documents to a central processing office to obtain an import permit, and most animal and plant products exported from New Zealand must be accompanied by an approved export certificate which exporters apply for through MPI's export certification systems.

The existing NZCS and MPI systems lack the flexibility to respond to the increasing demands being placed on them to manage border risks while ensuring the smooth flow of trade and travel. The existing systems and border processes are not well integrated, requiring the duplication of data and processing which slows the supply chain.

While many commercial freight software products are able to join up information at the 'front end' for industry users, at the 'back end' the data is sent to the agencies separately, and updating software can be complex when there are changes.

Clients have also been limited to using one mandated 'messaging gateway' for sending electronic messages to NZCS and MPI.

A smarter, swifter border system

The JBMS initiative modernizes the two agencies' border systems and brings a fundamental change to the way NZCS and MPI

operate at the border. It will enable the agencies to work more collaboratively, with shared processes, data and technology.

The TSW will ultimately provide a single channel for importers, exporters and their agents to provide information required by border agencies. It will cut out the duplication of data and connections required for submitting information to the agencies' separate systems (see illustration).

The richer information available in new messages will be shared by NZCS and MPI to support New Zealand's border and revenue protection, and management of biosecurity and food safety risks. The country's maritime safety agency and port health officers will also access information about craft and crew, and give directions to ships via the TSW.

New message formats

The new electronic craft and cargo reporting and clearance messages are one of three key changes as a result of the TSW. They are based on Version 3.2 of the WCO Data Model (WDM3), enabling information requirements to be harmonized across the border agencies as much as possible. New Zealand border agencies have been closely involved in the development of the WDM3, and are now amongst the first agencies to use the new message formats.

These new WDM3 messages will ultimately replace the current or 'legacy' craft arrival and departure notices, inward and outward cargo reports and import and export clearance documents. The messages will be shared by the border agencies, starting with NZCS, MPI, Maritime New Zealand and port health officers.

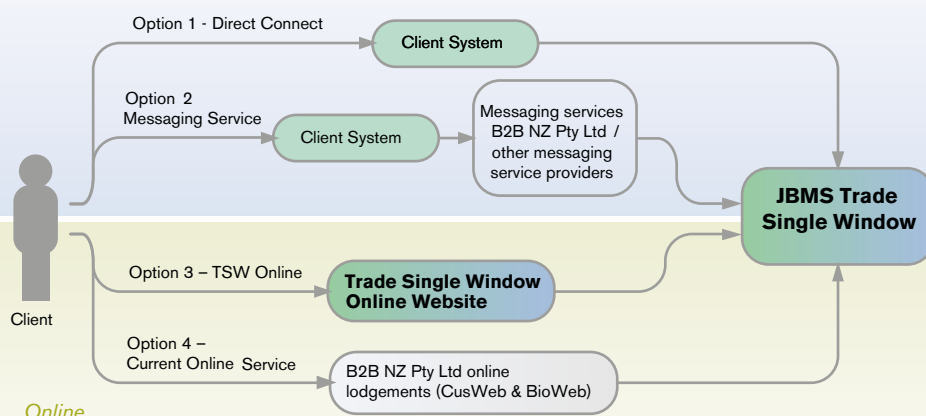
For example, the new WDM3-based Import Declaration combines the Customs, biosecurity and prescribed food information required for clearance, in one message. Clients can move to the new WDM3 messages as they are introduced, or continue to use the current 'legacy' messages until the new messages are mandated. NZCS and MPI are consulting with industry on the mandatory date, but it will be no earlier than December 2014.

New connection options

The second key change with the TSW is the availability of new options for clients to submit messages, providing the opportunity to reduce transaction costs. Clients

JBMS Connections Options

Business to Business Messaging



can continue to use the existing messaging service provider, or use other providers who are now able to compete in this area.

Clients also now have the option of connecting directly to the TSW, without having to use a messaging service provider. This may provide cost savings, depending on the client's volume of messages and set-up costs. It is ideally suited to clients with a reasonable level of information technology expertise to establish and maintain the connection, and to meet security requirements.

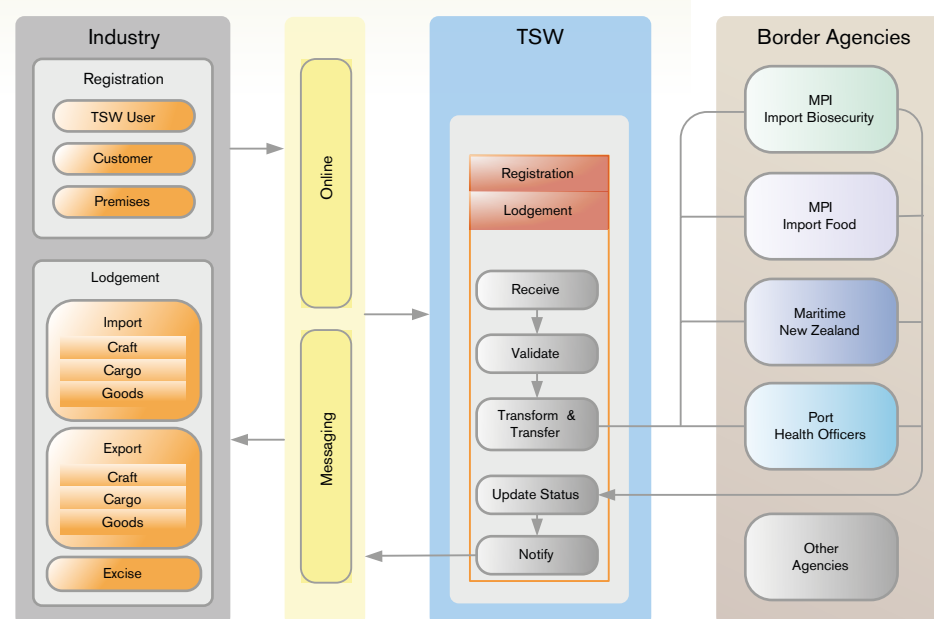
For clients with lower message volumes, the TSW Online Website is an alternative to the current online service. TSW Online uses the WDM3-based cargo reporting and clearance messages, and is operated by NZCS and MPI, while the existing service is operated by a third party and uses the previous versions of the messages.

Self-managed registration

NZCS issues client codes to importers, exporters and overseas suppliers, and to organizations or individuals who want to submit messages to the system. These are currently applied for on forms that are generally faxed or emailed to NZCS for data entry. The third key change is that the TSW will allow clients to register online for joint NZCS and MPI codes, and maintain their own details from thereon, improving efficiency and responses times.

Industry support

The New Zealand cargo industry has been very supportive of the new border system and the TSW. A key part of this has been piloting the TSW with a range of indus-



try partners, including a large freight forwarder, a multi-national express courier, Customs and freight software providers, and TSW Online users. The involvement of these players has been vital for real-life testing of the direct connection facility and new WDM3 messages before the TSW was opened to the wider industry.

As well as reducing the duplication of data and the need to connect to two systems, the ability of clients to provide more detailed information before the arrival of goods and craft means border agencies will be able to provide earlier confirmation of the clearance status to help with planning. Over time, as take up of the new WDM3 messages increases and a history of detailed client information is built up, those clients who comply with border requirements and present low risk will face less intervention.

Wider benefits

Within New Zealand the TSW will enable more information to be shared electronically with industry partners, such as ports and transporters, to support logistics planning. In the longer term, the TSW sets up the foundation for better facilitation of trade through country-to-country data sharing, an objective of both the WCO and the Asia Pacific Economic Cooperation (APEC) bloc.

The JBMS programme is also a key contributor to the New Zealand Government's goal for 'Better Public Services' through online services, and will provide better value for money through multi-agency use of capital assets, and more efficient agency processes through joined-up systems.

More information

www.customs.govt.nz



The other side of airport crime: uncovering internal conspiracies

By Martin Saelman,

DUTCH CUSTOMS LIAISON OFFICER,
SCHIPHOL AIRPORT

IN 2000, THE United Kingdom, the United States, Canadian and Australian authorities prepared a threat assessment, based on the finding that significant proportions of drugs leave airports through 'staff exits' rather than through official border control channels.

Following the publication of this assessment, management strategies were developed around the world and dedicated airport teams made operational in order to detect internal conspiracies and to develop counter-measures against them.

Years of experience have taught us that the only time an aeroplane is immune to this type of crime is when it is in the air. In this article, I would like to share some of the practices we have implemented at Schiphol Airport in the Netherlands to deal with this major threat to airports.

Internal conspiracies

The players in what Customs usually terms "airport crime" are airport/aircraft personnel. Airport crime is defined as an "activity by corrupt airline/airport workers who abuse their rights of access at airports and conspire with criminal organizations to circumvent official control regimes on immigrants, prohibited/restricted commodities and large quantities of revenue-generating goods; or facilitate the theft of high-value consignments".

Internal conspiracy networks involve:

- Aircrew – concealing contraband in their baggage;
- Cleaning crews – concealing contraband in lavatories, underneath seats and within interior side panels of aircraft;
- Caterers – concealing contraband in food carts destined for aircraft;
- Mechanics – concealing contraband in the belly of aircraft and its compartments;
- Cargo/baggage handlers – access to aircraft, cargo warehouses and baggage rooms;
- Security personnel – serving as look-outs.

Awareness

All international airports are affected by airport crime, albeit to different degrees, and all airport enforcement teams should be fully aware of this phenomenon, as should relevant airport services and private companies operating at airports and whose support is critical to counter this crime.

It is worth mentioning that internal conspiracies are a concern not only at airports, but also at sea ports and other places where goods and/or human beings enter and exit a country. Moreover, although most studies focus on drug-related activities, other illicit commodities, such as explosives and arms, may be smuggled into and out of a country using similar methods.

Mapping airport logistics

Once you are aware of the risk, how do you identify problematic logistical procedures?

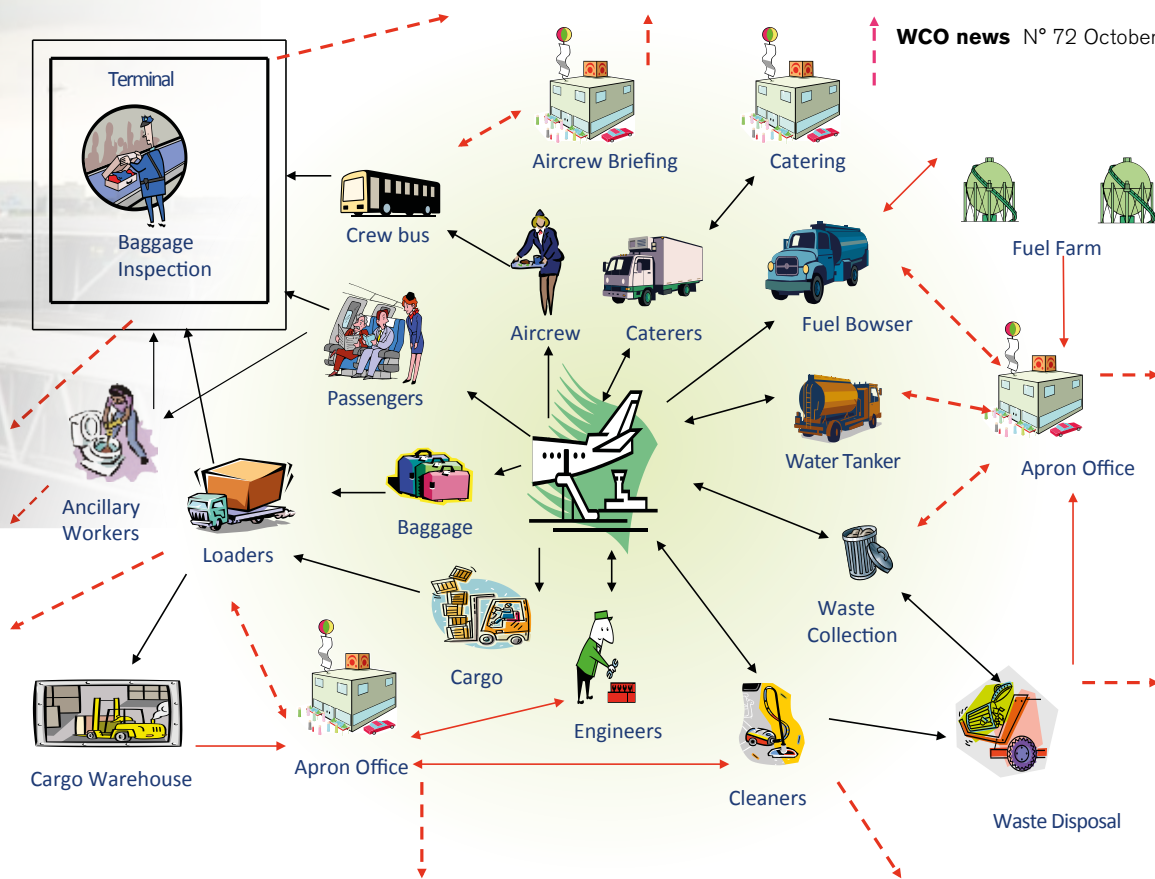
The first stage is to have a clear overview of the airport logistics chain. A mapping exercise (see figure 1) is necessary before going on to examine all the logistical procedures and the degree of risk posed by each of them.

Possible scenarios

How do drugs leave an aeroplane? There are many possible scenarios and many players involved. If the drugs are carried by a passenger in hand baggage, the passenger could leave the consignment anywhere along the route to the baggage claim area and arrivals hall. They could, for example, be hidden in a toilet compartment for pick up by a cleaner. The same method could be used by aircrew, although they follow another route and take a different exit.

A standard method used by traffickers involves placing rucksacks filled with drugs in a suitcase. As soon as the suitcase is checked-in, a contact working in baggage handling removes the baggage tag so that it cannot be connected to the passenger. The suitcase is loaded on board and, once at the destination airport, is brought to the transfer area. A worker then collects the suitcase and places it somewhere in the airport where other workers will retrieve the rucksacks placed inside it and leave the airport through the staff exit.

It is not uncommon for luggage to fall out of the lorry onto the airport apron. A baggage handler can easily drop a suitcase on purpose so that it can be picked up by another staff member, or quickly remove the drugs



from the suitcase and hide them in the lorry. Another logistical operation which is extremely vulnerable to illegal activities is the handling of air freight. Packages of drugs can be mixed with legitimate cargo – the rip-off technique – without any sophisticated concealment method being used.

Last but not least, drugs can be hidden within aircraft equipment and provisions, such as containers for liquids, tray carriers, carts, food supplies and waste containers, or within the actual fuselage of the plane. An aircraft offers numerous areas for concealing drugs, such as the passenger deck, cargo deck, fuel tanks, computer deck and front wheels. Indeed, drugs can be concealed in any part of the aeroplane's structure. At Schiphol, officials once discovered drugs inside a human waste container; the plan being for them to be recovered by a cleaning company employee.

Counter-attack

Customs officers have a great deal of pre-arrival information enabling them to target an incoming aeroplane, such as the country of origin, the airline/country risk history, the routes flown prior to the flight and the passenger list. The intelligence officer's experience is a key factor for the success of any risk analysis undertaken, as is the existing cooperation model with private companies operating at the airport, especially airline companies, handling companies and the airport authority.

Airline companies can, for example, share information on an aircraft's maintenance schedule, thus enabling Customs to target aeroplanes where substantial maintenance has recently been carried out. Indeed, concealing drugs within the structure of an aircraft requires the collusion of engineers as well a great deal of the time. However, aircraft maintenance schedules are usually only provided on request. At Schiphol Airport, officials are currently holding discussions with the major airlines in order to obtain this information automatically.

Customs officers must be familiar with the logistics chains and have a physical presence throughout the airport, whether on the apron, in the passenger terminal or in aircrew only areas, and be on the look-out for any suspicious behaviour or activities. They should, for example, be able to recognize which individuals or companies form part of the normal procedure and which do not.

The primary focus should be the unexpected and anomalies, without losing sight of other 'normal' or 'traditional' elements. This is a very complex exercise, given the speed and 'organized chaos' of an aeroplane's arrival. Customs therefore requires the active cooperation of other agencies and airline companies to be successful.

Search teams should have some knowledge of aircraft maintenance or else be assisted by a mechanic or engineer from an airline maintenance company. At Schiphol,

one of the airline company's engineers is always present during an aircraft search. This forms part of an agreement to ensure that the aircraft is released on time and does not miss its departure slot.

When monitoring the handling of air freight, officers should have information on the cargo content of the targeted flight and look out for 'rip-off consignments' which are sometimes easy to recognize as they differ from other cargo.

Technology and innovation

A special team operates on the apron to detect crime at Schiphol Airport. The team uses detection dogs, mobile X-ray equipment and a backscatter van. The van scans while driving alongside the aeroplane to detect packages hidden inside the aircraft structure. The following little anecdote illustrates not only the usefulness of the van, but also the reality of the threat. "When we first tested the van on an aeroplane, we discovered eight packages of cocaine, only four of which had been placed there by us!"

Dutch Customs is now trying to build the backscatter scan onto a catering truck, so as to be able to scan the upper level of aircraft. "We not only have to yield results, but also demonstrate innovation to outwit smugglers."

More information

www.belastingdienst.nl

Argentina Customs

ARGENTINE CUSTOMS HAS been part of the structure of the Federal Administration of Public Revenues (AFIP) ever since the latter was established in 1997. AFIP is an autonomous entity within the Ministry of Economy and Public Finance and encompasses the Customs General Directorate, the Tax General Directorate and the Social Security Resources General Directorate. The institution is therefore responsible for the administration of the tax and customs system and for the execution of the State's national tax policy.

AFIP's objectives, which are included in its 2011-2015 Strategic Plan, follow WCO guidelines and cover the following main topics:

- To facilitate foreign trade
- To enhance on-site investigation and verification
- To simplify rules and procedures
- To enhance human resource skills
- To systematically encourage compliance
- To promote social inclusion and a tax culture
- To strengthen the management of primary control areas
- To create strategic alliances

Ongoing challenges

The vastness of Argentina's territory and the important volume of its international trade oblige AFIP to make modern decisions on Customs modernization in order to face the threats implied in the movement of merchandise worldwide.

In that sense, AFIP has recently acquired 11 new latest-technology cargo scanners which enable the recognition of organic and inorganic substances and the administration of images monitored in real-time and remotely, with plans to have 24 new ones in place by the end of 2013, which will add to the 13 that already exist, as well as the rest of the other types of scanners (bags, bulk cargo and body scan) and the non-intrusive control tools, such as busters, fibroscopes, spectrographic imager and Closed Circuit Television (CCTV), used to detect illicit activities.

Another important instrument applied to the control of merchandise is the use of detector dogs. This tool was implemented within the framework of the Detector Dogs Training Programme fostered in 2004, following the guidelines set forth in the WCO SAFE Framework. Argentine Customs cur-

rently has 300 drug and currency detector dogs of the Golden Labrador and Retriever breed and in 2011 incorporated the Flat Coated Retriever, which is still in the development phase.

Argentine Customs has also implemented the "UNICRIA" (Customs Breeding Unit) initiative, which enables it to have its own breeding ground of Customs detector dogs. For that purpose, a strategic alliance has been entered into between Customs and an Argentine academic institution – the Universidad Nacional del Centro de la Provincia de Buenos Aires (UNCPBA).

Furthermore, at AFIP's National Training School of Detector Dogs and Dog Handlers, the training of handlers and instructors and the training of dogs through the Dogs Training Unit is orientated towards the objectives of the School, in particular the professionalization of the dog handler's role and the international accreditation of instructors and dogs among other objectives.

Regarding the security of the supply chain, within the framework of the WCO Authorized Economic Operator (AEO) Programme, AFIP launched in 2006 the Customs System of Reliable Operators. Argentine Customs leads together with the US Customs and Border Protection agency, the WCO Americas and the Caribbean regional strategy on the AEO Programme, which seeks to promote development and cooperation among Customs services in the region, both in countries where the programme has already been implemented, as well as in those that are at a development phase.

In addition, supply chain security is further strengthened by the Customs Transit Security Initiative (ISTA) which allows the satellite tracking of loads through the use of electronic seals (PEMA). All these measures that have been adopted are targeted not only at better control over the import and export of merchandise, but also at promoting international trade facilitation, saving both time and costs of transactions. It is worth mentioning that AFIP has already signed three technical assistance agreements with countries in the region, namely Ecuador, Uruguay and Paraguay which have already developed

Key Argentine data

Bordering countries	Brazil, Bolivia, Chile, Uruguay, Paraguay
Kilometres of border	14,493
Port terminals and border crossings	153
International airports	24
Ports	70
Total annual volume of foreign trade	USD 159.474 billion
Total AFIP human resources	22,191 (11,816 men and 10,375 women)
Total Customs human resources	5,066





the initiative, but are at different development phases, based on the cooperation provided by AFIP.

International cooperation

The modernization process within AFIP and the best practices implemented by Argentine Customs at the national level reflect actions being undertaken at the international level.

Effective Exchange of Information

AFIP has signed several international agreements on diverse issues that entail the effective exchange of information. These agreements and other international conventions are the foundation that enables Argentine Customs to access important information, which enables the State to more efficiently focus its simultaneous and post controls and the private sector, in order to obtain more certainty when performing trade operations.

Examples of this include: the SINTIA system, which computerizes the procedures related to the International Load Manifest, developed by and applied in the

MERCOSUR bloc; and the INDIRA system, a computer application that enables the exchange of Customs registries, also developed by MERCOSUR and which is applied intra- and extra-bloc. Argentine Customs and the Customs Service of Ecuador are part of the WCO Globally Networked Customs (GNC) Pilot Project, based on the INDIRA system.

Information is also exchanged regarding spectrographic images as well as Customs declaration on sensitive merchandise.

International acknowledgement

AFIP received the WCO Yolanda Benitez Trophy in 2011 for its high level of commitment to combating counterfeiting and piracy. In addition, it received a prize in the CIAT Innovation Contest in 2012 for its Integral Programme on the Management of Detector Dogs.

Furthermore, AFIP has, on two occasions, had the opportunity to award the "International Prize on Best Practices in the Management of Dogs", which has had Ecuador, Mexico, Angola and Cuba as winners.

Capacity building

Argentina has hosted the WCO Regional Office for Capacity Building for the Americas and the Caribbean region from 2007, and since then it has performed a proactive management role by organizing numerous courses for the region, which facilitate the implementation of different WCO programmes. In line with Argentine Customs' leadership on the issue of risk management, several workshops have been organized for the South American region.

In this regard, it is important to highlight the cooperation of the Argentine South-South and Triangular Cooperation Fund (FO.AR) in realizing these courses and, the recent agreement with the Japan International Co-operation agency (JICA) covering a joint work plan of three years.

Other aspects that can be highlighted are the cooperation workshops on technical assistance that Argentine Customs provides to different Customs administrations in the region, as well as the permanent presence of Argentine officials to participate in the Fellowship Programmes run by the WCO.

All these elements have enabled Argentine Customs to become a modern, agile institution that is staffed by highly qualified men and women, focused on combating illegal drug trafficking, trade and trademark fraud and counterfeiting and piracy, as well as protecting public health, historical and cultural heritage, the environment and national security.

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Trust but **verify**

How US Customs and Border Protection supports America's economy

The US is the third largest exporter of textile products in the world with USD 17 billion in exports

By Marcy Mason,

A WRITER WHO COVERS TRADE FOR US CUSTOMS
AND BORDER PROTECTION

IT IS A cool, cloudy day in mid-April and one of the US Customs and Border Protection (CBP) textile production verification teams is assembling in Guatemala's capital city. The team is one of nearly a dozen that will be sent out this year to countries receiving preferential trade or duty-free treatment on textile and apparel goods exported to the United States (US). Their assignment is no small task.

As a core element of CBP's enforcement efforts to protect the US domestic textile industry, the team will be visiting textile and apparel factories to look for trade violations and circumventions of US law. Their work is critical to preserving American jobs and promoting the growth of the US economy. Like most of the teams, this one is comprised of two CBP textile specialists and a Homeland Security Investigations (HSI) special agent from US Immigration and Customs Enforcement (ICE).

Heading the team is Kelli Thompson, a Senior Import Specialist based at Miami International Airport. She is supported by Diane Liberta, an International Trade Specialist who works in CBP's textile operations branch in Washington, D.C., and Christopher Armstrong, a Seattle-based

HSI Special Agent who is part of ICE's Border Enforcement Security Taskforce that investigates seaport-related smuggling and contraband.

John Leonard, a fourth member, joins the team for only a few days of the two-week visit. He is the Director of CBP's textile/apparel policy and programs division in Washington, D.C., and this will be his first meeting with government officials from Guatemala's Ministry of Economy Executive Quota Office – the body that regulates the country's textile and apparel imports and exports. The Office also coordinates the country's participation in the US-Dominican Republic-Central America Free Trade Agreement, known as CAFTA.

CAFTA is the most complex free trade agreement (FTA) for textiles, with seven partner countries, including the US and six Central American nations – Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and the Dominican Republic. A third of the imported textile goods that enter the US claim duty-free preference under CAFTA, which increases the region's potential risk for illegal transshipment, fraud, or other forms of non-compliance.

"Trade agreements are ripe for misuse because of their complexity," said Leonard. "They present an importer with an opportunity to substantially reduce his or her duty obligation by simply claiming the goods are coming from a certain country when, in fact, they're really not. In some instances, the fabric or goods are being produced by a third country that isn't one of the partner nations."

"The team visits are a critical piece of our enforcement strategy," added Leonard. "We are getting out from behind our desks and going right to the source of manufacturing to see firsthand what is happening, and there is no substitute for that." And the results are sizable. During US fiscal years 2010 and 2011, 1.7 million US dollars (USD) in revenue was recouped based on the textile teams' findings. That money, like all duties, is used to pay for core functions of the US government.

A learning process

The team's first order of business is meeting with their counterparts from the Guatemalan Executive Quota Office. Foreign countries generally are not advised until less than a month before the teams arrive. "We invite local officials to go along with

our textile teams,” said Leonard. “If we do find a problem, they are right there with us when the problem is uncovered. In the course of a day, we learn about their process and they learn about ours.”

At the meeting, the team shares a list of factories it wants to visit. These factory visits are unannounced and information is kept tight. “We don’t tell foreign governments in advance where we plan to go for obvious reasons,” said Leonard. “If manufacturers and producers in the region know we are coming, they can say their factories are closed so we can’t interview them, or they can ‘doctor’ their records and make other adjustments that make things look compliant when they are not.”

Before arriving at a factory, Thompson, the team lead, instructs her colleagues on how they will proceed. She has gained valuable knowledge from a previous trip she took last May in Kenya. “We are first going to present them with an entry and verify it by requesting the necessary records,” she said. “Then we will interview them, and after that, we will tour the factory to make sure they are able to produce what they say they can produce and that they actually have the capacity.”

An entry, also known as a goods declaration in many countries, is a document for goods that are shipped to the US. The team will be looking to verify compliance for one good that was produced at each factory. To qualify for duty-free treatment, the goods need to meet CAFTA requirements, which means that the yarn, thread, fabric, and other materials used to create the garment, must originate from the US or a CAFTA partner country.

The team is now waiting outside the first of the nearly 30 factories they plan to visit. The gates are closed and the factory, which is shielded by towering walls, is heavily guarded by armed security. The factory primarily manufactures T-shirts and jerseys for the National Basketball Association (NBA), the National Football League (NFL), and college sports teams; however, the textile team is interested in substantiating a CAFTA claim on a shipment of well-known brand T-shirts. “The factory was flagged because of discrepancies in paperwork submitted to CBP,” explained Thompson.

Getting answers

The team’s Guatemalan counterparts are on the telephone requesting entrance into the facility. At last, they are given the green light to enter and eventually, the factory owner, a Korean man, meets the team. He is surprised and communicates with difficulty in broken Spanish with the Guatemalan government officials, who serve as translators for the team.

The team proceeds with a long list of questions, gathering information on the factory’s history, the type of goods that are produced, production quantities, the number of employees, how long the factory has been operating, its biggest customers, and if the factory has intellectual property rights authorization. They also meticulously check production records, tracing when the fabric arrived, when it was cut, when production began, etc. “We look at the timeline to see if it makes sense,” explained Liberta. “Because you cannot cut fabric before you receive it. The same is true about sewing. The cut dates should start before sewing begins.”

The factory owner explains that he has no records onsite. He says he received the contract to produce the T-shirts from another manufacturer. But there is no record of when the factory received the fabric or other raw materials. During the factory tour, the team is observing. They count the number of sewing machines, production lines and employees to determine if the factory is capable of producing the goods. They also look for signs of transshipment and other types of fraud. “We want to know if they have an inventory system in place so that fabric from China, for example, is not used to make shirts that come into the US claiming duty-free treatment,” said Liberta.

After spending nearly four hours at the factory, the team is ready to leave. Their findings are inconclusive, but their suspicions are aroused. They will begin writing their report that evening, because after a while everything starts merging. “We are not sure that the T-shirts were actually

produced at this factory,” said Thompson. “The lack of documentation and bad record keeping are questionable signs.”

Historical perspective

The textile production verification team visits began in 1991 when there were quotas on apparel. At that time, there were limits on the amount of goods that could be shipped to the US from various countries, such as China. As quotas for textiles and apparel were eliminated in 2005, and competitive safeguard restrictions were lifted against China in 2008, the textile teams shifted their focus to enforcing FTAs and trade preference programmes. The FTAs provide market access opportunities for US exports and the trade preference programmes are legislated by the US Congress to assist the economies of developing nations.

“The reason that preferential treatment for clothing is so important is that the duty rates on clothing are the highest duty rates in the US tariff schedule,” said Natalie Hanson, an International Trade Specialist in CBP’s textile policy branch. “Typically, the average duty rate collected on imported garments is 17%, but man-made fibre garments can be as high as 32%. This is significantly higher than non-textile goods, such as pharmaceuticals, automobiles or agriculture and technology products, which average less than 2%.”

During 2011, nearly 30% of the factories that the teams visited were found to be fraudulent or non-compliant.

Protecting US workers

The textile teams are highly valued. “The US is the third largest exporter of textile products in the world with USD 17 billion in exports. Our companies would not be in business if these rules were not enforced. There are tens of thousands of jobs – direct jobs in the US and many, many more indirect jobs – that depend on CBP to be a strong enforcer of these rules,” said Cass Johnson, President of the National Council of Textile Organizations, the largest domestic textile association in the US.

The majority of US textile exports are sent to FTA partner countries, specifically those participating in CAFTA and the

North American Free Trade Agreement (NAFTA). According to Johnson, the US textile sector employs about 500,000 people. “We are a growing industry. We added 4,000 jobs last year and opened four new textile plants including a USD 500 million textile fibre facility in South Carolina,” he said. American companies also have made investments in partner countries. “Some of our members have built plants in Central America, Mexico, and the Andean region,” Johnson stressed.

“We estimate that nearly 2 million textile and apparel jobs are supported by the FTAs in the Western Hemisphere and that includes the US,” Johnson said. The team visits also serve as a powerful deterrent. “It sends a message not only to the factories, but to the importing community as well. They are aware that CBP is watching and going to take action if the teams find fraud,” Johnson added.

Suspicious aroused

In Guatemala, the textile team has just arrived at another factory. Thompson explains that this factory was targeted because it was suspected of making false duty-free claims. The factory manager is straightforward. He tells the team that the factory does not manufacture any goods exempt from duty, and that he sent a letter to the importer specifying this. When Thompson shows him the shipment’s invoice, he tells the team that this is not his invoice and that he has no control over the paperwork his customers give to the port.

“A lot of times brokers or importers in the US see something from this region and automatically claim the shipment as duty-free without abiding by the regulations,” said Thompson. “The factory will not be held accountable as the importer is ultimately responsible for the shipment,” explained Liberta. Armstrong, the HSI Special Agent, is troubled by the different invoices. “There is no reason why an importer should not give the manufacturer’s original invoice to Customs,” he said. “When we see double invoicing, it is an indication of possible fraud.”

At this point, the team tours the facility. Even though the manager has told the team that the factory does not make any duty-free claims, it is still necessary to inspect the premises. The factory is housed in a small, old building with two floors. Upstairs they find piles of plastic bags filled with ladies blouses and other inventory haphazardly strewn on the floor. It does not take long before Thompson uncovers something suspicious: two identical blouses in different colours with tags that identify one as being made in the US and the other in Guatemala. Armstrong takes photos to document their find. “We’re concerned about transshipment,” Thompson said, “and that these labels were just sewn into the garments.”

The cycle begins

The textile team process begins each August when countries are selected for the team visits. CBP’s textile targeting unit in New York prepares a country risk assessment, a data-driven report that identifies high-risk countries for non-compliance and textile fraud. Based on a number of factors including data, current events, input from the ports, enforcement actions and congressional interest, a complete analysis of each of the countries is done. Last year the unit reviewed 81 countries.

The impact that textiles have on the US economy is so significant that CBP has designated it as one of the agency’s priority trade issues.

The targeting unit then presents its findings to a textile working group in Washington, D.C., comprised of CBP textile-related experts and an HSI representative. From this meeting, the final selections of which countries will be visited for the following year are made. The group also looks at factors like

trade volume, and pattern changes are noted too. “We look to see if there are a lot of new importers, new manufacturers and one-to-one relationships, because if a factory only sends goods to one importer, that could be an indicator of a problem,” explained Jackie Sprungle, CBP’s Textile Policy Branch Chief.

Sixty days before each trip analysts at the textile targeting unit in New York select potential factories for the teams to visit. “When we compile the list of factories, we target only the ones we feel are questionable,” said Leonard. As a result, the percentage of non-compliance and fraud that the teams find is high. During 2011, nearly 30% of the factories that the teams visited were found to be fraudulent or non-compliant.

Typically, the textile teams visit nine to 12 countries each year. For the high-risk countries the teams do not visit, CBP has other remedies. “The textile production verification teams are one of our strongest tools,” said Salvatore Ingrassia, the lead International Trade Specialist at CBP’s textile targeting unit in New York. “If we can use them, it is great, but if we cannot, we do not just ignore a high-risk country.



Diane Liberta, one of the members of the CBP textile team, observes a factory’s inspection process

There are other actions that we take, such as audits and special operations where we send information out to the field and identify shipments we want reviewed by import specialists.”

After the teams return, their reports must be completed within 45 days. The information is given to several sources that generate results. This includes the ports, which can then watch for shipments from the various factories and take appropriate action, such as seize goods, issue financial penalties, or deny access into the US. “The information is put into CBP’s automated targeting system and then anytime CBP sees a suspicious shipment – ping! The shipment is going to be flagged for review,” said Leonard.

The information is also given to the participating countries and to the Committee for the Implementation of Textile Agreements (CITA), comprised of members from the US Departments of Commerce, State, Treasury, Labour, and the Office of the US Trade Representative. “CITA may have discussions with a foreign government based on the information received from the team visits,” said Kim Glas, the Deputy Assistant Secretary of Textiles and Apparel for the US Department of Commerce. “In many instances, these governments have already initiated their own actions because they are participating in the visits. They do not want to see violators continue, and they will often have already reported to us that they have shut down a factory or withdrawn its right to export.”

During 2011, CBP processed USD 2.3 trillion in imports and collected USD 29.8 billion in duties. The lion’s share of the money collected from the duties came from imported textiles. Last year, textile imports generated 42% or USD 12.6 billion in revenue for the US. Nearly USD 20 billion worth of goods claimed duty-free treatment. “The impact that textiles have on the US economy is so significant that CBP has designated it as one of the agency’s priority trade issues,” said Allen Gina, the Assistant Commissioner of CBP’s Office of International Trade.

Final inspection

The textile team in Guatemala is ending its day. The team has visited three facto-



Textile workers sew T-shirts for a major US retailer at one of the largest apparel factories in Guatemala

ries and is waiting patiently at the gates of its fourth destination, which is secured like a fortress. From the entry paperwork, Thompson believes this factory is closed. The team is tired and anxious to get inside. After much deliberation, the armed guards at the gate allow the team’s vehicle to enter. Much to everyone’s surprise, behind the gates is a massive compound. When the team finally arrives at the correct building address, it becomes apparent that the factory is far from closed. The team learns that the factory has changed its name and instead of one factory, there are three sister factories on the premises.

The team is greeted by the factory manager and his boss, who are both Korean, but speak fairly good English. The team is ushered into a sophisticated showroom, where there is signage indicating the factories’ prominent clientele. This is where goods for many of the major American retailers are produced. The manager tells the team that last year for tax reasons the company changed its name.

The team watches a short video about the company while the manager’s staff collects the information requested by the team. The team discovers that this company is

the largest employer in Guatemala, providing the country with 6,200 jobs. When the manager returns with the factory’s records, the team sees that they are meticulous. They learn that 97% of what the factory produces is T-shirts. They also find that 98% of what the new factory manufactures is exported to the US. The factory uses yarns from North Carolina, and only 30% of the goods produced make duty-free CAFTA claims.

The team’s tour of the factory is equally impressive. The equipment at the facility is all state of the art and the inventory controls are exacting. The largest of the three plants has 60 production lines, 850 workers, and 434 sewing machines. The expanse of the facility is so huge, it is mind numbing. “This is a perfect example of what is so important about these textile team visits,” said Thompson. “When we did our targeting, we saw something suspicious that raised a red flag. But not until we looked deeper and came here to see this for ourselves could we have imagined the sheer magnitude of this operation.”

All photos by Marcy Mason.

More information
www.cbp.gov

Drafting rules of origin in free trade agreements

By Stefano Inama

THE ABSENCE OF clear multilateral disciplines on rules of origin (RoO) leaves trade negotiators and Customs officials negotiating free trade agreements (FTAs) in a “no man’s land”.

While the work conducted by the Technical Committee on Rules of Origin (TCRO) at the WCO and subsequently by the Committee on Rules of Origin (CRO) at the World Trade Organization (WTO) during the Harmonization Work Programme (HWP) offers valuable technical solutions, it does not provide guidance on drafting RoO as part of FTA negotiations.

Nor was the Common Declaration with regard to Preferential Rules of Origin at Annex II to the WTO Agreement on Rules of Origin (ARO) negotiated with the objective of providing guidance on drafting RoO as part of FTA negotiations. On the contrary, it was left deliberately vague to give WTO Members sufficient latitude to draft preferential RoO as they see fit.

The debate about and literature on RoO are relatively new and largely stem from the increasing attention paid by economists to preferential trade flows granted under FTAs or autonomous preferences, such as Generalized System of Preferences (GSP) schemes. However, such literature tends to assess the impact of RoO on trade, but falls short of providing guidance on how to draft better RoO. Therefore what is still missing is a “positive agenda” on how to draft better RoO in FTAs that goes beyond a broad call for the liberalization of RoO and the 10% value added rules requirement.

The basic problem of adopting an exclusively economic approach when assessing the impact of RoO is the scant attention given to the multidisciplinary character of RoO which are, by their very nature, rules involving complex legal, Customs and industrial considerations. Moreover, these aspects are closely intertwined, making RoO an extremely problematic subject. Ignoring

the multidisciplinary nature of RoO leads to flawed policy recommendations.

The truth of the matter is that over 20 years’ experience with GSP RoO in the United Nations Conference on Trade and Development (UNCTAD) from the mid-seventies to the early nineties and over a decade of experience in the TCRO and CRO negotiations during the HWP have amply demonstrated that there is no such a thing as a perfect and balanced set of RoO.

The reason is simple: RoO are (i) industry-related and (ii) trade instrument-related. A rule that may work relatively well in the North American or European industrial context may be meaningless in the context of Central Africa, due to an absence of local or regional inputs. Similarly, the same RoO applied to trade statistics may produce adverse effects when used for “made in ...” labelling purposes, since the underpinning of their economic rationale is inherently different.

In the case of preferential RoO, the issue at stake is simpler than in non-preferential RoO since the former deliver an easily quantifiable premium: reduced tariff or duty-free entry. Yet the apparently straightforward nature of preferential RoO has not been sufficient to simplify the debate about the best RoO to adopt in FTAs.

In fact, the jury is out on the best set and form of RoO in FTAs. The reality is that there is no such thing as ‘best’ RoO that can be adopted in FTAs, although a number of lessons have been learned on how to draft RoO and on potential mistakes to be avoided.

Given its early FTAs with its European Free Trade Association (EFTA) neighbours, the European Union (EU) developed one of the first sets of preferential RoO in FTAs based on a change of tariff heading coupled with a list of product-specific RoO. Over the years, the EU model of RoO later evolved into what is commonly referred to as Pan European RoO.

South-South FTAs (SADC, COMESA, MERCOSUR and ASEAN) traditionally adopted a simplest formula such as an across-the-board percentage criterion mirroring, on one hand, the percentage rules in the United States (US) GSP scheme, and, on the other, providing as an alternative rule a change of tariff heading criterion according to the EU Model. In short, these regional trade arrangements have been unable to develop their own RoO model. In the worst cases, after having negotiated FTAs comprising more stringent RoO with partners in the North, some countries have then forced these rules upon their regional partners in the South.

The North American Free Trade Association (NAFTA) marked a watershed in drafting RoO since it provided a US model based on a product-specific, highly technical and precise way of drafting RoO at subheading level and sometimes at tariff line level. NAFTA later evolved and matured, eliminating some of the initial rigidities to develop what is currently called a “tariff shift” or change of tariff classification method, recently used in Asia in a variety of FTAs negotiated by Japan, Australia, New Zealand and ASEAN.

It is now clear that the global trend is to move towards a RoO model providing for a set of product-specific RoO. All South-South agreements that initially adopted across-the-board criterion have progressively moved, albeit at different speeds and with different coverage, to a product-specific RoO approach, although there are a number of variants within such an approach. Product specific may be a single rule for an entire HS chapter as in the case of the EU, or it may mean at subheading or tariff line level as in the case of NAFTA.

The important lessons to be learned from these experiences are summarized below:

- No matter how RoO are designed or drafted, they should respect global value chains. If not, trade will not be created and FTAs will be underutilized. RoO should not be used as a disguised regional integration policy or as a vehicle for infant



industries. The reform of the EU's RoO could be taken as an example;

- One should begin by considering the desired objective of a given set of RoO separately from the drafting methodology. A distinction has to be made between the "form" of a given RoO and its "substance". The "substance" is the degree of restrictiveness of a RoO with respect to an existing value chain context in which it is expected to operate.

For instance, beneficiaries of GSP schemes have often complained that the RoO attached to these schemes are overly stringent, requiring, for example, a double processing stage in the clothing sectors that does not tally with existing value chains. The restrictiveness of the RoO is the reason why many of the preferences have not been utilized in FTAs.

The "form" is the way in which the RoO are written using different methodologies, namely a change of tariff classification at heading level, at subheading level with or without exception, percentage criterion or specific working or processing and their different variants.

On one hand, the "form" is not usually linked to the "substance" of the RoO since, quite apart from the way a RoO is drafted; it may be restrictive or lenient. On the other hand, there are "forms" of RoO that are more prone to be the focus of protectionist interests and which, on technical grounds, may be easily drafted in a manner to exclude targeted inputs.

Generally speaking, no one method of drafting RoO is better than another since each has its advantages and disadvantages. It is, however, worth recalling the lessons learned:

- (1) A number of Customs administrations are strongly convinced that a change of tariff classification (CTC) is the best methodology for drafting RoO. The ARO lends support to this view since it expressly mentioned CTC as the preferred method for the HWP. Recent trends in FTAs also clearly show a preference for such a method. Yet, as always in RoO, the devil is in the detail, meaning that there are many different ways to use CTC.
- (2) Negotiating RoO on the basis of a CTC method entails a product-specific ap-

proach to take into account the inherent limitations of the HS which is not designed to draft RoO. Product-specific RoO drafted at tariff line or six-digit levels are the kind of RoO that may easily fall prey to lobbies. Furthermore, given their level of detail at HS six-digit level, they lend themselves to the targeting of certain inputs that may be pinpointed at an extremely accurate level.

- (3) Negotiating product-specific RoO does not necessarily mean negotiating product-specific RoO for all products. Few countries need product-specific RoO on nuclear reactors; however they may need product-specific RoO for products which they are trading in.
- (4) Preferential RoO and net cost calculations in NAFTA have amply demonstrated that the formulation of percentage criterion calculations as value added or "domestic content" are complex and difficult to administer. Such a calculation method entails detailed rules to define permissible and non-permissible costs in the numerator. These elements may be familiar only to accountants. As prices, costs and quantities change, recalculation will be necessary to ensure compliance. While some of these tasks may form part of the normal accounting procedures required for commercial purposes, some may not. As a result, additional professional expertise and compliance costs are required in such cases.
- (5) If a percentage calculation is used when drafting RoO, it is advisable to use a method based on the value of materials, whether originating or non-originating.
- (6) Cumulation is no substitute for liberal RoO. With liberal RoO, producers may source their inputs worldwide from the most competitive producer at the best price according to global value chains. The combination of restrictive RoO and cumulation bring about trade diversion whereby FTA partners use regional inputs instead of more competitive third country inputs.
- (7) Cumulation is often branded as a tool to promote regional integration. Experience has shown that this is a fallacy. Thirty years of cumulation under the previous versions of the Lomé and Cotonou agreements has not helped regional integration in Africa, the Caribbean and Pacific (ACP) countries.
- (8) The administration of RoO incurs costs

for Customs and the private sector. Economists have estimated such compliance costs to be in the region of 3% to 5%, although these may be significantly higher under certain FTAs. These administrative costs are a disincentive to using an FTA's provisions.

Overreliance by some Customs administrations on archaic forms of administering RoO based on documentary evidence i.e. a certificate of origin, the exchange of seals and signatures of certifying officers, or non-manipulation certificates issued in the country of transit, has mostly turned this type of administration of RoO into a non-tariff barrier and is the polar opposite of trade facilitation.

The new trend is, at the very least, to abandon the requirement to exchange signatures that still exists in some major FTAs and to progressively rely on a Customs-authorized exporter declaration to issue a declaration of origin. Retroactive checks and post-clearance recovery accompany this method of administering RoO.

In 2017, the EU reform of RoO will introduce, under the GSP rules, listing of registered exporters in a database administered by national Customs agencies. The registered exporter will be given a number and may issue a declaration of origin. When this declaration is presented at an EU port of entry, Customs will consult the joint database to ascertain whether the exporter has been registered and, if so, will grant preferential tariff rates. Verification of an exporter's declaration and post-clearance recovery are part of this administrative method.

However, there are other methods of administering RoO, such as the method employed by US Customs and Border Protection, which is based entirely on the importer declaration and which disregards evidence provided by exporters or certificates of origin issued by third parties. Whatever method is used, it is clear that reliance on certificates of origin and the exchange of seals and signatures should be a thing of the past.

More information

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The Regional Convention on pan-Euro-Mediterranean preferential rules of origin: remedying the “spaghetti bowl effect”

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Rules of origin are a pivotal part of free trade agreements (FTAs). Criticized as overly complex and heterogeneous, they are often accused of creating a “spaghetti bowl effect”, with traders struggling to identify the criteria and obligations applicable to each of their trade flows.

But this effect can be mitigated. In adopting the Regional Convention on pan-Euro-Mediterranean (PEM) preferential rules of origin, the European Union (EU) and its partners in the Euro-Mediterranean zone have taken a decisive step towards greater harmonization, which will facilitate trade and strengthen regional economic integration.

The issues for a regional cumulation zone **Cumulation mechanisms as a way of making list rules more flexible**

Along with tariff classification and value, origin is one of the three pillars of the Customs declaration. In trade between parties that have signed an FTA, “preferential” origin is defined according to a body of rules negotiated by the parties and commonly referred to as the “list rules”. When accompanied by proof of origin from the exporter, or the authorities in the partner country, goods which meet the criteria for this preferential origin qualify for a reduced or zero rate of Customs import duty.

In order to obtain preferential origin status, products not wholly obtained in a given country must undergo a degree of working or processing defined as “sufficient” in relation to the third-country inputs which form part of the finished product. FTAs can include a variety of

ways of making the list rules more flexible, amongst them cumulation of origin, which may take a number of forms.

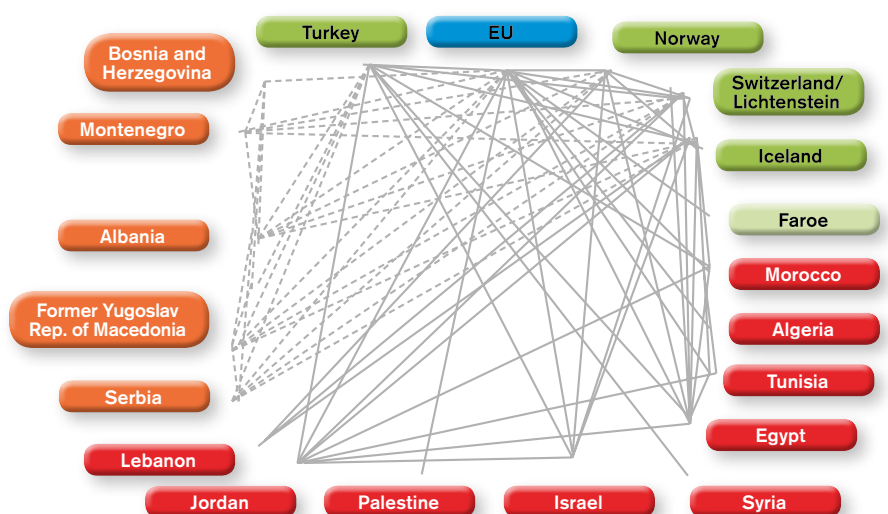
Thanks to cumulation, materials originating in the partner country are deemed to originate in the user country, provided they undergo working or processing in the user country which is more than “minimal processing”. Consequently, it is no longer necessary for the product obtained from these materials to meet the requirement of sufficient working or processing. This makes the acquisition of preferential origin simpler.

Bilateral cumulation aims to favour trade between the parties to the agreement, the country which supplies materials being also the country which receives the finished product after it has been worked or processed by the partner country. Thus, under the association agreement between the EU and Morocco and applying bila-

teral cumulation as provided for in that agreement, inputs imported from the EU and originating in the EU within the meaning of the EU-Morocco agreement will be regarded as originating materials when incorporated into an end product that is produced in Morocco and exported to the EU.

Diagonal cumulation takes this a stage further, extending the benefits of cumulation to three or more partners on the pattern of supplier country or countries/ country of working or processing/ country of destination.

In short, cumulation applies the following reasoning: whatever originates in a partner country of the zone is regarded as originating in the zone itself by the country in which working or processing takes place, and as a result it is no longer subject to the specific list rules laid down for the product in question. The aim is to strengthen eco-



PEM and SAP Cumulation (before the implementation of the Convention): More than 60 FTA between these partners, each containing a Protocol setting identical rules of origin

economic integration by developing trade and the complementary facilities for business and industry that exist within a zone, so that processes of supply and sale can operate to optimum effect. For traders, this system means not only savings on Customs duties but increased opportunities as well.

Diagonal cumulation, a complex approach to harmonization

Since 1994 the EU has sought, by concluding reciprocal trade agreements, to develop trading zones based on cumulation, in order to increase trade and expand regional production processes, with each partner able to capitalize on its comparative advantages and contribute where it is best able to do so.

The EU is currently a stakeholder in two zones of diagonal cumulation: firstly, the PEM zone, which evolved from the pan-European zone (the EU, Turkey and the countries of the European Free Trade Association or EFTA – Iceland, Liechtenstein, Norway and Switzerland), later joined by the Faroe Islands and, inspired by the “Barcelona Process” (see below), by the Mediterranean countries of Algeria, Tunisia, Morocco, Egypt, Jordan, Israel, Lebanon and Syria, as well as Palestine; and secondly, the partnership zone of the Stabilization and Association Process for the Western Balkans, in which Turkey is also a partner.

Three conditions must be met for a system of diagonal cumulation:

1. An FTA must be in place amongst all the countries trading;
2. The rules of origin under all these agreements must be identical;
3. A notice to traders must have been published indicating the dates of entry into force of the FTAs linking the countries in the zone, so that they can be unequivocally clear as to the specific cumulation options open to them.

The principle that the rules of origin must be identical is designed to prevent deflections of trade, and thus unfair competition, which might follow from differences in market access conditions under different agreements. This principle may no longer be sacrosanct and might even be abandoned in the future under the innovative provisions envisaged by the EU’s most recent preference schemes – the EU is thinking of “extended” cumulation or “cross-cumulation” between individual FTA partners, whereby a partner supplying materials will be able in future to determine origin in a cumulation operation on the basis of the rules it would apply if it were exporting direct to the country of destination of the processed product, even if those rules are not the same as those applied by the intermediate country where the working or processing is done. But there is no question of abandoning this principle in the PEM

framework, whose very *raison d’être* is to create a cumulation zone which guarantees simplicity and integration.

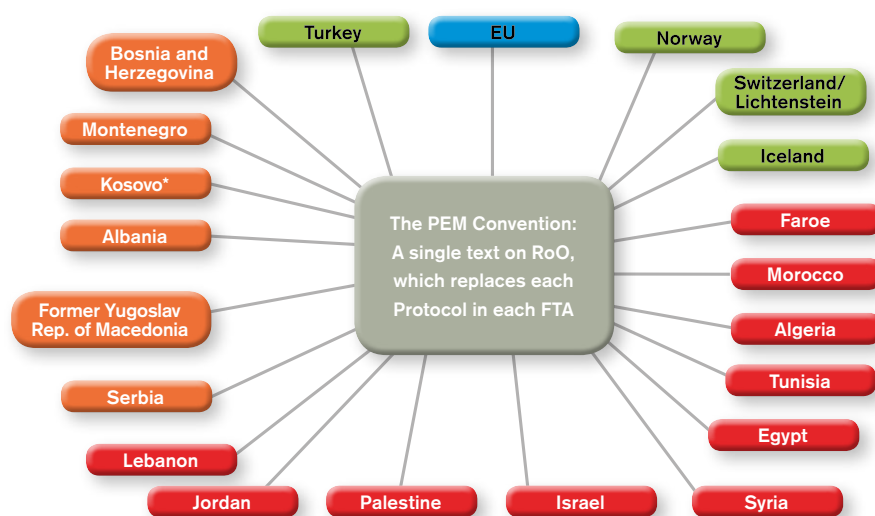
In the PEM zone the application of diagonal cumulation of origin is governed by the “variable geometry” principle, because the system of agreements with identical rules of origin, known as the “Pan-Euro-Med protocol”, is not complete. In effect, not all countries in the zone have concluded a FTA referring to the Pan-Euro-Med rules of origin with all the other participants. Thus participants can only enjoy the benefits of cumulation under the agreements they have concluded and which their partners have concluded amongst themselves. Each new agreement between two countries in the zone opens up new opportunities to source their supplies and export their goods at preferential rates.

Based as it is on a network of bilateral agreements, the cumulation zone requires coordinated “maintenance” of the rules of origin. Technological or economic developments necessitate changes to the rules, and these changes have to be reflected in simultaneous amendments to all the “origin” protocols of all the partners. Whilst the principle of identical rules eases the “spaghetti bowl effect” here, management of the whole nevertheless remains difficult. The dynamic needed to keep the rules of origin abreast of the economic situation calls for a single legal instrument in the form of a regional convention.

Regional Convention on pan-Euro-Mediterranean preferential rules of origin, a tool for simplifying trade in the zone *Conditions for introducing an instrument of regional economic integration*

A trading partnership that covers a whole region is born of a strong political resolve. The Pan-Euro-Mediterranean Partnership was launched with a joint declaration by the Foreign Ministers from the EU and Mediterranean Partners in Barcelona, Spain in November 1995. For trade, this “Barcelona Process” seeks to create an integrated zone, fostering commercial links through the gradual establishment of free trade between the EU and all its Euro-Mediterranean partners.

Since 1998, Euro-Mediterranean association agreements have come into effect



* This designation is without prejudice to positions on status and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

with Algeria, Tunisia, Morocco, Israel, Jordan, Lebanon, Palestine and Egypt. In 2005 the rules of origin protocols to these agreements were harmonized, to ensure that optimum use could be made of opportunities for cumulation. Pan-European cumulation was thus extended to include countries on the Mediterranean's southern shore.

The introduction of a single legal instrument to replace each of the sixty bilateral pan-Euro-Mediterranean protocols in force in the region marks a new stage in this integration process. First conceived at the end of the first decade of the new millennium, the PEM Convention was adopted in 2010. Since that date the partner countries have gradually been signing and ratifying the Convention and will replace their origin protocols by a reference to this common text.

Use of a single instrument reflects a desire for harmonization and simplification which will be beneficial to international traders and to Customs authorities too. Replacing the bilateral protocols by a Convention which includes all bilateral provisions and, as the PEM Convention does, groups feature specific to one or some but not all agreements in an Appendix II, makes it easier to access the rules and manage them. The "spaghetti bowl effect" is greatly reduced by a single tool which comprehensively covers an entire region.

Possibilities opened up by the idea of a regional convention

The idea behind the PEM Convention was not only administrative simplification, but also the creation of increased trading opportunities for an entire zone. Initially, the draft single text will remedy the fragmented nature of texts and make it easier to access the rules of origin applicable in the zone. By making the rules more readable, the Convention will help traders to understand and use them more easily.

The Convention also offers an effective solution to the challenge of amending and revising the rules of origin. Where there is a system of bilateral rules, any adjustment to the protocol requires changes to each and every agreement – currently 60 or so changes in the PEM zone). By contrast, a single legal instrument guarantees that any revision of the rules will be applied in a coordinated

manner, with immediate effects for all international traders within the zone.

Lastly, the Convention offers an opportunity to extend the boundaries of the cumulation zone and thus the partners' opportunities to contribute to the production of goods, as the comparative advantages of each one permit, either as an immediate result of the Convention's conclusion or as and when it attracts future partners. The countries currently involved are not only all PEM partners, but also include the partner countries in the EU's Stabilization and Association Process (Western Balkans); a total of 42 contracting parties.

For the EU and Turkey, the PEM Convention merges the two cumulation zones discussed earlier. In the near future the Convention might also welcome other partners from the region, such as the countries that form part of the Eastern Partnership of the EU – Georgia, Moldova, Ukraine, etc.

Conclusion

Applicable to an entire zone, a regional convention on preferential rules of origin is an ambitious tool reflecting the objectives of simplification, rationalization and economic integration which are made ne-

cessary by the large and growing number of regional trade agreements.

The PEM Convention serves as an inspiration to partners in other regions which specifically face the "spaghetti bowl effect". In the case of the EU, the proliferation of FTAs which have origin protocols appended, setting rules that are only slightly different but nevertheless different, should in due course prompt a debate on how to eliminate the "spaghetti bowl effect" that this produces.

An approach of this kind which might, for example, ultimately be of interest to the parties to economic partnership agreements with the African, Caribbean and Pacific (ACP) countries, will not be adopted without effort and concessions on all sides, but in the last analysis it can only be beneficial to the countries and international traders concerned.

The views expressed in this article are those of the authors and do not necessarily reflect those of the European Commission.

More information

http://ec.europa.eu/taxation_customs/customs/customs_duties/rules_origin/preferential/article_783_en.htm

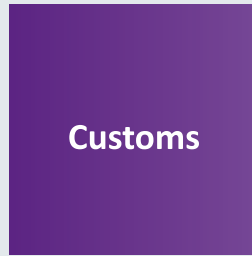
PEM Convention – the state of play

The Convention was opened for signature on 15 June 2011. Since then the Member States of EFTA, plus Albania, the Former Yugoslav Republic of Macedonia, Jordan, Montenegro, Serbia, the Faroe Islands, Turkey and the EU have signed and ratified the Convention. Morocco, Algeria, Tunisia, Palestine, Bosnia and Herzegovina, Egypt and Israel have signed it.

In tandem with the process of signature and ratification, the partners have already begun revising the rules of origin to bring them in line with the economic situation. Once all partners have ratified the Convention, the amended and updated rules can become applicable on the same date to all FTAs binding on parties which have adopted the Convention as the benchmark for rules of origin.

The dates of the Convention's signature, notification of its ratification by the Parties and the dates of its entry into force can be viewed on the website of the Council of the European Union:

<http://www.consilium.europa.eu/policies/agreements/search-the-agreements-database?lang=en&command=details&id=297&lang=en&aid=2010035&doclang=en>



A Smart Solution for Customs Risk Management

Just answer the following question honestly: Do you trust your business rules tools for customs risk management? Do they adequately ensure foreign trade safety?

Business rules tools have become obsolete. They addressed some of the problems of foreign trade in previous years, but they lack the efficiency and intelligence to meet today's customs challenges.

The perfect alternative is our multi-layered online risk management approach—a smart, advanced analytics solution based on the following set of features:

- **Multi-layered.** Risks are managed at several levels at the customs authority. Simultaneously. By experts in various areas of customs.
- **Online.** The calculation of risk and decision support occurs at the precise moment of customs clearance.
- **User-flexible.** Experts can change any risk assessment parameter without programming.

Prognoz, a highly experienced international vendor of customs Risk Management Systems and operation center solutions, offers Risk Management Monitor for Customs (RM Monitor). RM Monitor embraces the multi-layered, online, user-flexible model for customs risk management and provides a unique combination of:

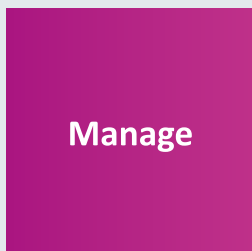
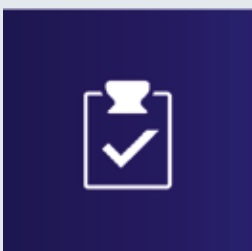
- **Deep analysis of any data** with respect to goods, traders, vehicles, and customs control—both detailed information on consignments and analytical indicators on historical data
- **Online processing of data** on customs clearance and customs control, with instant notification of identified risks (in the basic configuration of the solution) or the ability to stop clearance and initiate the intervention in customs control (as an optional feature)

The solution is **flexible and easy to integrate** with existing customs management systems and databases «Middleware of Database integration», to smooth the transition to RM Monitor. And its **implementation takes no more than three months to complete.**

RM Monitor is powered by the Prognoz Platform, the BI choice of some of the largest and most prestigious international organizations and multinational corporations.

“We have built our Business Intelligence platform from the ground up, so it is natively and fully integrated. This alone makes the Prognoz Platform better suited for managing large and disparate data sets,” said Dmitriy Andrianov, founder and CEO of Prognoz. “In addition, we go well beyond basic dashboard and scorecard offerings to deliver the most advanced time-series analysis and modeling and forecasting capabilities on the market.”

RM Monitor represents the next step forward in the evolution of customs risk management. It improves the efficiency and increases the intelligence of the process manifold to ensure the safety of foreign trade.



From borders to boundless: the digital dilemma in Customs

By James Canham and members of the Accenture Global Customs Industry Team

DIGITAL TECHNOLOGY IS reinventing how people live and work. The change is rapid and far reaching. The prevalence of digital goods and services means that Customs agencies are challenged to make policy, process and technology changes to address digital's disruptive impact on national and fiscal security.

Two questions come to mind – How does an industry traditionally focused on physical borders remake itself for digital commerce, which inherently circumvents such borders? Why must Customs agencies transform to address the rise in digital goods and services?

A powerful force demands urgent action

The digital marketplace is growing at an exponential rate for goods, such as music, books, knowledge, software and e-services. The darker side of this growth is that digital is a prime channel for pirating

products, laundering money, sharing technology and undermining domestic industries.

Current Customs controls are not designed for the digital marketplace, and urgent change is needed – because digital is here to stay. This article offers Customs agencies practical insight for their considerations as they make their own decisions concerning managing digital goods and services and addressing the urgent security and economic risks they pose.

The next big thing in Customs

Like most public service organizations, Customs agencies are considered digital agencies, as they use electronic systems to process Customs declarations and control physical goods. Yet in the face of the digital revolution, agencies need to continue to evolve their use of digital technologies.

In addition to efforts to modernize how they handle physical goods, Customs

agencies must address the rapid innovations that continue to transform physical goods into digital goods and services. Developments in the entertainment industry alone – sharing and streaming of digital content (music, videos) in place of physical media, for example – show the pace of such change, and its impact on traditional marketplaces.

Such innovation has emerged so rapidly that many governments have yet to comprehend the economic impact and the risks involved. For example, 3D printing is still emerging, and it is already poised to disrupt traditional manufacturing by decentralising the production process and disseminating product designs online (See Spotlight: 3D Printing). Because the technology is moving so fast, governments must do more than keep up with change – they must stay ahead of it.

In Customs agencies, the impact is two-fold. Agencies must manage and facilitate the legitimate trade in digital goods and services while addressing the challenge of the illegal markets that digital can breed. The need to react is stronger than ever.

Threats from all sides

The abundance of digital goods and services, the increased speed of their consumption and the considerable growth of the industry have created new threats and risks for Customs agencies. Some possible threats to consider are:

Lack of control. Digital goods and services can traverse the globe, without documentation, risk assessment or inspection.

Regulatory oversight. There is a need for more cohesion in tackling the regulation of the digital marketplace on a global scale.

Monitoring difficulties. Customs agencies are not involved in monitoring legal digital markets, and are challenged to identify risks, monitor trends, or understand these amorphous, yet sizeable markets – both legal and illegal.

Changing nature of trade.

Customs agencies are traditionally focused on freight traffic, and have minimal controls on low value consignments. With the growth of digital marketplaces like Amazon, the volume and associated risks of low value consignments has significantly increased.

Digital crime. Without dedicated enforcement, there is a higher risk of criminal activities in digital commerce, such as money laundering using digital currencies.

Changing customer behaviour. Channels used for illegal file sharing – such as email, file transfers, P2P file sharing or cloud storage – are known to law enforcement, but cracking down on offenders is complicated. With little regulation, education, or effective punishment, the risk that consumers will continue to adopt illegal behaviours remains.

Local and national economic risk. Tax on legitimate digital goods is low or non-existent, which creates a competitive imbalance in the market. Digital has facilitated counterfeiting and piracy; with piracy in the creative industries creating a loss of 9.9 billion euro in 2010 for the European Union (EU) and 187,000 job losses [*Building a Digital Economy: The Importance of Saving Jobs in the EU's Creative Industries*, March 2010. Study conducted by TERA Consultants and commissioned by the International Chamber of Commerce/BASCAP].

Actions for a new environment

Current attempts to address these threats have focused primarily on consumption taxes (such as value-added tax (VAT) and sales tax for known vendors), controlling copyright infringements, and reactive prosecutions. Equally, these new taxes and controls tend to rely on traditional control approaches and have not evolved appropriately and effectively for the digital environment. In most countries, Customs agencies do not even consider this realm to be part of their remit.

Developments in the entertainment industry alone – sharing and streaming of digital content (music, videos) in place of physical media, for example – show the pace of such change, and its impact on traditional marketplaces.

Customs agencies can develop a digital strategy to address the risks and adapt to the modern trading environment. As part of this exercise, agencies can work to:

Understand the unique nature of digital commerce.

Work with tax authorities and industry

bureaus to understand digital traders – their business models, distribution networks, revenue realization and customer policies – gearing laws to the digital marketplace;

Align policies to facilitate legitimate digital trade. Regulate the digital market to enable the collection of relative duties on digital goods and services, while facilitating legitimate digital trade in a competitive global marketplace;

Develop an intelligence-led approach with the right data. Customs agencies will need to identify key data sources (and use intelligence-led insights) and interventions to effectively control the market, disrupt illegal activity and target illegitimate actors.

Toward new ways of working

Adapting to the reality of digital goods and services will mean that Customs agencies must reorient the way they work in a number of areas:

People. An educated, 'tech savvy' workforce is essential. There are also opportunities to collaborate across agencies, both public and private, around digital commerce and share lessons learned locally and across international agencies, so the industry stays ahead of market complexities;

Process. Traditional control processes must be redesigned to reflect the reality of this new environment. Processes must be intelligence led, with Customs resources directed by proactive targeting of fraud and potential illicit movements and activities;

Technology. Administering the legislation of digital goods requires front- and

back-office technology that can capture new data sources and analyse the multitude of transactions. This way, Customs agencies can understand and control the trading environment, acting ahead of it rather than reacting and attempting to manage individual transactions.

As Customs agencies implement digital goods and services strategies, they must adapt to the change in the volume, velocity, variety and veracity of digital commerce. Agencies should combine prevention and control underpinned by customer education. The goal? To work as a Customs agency of the future, protecting physical borders, while managing and facilitating the boundless nature of digital commerce.

A detailed point of view on this topic will be published later this year. For more information on this point of view or the Customs agency of the future, visit Accenture's website: www.accenture.com/customs.

More information

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Spotlight: 3D Printing

3D printing is getting a lot of buzz as the market continues to grow. 3D printing is making objects – from medical equipment to guns – from a digital blueprint, and it is something that Customs agencies cannot ignore. Digital printing is:

Changing manufacturing, creating revenue loss for Customs agencies, and generating security and enforcement challenges;

Threatening public safety, as it enables people to create dangerous items, such as guns and ammunition;

Complicating monitoring, especially as illegal channels arise when digital blueprints are copied and widely available online, in spite of applicable export control regulations.

Intercepting next generation threats

By David Haskett,

THRUVISION TECHNICAL CONSULTANT AT DIGITAL BARRIERS

THE NEWS EARLIER this year that a 3D-printed gun had been successfully test-fired has brought traditional threat detection measures under renewed scrutiny. There is little point bringing a metal detector to a plastic gunfight. Once again the emergence of a new threat is driving security agencies to look to new solutions. One such solution is terahertz imaging – an entirely passive technology that can detect threats or contraband concealed under a person's clothing and at a safe standoff distance. This capability is already in use with early-adopter organizations from the military, policing and Customs communities, across the United States, Europe and Asia. The emergence of the 'do-it-yourself' (DIY) gun has sharpened the focus even more tightly on counter-measures that can detect body-borne contraband and weapons of all kinds.

In the few months since Cody Wilson, a 25 year-old law student at the University of Texas, printed out and fired a functioning pistol made almost entirely of plastic components, its blueprints have been downloaded more than 100,000 times. Immediate concerns surround the availability and anonymity of untraceable guns and other weapons, which do not have the same levels of government controls applied to conventional handguns. These concerns are amplified with the increasing accuracy of plastic weapons – in August a Canadian man successfully fired 14 rounds through a plastic 3D-printed rifle – as well as an expectation of falling 3D printer prices, as key patents expire next year.

Debate has quickly shifted to the effectiveness of surveillance and security systems in detecting plastic weapons. New York US Congressman Steve Israel renewed his call for a revamp of the Undetectable Firearms Act, which bans any firearm that does not set off a metal detector, stating

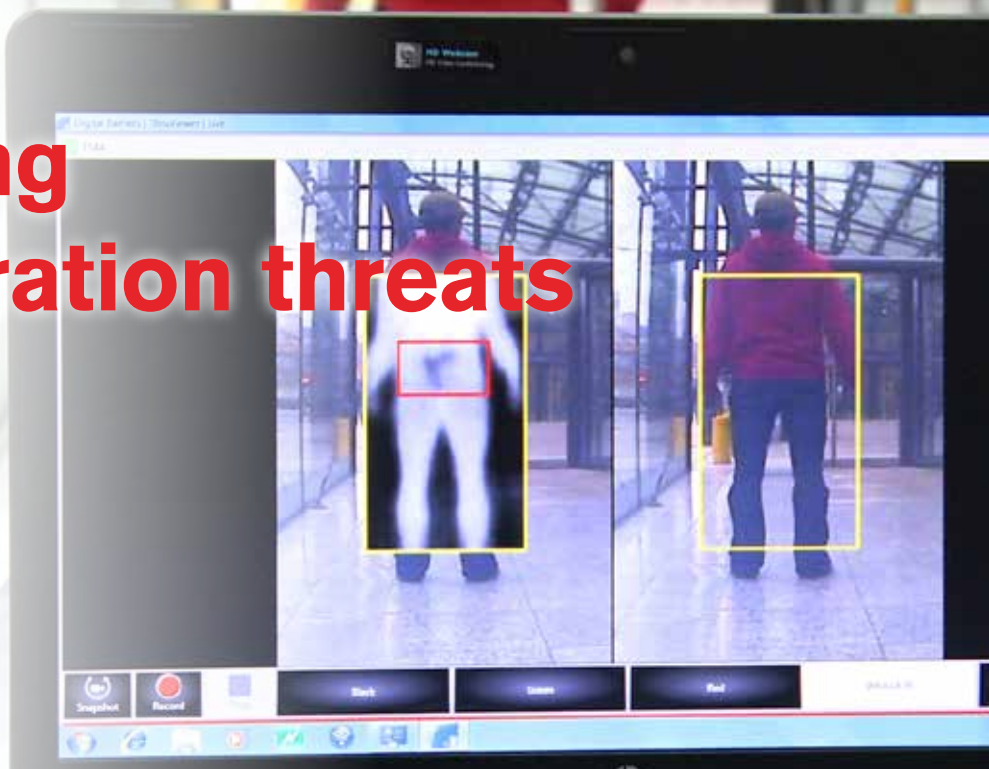
that "Security checkpoints, background checks and gun regulations will do little good if criminals can print plastic firearms at home and carry those firearms through metal detectors with no-one the wiser." But enforcing such a ban is a challenge in itself. Two reporters from the Mail on Sunday in the United Kingdom (UK) illustrated this point by producing a plastic gun in just 36 hours, using a 1,700 UK pound 3D printer, and carrying it undetected through security checks at London's St Pancras International Station, all the way to Paris.

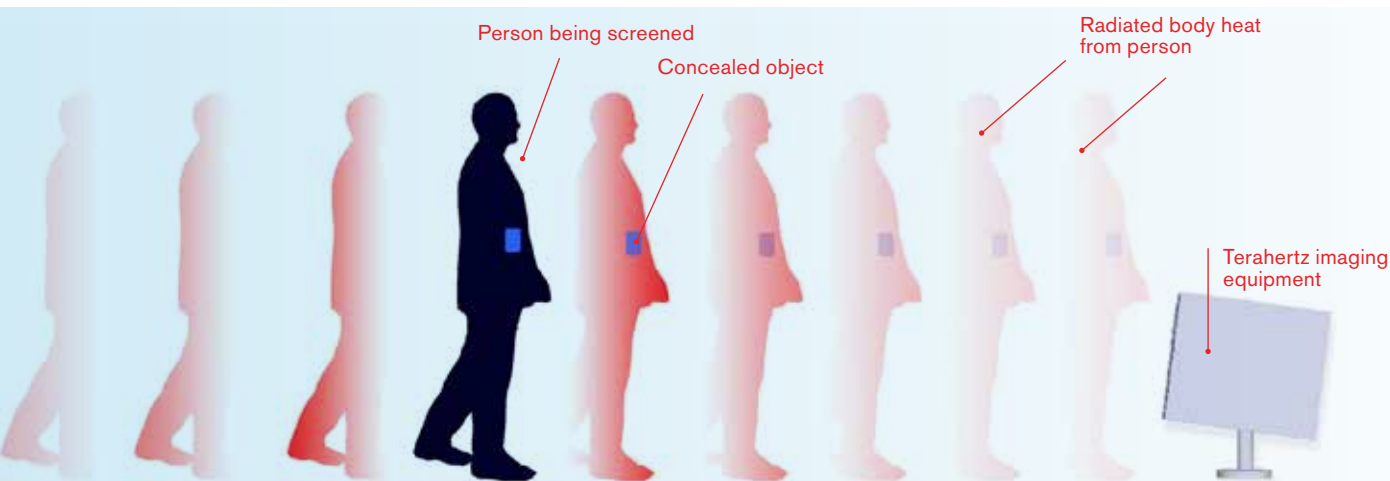
For those responsible for the security of our borders, transit networks, VIPs and high-profile sites, the threat posed by more creative adversaries is compounded by the increasing frustrations of passengers and visitors, when subjected to existing security checks. These measures are often aimed at using devices, such as archway detectors to identify metals, or providing randomized checks on individuals for trace explosives, or implementing blanket restrictions on the carrying of certain goods, such as liquids. In most cases, they are not realistically able to identify or eliminate threats that have been adapted or newly imagined by determined protagonists.

In the face of media coverage surrounding new forms of threat and the limited ability of existing measures to combat these, there is growing public resentment towards the relative effectiveness of existing checkpoints. The views of Emily Maitlis, the UK

journalist and broadcaster, are fairly commonplace: "I just want someone to explain to me whether we are clinging to these measures out of superstition, or whether we are happy to keep adding and adding, and more importantly, whether we are in danger of missing the next trick because we are dwelling on the last." As with any security measure, familiarity with screening technologies and techniques can lead to repetition and operator fatigue – whilst also inspiring the creativity of adversaries who rehearse against known measures over and over until they succeed.

Of course, Customs enforcement agencies are familiar with the challenge of spotting concealed objects that may comprise a range of substances. Whether narcotics, weapons, currency, livestock or other contraband goods, Customs officers are expected to reduce threats at the border and avoid any loss of Customs duties. This is perhaps why Customs enforcement agencies have been at the forefront of adopting innovative new detection technologies and people-screening systems. One of these technologies is a terahertz concealed-object detection system. This provides entirely safe and non-invasive people screening, including use in semi-compliant settings and at standoff distances, across a range of environments. In addition, unlike conventional detection systems, this system is designed to spot objects of almost any material, including metals, liquids, gels, plastics, explosives, ceramics and powders.





So how does it work?

All people and objects emit their own specific natural thermal terahertz energy. Terahertz imaging equipment receives this natural energy and measures the difference between the energy from the human body and the energy from any concealed objects.

Due to the variety of threats faced by Customs agencies worldwide, the system can be deployed in a number of configurations. Some Customs services screen all inbound passengers for contraband, with the system integrated within the passport control process for seamless screening of each passenger without delaying travel times. Other agencies have used the system to replace invasive pat-downs of individuals who are under suspicion of smuggling, by selecting passengers for advanced security checks based on specific intelligence, experienced profiling or simply random selection. Due to the compact size of the system units, other organisations have adopted the system as a mobile solution that can be manoeuvred easily from arrivals gates to the immigration hall. This flexibility can enable a more proactive operational stance and an approach that is less predictable for adversaries.

As threats faced by Customs and other agencies continue to evolve, it is imperative that security remains a step ahead. Solutions, such as terahertz imaging equipment, offer advanced and versatile detection capabilities for use across operations. Indeed, we may come to see the advent of 3D printed weapons as a catalyst for a change in our security outlook. While conventional measures become less effective, innovation has brought us to the point where there are no further techno-

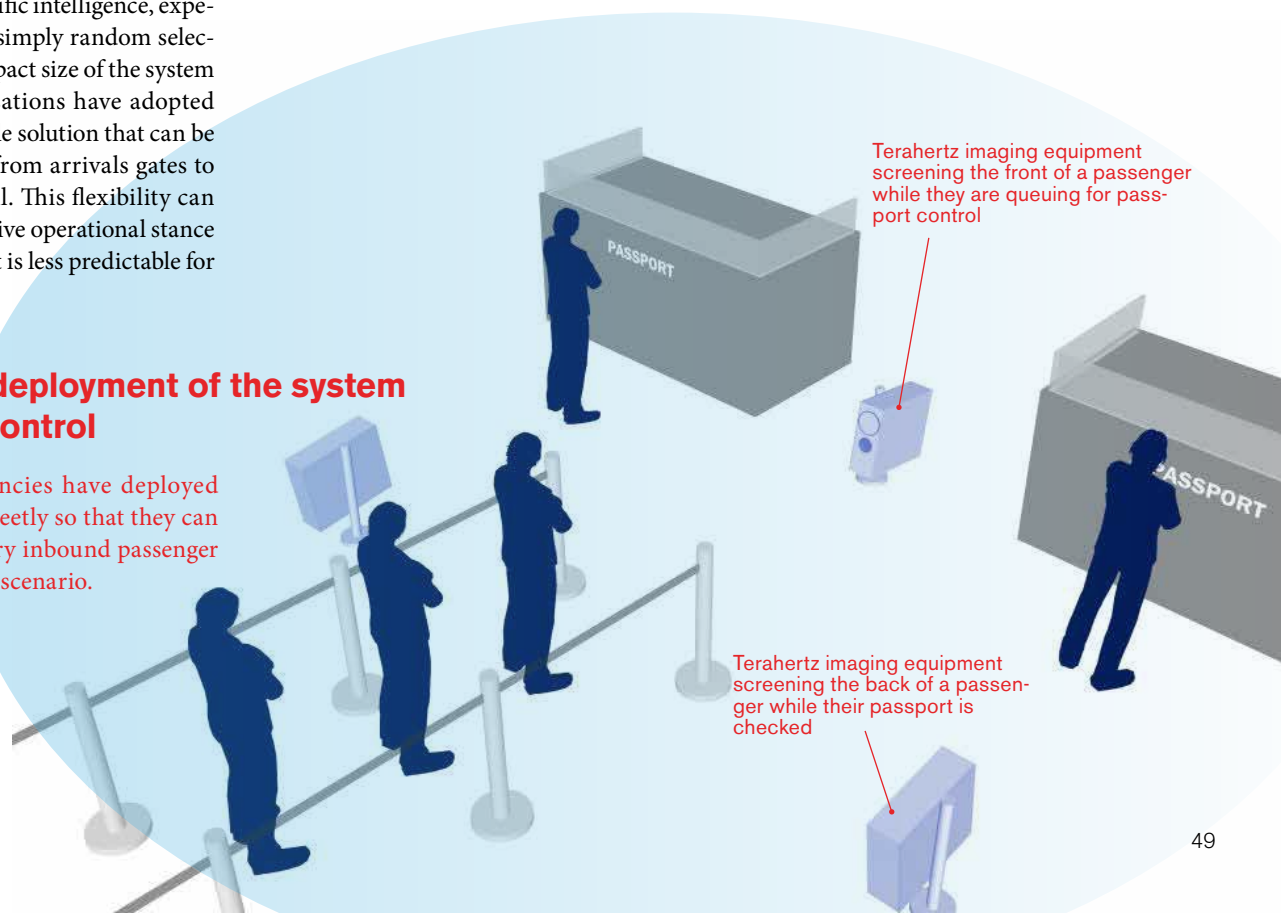
logical or operational impediments to the detection of person-borne concealed threats of any substance. Perhaps our adversaries may no longer be the only ones for whom unpredictability is an advantage. And it may even win some fans among the travelling public.

More information

www.digitalbarriers.com/customs and
thruvision-sales@digitalbarriers.com

An example deployment of the system at passport control

Some Customs agencies have deployed the technology discreetly so that they can screen each and every inbound passenger in a semi-compliant scenario.



Beyond the Single Window

Paving the way for collaborative border management

By Leigh H. Coen,

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In the decades since the first Single Windows (SWs) opened in Singapore and Sweden, national SW implementations by Customs focused on simplifying the interactions of traders with government, ultimately achieving a single point and moment of interaction for data submission by traders and for clearance decisions by government. Building on the same skills as those required for SWs, leading Customs administrations have enhanced their border clearance operating model with four best practices: streamlined inter-agency workflow; account-based Customs practices; segmented clearance classes; and cross-functional intervention teams. This article suggests that by combining these four best practices with the traditional SW, a best practices operational model for collaborative border management (CBM) can be realized [Editor's note: the WCO has adopted the term 'Coordinated Border Management' when referring to this approach].

The traditional Single Window

In the 20-plus years since they first opened in Singapore and Sweden, SWs have remained a central focus of border clearance strategies, even though the majority of Customs administrations have not implemented them. Although design plans vary considerably, most SW systems support an electronic data exchange model which, as described by Ramesh Siva, Lead ICT Specialist at the World Bank, allows for:

1. Single submission of data and information;
2. Single and synchronous processing;
3. Single decision-making for release and clearance.

Two decades of experience revealed many challenges that suggest why the number of SWs and their scope has been so limited: implementation is very difficult! Technology represents only one of the challenges. Both the World Bank and WCO surveys noted that the key development challenges were primarily non-technical, na-

mely policy issues, process reengineering, stakeholder collaboration, organizational change management and governance.

Evolving best practices for Customs and border management

As SWs emerged during the past two decades, technology trends, economic competition and the growth in international trade and in threats to public welfare generated a wave of Customs modernization programmes across many nations.



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3. Segmented clearance classes to optimize risk detection and facilitation for Authorized Economic Operators (AEOs);
4. Cross-functional intervention teams to make risk mitigation faster and more effective.

Most SW projects have focused on the front office, that is, on trader interaction. The best practice functions listed above include clearance and pre- and post-arrival activities which focus, to a large extent, on back office operations. Yet all these operations have a trader interaction aspect: trade interaction for the clearance decision; for inspections; for obtaining a horizontal view of a trader's activities; and for certification as an AEO or other simplification schemes.

By establishing a strong correlation between the traditional front office SW data exchange model and the new best practices for back office clearance and border management, a best practices operational model for CBM can be realized. It is this combination of the three old functions with the four new ones that provides a comprehensive operational model for interaction with traders, resulting in an end-to-end process flow that includes all major functions of border clearance.

Best practices to be integrated with Single Window implementations

1. Interagency border clearance choreography

The most straightforward practice that SW projects have fostered is automation and coordination of clearance processing across border agency systems and personnel. The potential value of interagency workflow automation is demonstrated by the large number of agencies involved in border clearance. Clearly, both technical and business process integration, as well as collaboration to manage impacts on operations and personnel, is required.

Interagency choreography can span various aspects of clearance, including the release of goods, inspections and risk assessment, as well as intelligence. Implementations can range in depth of choreography, from the original data exchange model (e.g. between Customs and the agriculture agency, in the case of a shipment of fruit seeds) to the integration of

clearance processes between the agencies, where business rules in the SW coordinating agency could choreograph required data exchanges, resulting in inspections using agriculture's operational criteria. This level of integration requires collaboration on inspection procedures and scheduling, with impacts on business processes and office work schedules.

Often the leading or choreography role in the SW is given to Customs because the latter accounts for the majority of the traffic in the SW environment. The central role of Customs is recognized by the Association of Southeast Asian Nations (ASEAN) Single Window initiative, which explicitly gives Customs the mandate to be the single point of decision for the release of cargo "...on the basis of decisions, if required, taken by line ministries and agencies, and communicated in a timely manner to the Customs." [Somnuk Keretho, ASEAN Single Window Initiative and Thailand's Case Experience for Trade Facilitation Enhancement, December 2007, available from http://www.unescap.org/tid/projects/poverty_s3somnuk.pdf].

2. Account-based Customs practices

Account-based Customs practices use all available information about an account (i.e., an economic operator) in performing Customs operations. Two dominant examples are in the area of revenue collection and risk management. The account model is applied to revenue collection in allowing (periodically, often monthly) a single payment of accounts receivable, covering all tax types (import duties, value-added tax, excise and more).

The account model is applied to risk management through risk assessment models that consider the full historical context of all that is known about the importer and other parties associated with the shipment – ultimately across government agencies. To continue the example of an agricultural import begun above, with the integration of import account data in a single repository, the combination of Customs and agriculture performance data for the importer and carrier could reveal a level of risk not detected in either agency's system, thus producing an inspection that detects a non-compliant shipment posing a bio-security risk to the market.

Two technology trends became primary drivers of change. Firstly, data-sharing tools and techniques have enabled process integration on three levels: across traders and agencies, as in the traditional SW; across traditional silos within Customs; and across governments. Secondly, advanced analytical tools and data warehouses provide intelligence and insights for managing the compliance of traders; these insights are used in making clearance decisions and also in revenue collection.

These technology trends drove a series of interdependent best practices in the modernization programmes of leading border management agencies:

1. Interagency border clearance choreography to automate collaboration between systems of multiple agencies;
2. Account-based Customs practices to maximize the usage of available information on traders in any action of Customs;

In the case of risk management, this best practice is often applied per transaction (e.g. upon risk assessment for every Customs declaration). In the case of revenue collection, the account-based model is applied to a batch process (payment is done periodically). In both cases, Customs operations are driven by all the information available about the account.

In the United States, US Customs and Border Protection (CBP) systems and programmes have fully implemented account-based processes starting in 1999, when a variety of account and risk management programmes were consolidated into the Trade Compliance and Risk Management Process that formally established account management disciplines across operations.

In the Netherlands, the introduction of the 'horizontal monitoring' approach by the Dutch Tax and Customs Administration in 2005 formalized the Dutch supervisory philosophy, which introduced a strategic change to traditional compliance monitoring. While traditionally control is based on vertical supervision and distrust – Customs selects and inspects – the Dutch Administration's horizontal monitoring is based on trust. Not blind trust, but trust based on positive past experience, such as an enterprise's reputation with Customs and its personal responsibility.

Horizontal monitoring is seen as a form of account-based best practice because it is a monitoring approach that uses a holistic, enterprise-broad approach to compliance monitoring of the account: top-management commits itself to pursue compliance; Customs and the economic operator

interact based on transparency, trust and understanding each other's business; both entities work together to find new work practices for implementing the legislation, especially where achieving compliance is inefficient.

3. Clearance based on customer segmentation

Growing recognition that risk detection and facilitation of trusted traders were two sides of the same coin, inherently interdependent and reinforcing, spurred the development of AEO programmes and clearance regimes aligned with customer segmentation based on measured compliance rates and process maturity. The enabling technical capability is 'intelligence-driven risk management' [Tom Doyle, The future of border management, Border Management Modernization, IDRB/World Bank, 2011] coupled with empirical measurement of performance and feedback from interventions, such as audits, inspections and resulting fines, penalties and seizures.

Segmented customer classes span the Customs back office for the actual clearance processing and the Customs front office for trader interaction, as implemented in a SW. SW front office regimes required AEOs to establish new modes of normalized and coordinated data submission in exchange for the reduced complexity and cost of clearance provided by the simplified communication interface. Trader segmentation based on measured performance history recognizes this mutual business value model and extends it to back office functions.

Sweden has been a forerunner in adopting a programme for clearance based on customer segmentation aligned with compliance management through its two accreditation schemes: Stairway, which

assesses supply chain quality; and StairSec, which assesses supply chain security. Both schemes set a clear relationship between the degree of risk that a trader poses and the degree of trade facilitation that the trader can enjoy.

4. Cross-functional intervention teams

The best practice that emerged in response to sophisticated smuggling or commodity fraud schemes was officer specialization by commodity or risk domain and cross-functional enforcement teams. This teaming model that exploited specialized skills was replicated across ports and agencies and then in national targeting or "data fusion" centres.

Advanced analytical tools in these centres combined with interagency teams, including Customs, police, immigration, agriculture, intelligence and targeting analysts, can significantly increase the efficiency and effectiveness of border management operations and allow a more rapid response to incidents in a coordinated risk mitigation plan, functioning as a national interagency command centre. The targeting analysts in these centres often conduct an advanced analysis of account, transaction, trade and compliance information to determine emerging trading patterns, both those of strategic economic interest to be fostered and those presenting new threat vectors to be intercepted.

For example, the New Zealand Customs Integrated Targeting and Operations Centre (ITOC), which opened in September 2011, is staffed by Customs as well as border agencies responsible for immigration, agriculture, forestry and maritime matters. ITOC brings together "...everything needed to determine risks presented by people, goods, or craft." On a smaller scale, in Mauritius, a SW cargo inspection office brought together Customs cargo inspectors along with inspectors from health and agriculture in a single examination shed [United Nations Economic Commission for Europe (UNECE), Case Studies on Implementing a Single Window, June 2006].

Combining functions

In countries where a SW plan is underway, the core capabilities supporting it can be exploited to address CBM back

office functions. For the many countries without a SW strategy, Customs can examine the lessons and benefits of these practices and decide what their ambition level is by starting with a SW for trade facilitation (front office focus) or aim also at collaborative (back office) best practices that support other government priorities in the area of border management.

Success on both paths requires investment in the same ICT capability. Enterprise information management is a key technological enabler supporting all seven best practices described in this article. Information management competency provides methodologies, techniques and technologies that address data architecture, extraction, transformation, movement, storage, integration and governance of enterprise information, as well as master data management. A robust data foundation makes

it possible to capture, combine and use information from many sources, and disseminate it so that individuals throughout the organization, at virtually every level, have access to it.

The four modernization best practices described in this article emerged building on the same skills as those that made traditional SW implementation possible. They are back office best practices extending into the front office with a focus on integration of data, systems and business processes to support and enhance increased collaboration between specialized officers, agencies and Customs administrations.

By combining these four best practices with the traditional SW, a best practice operational model for CBM can be realized. This is the beginning of a new era in SW implementations, an era in which

the SW has a new, additional strategic goal, namely realizing CBM.

Twenty years ago, SW projects planted the seeds of CBM in the new skills and disciplines that are now growing in 30 Customs administrations. Other countries were less quick to implement a SW, but faster in setting and adopting the four new best practices discussed in this article. Now these capabilities need to be sown and tended in a hundred more gardens.

The extended version of this article is available at <http://ibm.co/17xg5A0>.

More information

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“Customs administrations should equip them performing objective and quantified measure

Sévon-Tépé Kodjo Adedze,
DIRECTOR GENERAL OF TOGO CUSTOMS

AS PART OF the regional project to facilitate trade and transport along the Abidjan-Lagos corridor, Togo Customs, in partnership with the WCO and the World Bank, has implemented a policy of performance measurement designed to build the Customs administration's capacity to conduct objective appraisals of the work of its departments and officials and that of its “partner” professions, such as Customs brokers and shipping agents.

To that end, computerized tools and organizational processes to track the performance of operational services at Lomé port were introduced in 2011. These tools are individual and collective indicators which are routinely shared with the Directorate General of Customs and used to guide decision-making on reforms. More recently, Togo Customs has pursued this policy by concluding ‘performance contracts’ with inspectors and signing a Memorandum of Understanding (MoU) with shipping companies, to speed up their Customs formalities.

The WCO asked the Director General of Togo Customs, Sévon-Tépé Kodjo Adedze,

to comment on the new system and the early results obtained from it.

Can you describe the reforms you have carried out and indicate how performance measurement has helped them?

All our reform programmes are part of an effort to optimize Customs revenues, facilitate trade and combat illicit trade.

Amongst the actions taken we might mention:

- capacity building;
- specialist training for investigators;
- enforcement;
- getting economic operators on side, to prepare them for Authorized Economic Operator (AEO) status;
- reducing the informal trade sector;
- monitoring of manifest discharge operations;
- strengthening automation of the Customs clearance chain (transfer to storage facilities and bonded warehouses);
- implementation of a risk analysis system and improvement of the criteria for selecting goods for inspection;
- signature of MoUs to support mutual

administrative assistance;

- strengthening the Customs-private sector partnership;
- implementation of AEO status;
- introduction of resource- and results-based management.

This last point required the use of tools to measure the work of our departments and our partner professions; hence the implementation of the project to measure Customs performance.

Performance measurement used computer-controlled tools, drawing chiefly on data from the ASYCUDA system. These enabled us to identify and correct instances of poor practice using various indicators.

A number of measures were taken to achieve this, chief among which were:

- signature of an MoU between Customs and the maritime professions, to persuade them to meet the statutory dwell time requirements for lodging manifests;
- introduction of a system for collecting monies owed to Customs 72 hours after



selves with the necessary tools for ment of units' performance – good and bad”

- duties and taxes are calculated;
- signature of target-based contracts with the heads of the main Customs offices;
- signature of performance contracts to assess the speed and efficiency of the work of Customs inspectors.

Do you have any quantifiable results and what are you hoping for in the next few months?

The tools developed for performance measurement have yielded a number of quantifiable results, in the following and other areas:

- compliance by each consignor with the statutory dwell time requirements for lodging manifests;
- increased monetary value of corrections made by inspectors;
- for declarations challenged – number, Customs value, duties and taxes, and number as a proportion of total declarations;
- for each type of Customs procedure – average yield from declarations;
- for declarations recorded, allocated to and processed by inspectors – number and Customs value, duties and taxes;

- for declarations cancelled – number and Customs value, and duties and taxes;
- for each control channel – number and Customs value of declarations selected for inspection;
- inspection circuit yields in terms of duties and taxes recovered;
- for each declaration-processing circuit – average time taken for goods to clear Customs.

Thanks to help from IT experts from the United Nations Conference on Trade and Development (UNCTAD), we have now resolved the problem of a fair distribution of declarations by ASYCUDA, namely the number of declarations allocated to each inspector for each type of Customs procedure. This solution has eliminated inspectors' objections to the new performance measurement system.

Analysis of the findings of inspector assessment will ultimately enable us to:

- encourage the best inspectors;
- identify those who need to improve their capacity and performance;
- advise and penalize inspectors who per-

- form the least well;
- redeploy personnel as appropriate.

What message do you have for your fellow Directors General who are reluctant to implement a performance measurement programme or who have no such plan?

I would encourage my colleagues to invest in this new management method which makes use of performance measurement. These are management tools which will foster objectivity, effectiveness, efficiency and greater transparency in our administrations.

The budgets of developing countries are largely reliant on Customs revenues. Customs administrations should, therefore, equip themselves with the necessary tools for performing objective and quantified measurement of units' performance – good and bad. In that way, we shall be better understood by those above and below us in the hierarchy.

After trialling these WCO tools, I find them most appropriate and a great help to us in our decision-making.

Women in Customs, trade and leadership



ON MONDAY 1 July 2013, leading keynote speakers, panellists, practitioners and experts convened at the WCO in Brussels for the Organization's first-ever Women in Customs, Trade and Leadership Conference. The challenges women face in the professional world were heavily discussed, as well as the important role they could play in an organization and initiatives through which their potential could be maximized. This article highlights some of the issues discussed and experiences shared during the event.

Maximizing the potential of women traders

Although women are still underrepresented in business and the labour force around the world, they are becoming increasingly engaged in the international trading system, with a high concentration of women operating in the informal sector. However, the potential of women traders, particularly in developing countries, is not being exploited to anywhere near its full potential, and they are afflicted by finan-

cial constraints and a lack of information, network access, transport and other vital resources.

During the Conference, speakers addressed a range of challenges facing women traders, along with a number of initiatives, including Customs reform that the international donor community is undertaking to address these challenges. They also spoke of the importance of engaging men in discussions on gender equality, as well as ensuring that a broad range of women's organizations are engaged in discussions with the international trade community, including Customs, if women are to fully contribute to the social and economic development of their communities and societies through trade.

Customs administrations play an important role in either supporting or hindering the economic empowerment of women, particularly women traders. Those administrations that consult with traders – especially women's business associations

– and provide clear information on Customs procedures can play a very constructive role in supporting the economic empowerment of women, in particular their involvement in international trade. Further initiatives that were suggested at the Conference included commodity-specific Customs information, focusing on commodities that are largely traded by women, as well as special Customs clearance channels for women.

Maximizing the potential of women within an organization

While the issue of gender equality has been long recognized as an integral part of the global economic development agenda, the subject has gained renewed attention as companies and organizations begin to realize the internal business benefits of women's empowerment and participation. Many companies and organizations have acknowledged that balanced relations between male and female leadership can be enormously beneficial in terms of organizational performance.

While the issue of gender equality has been long recognized as an integral part of the global economic development agenda, the subject has gained renewed attention as companies and organizations begin to realize the internal business benefits of women's empowerment and participation.

The Conference benefited from specific examples of how feminine leadership plays out at an organizational level both within and outside the Customs community. It was argued at the Conference that feminine leadership can contribute to reduced corruption, increased employee engagement and greater teamwork. Most importantly, delegates heard a number of perspectives on how diverse organizations – those that bring out the best of both masculine and feminine traits – can benefit enormously from the wider range of talents.

Being largely male-dominated, Customs and the international trade community

present an interesting case study for the analysis of gender biases in the workplace. By means of example, one of the world's largest Customs administrations – US Customs and Border Protection – employs a workforce that is 80% male. Nevertheless, the Conference heard of numerous examples of women pioneering change and achieving remarkable success in this administration.

Women leaders themselves spoke of how they overcame ingrained gender biases through the presentation of a confident and competent self-image in the workplace. Conference discussions in this



regard focused on means by which women can better understand their own strengths and weaknesses, and apply this self-assessment towards enhancing their confidence and workplace success. Conference discussions closed with an exploration of how today's women leaders can support the next generation of leaders, with solutions ranging from senior-level sponsorship, women's networks and mentoring.

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Calendar of Events

November

- 4-8 Permanent Technical Committee, 201st/202nd Sessions
- 13-14 Revised Kyoto Convention Management Committee, 12th Meeting
- 12-14 4th WCO Technology & Innovation Forum, Buenos Aires (Argentina)
- 18-19 WCO/UPU Contact Committee, Bern (Switzerland)
- 18-29 Harmonized System Review Sub-Committee, 46th Session
- 27-28 WCO Counterfeiting and Piracy Group, 9th Meeting

December

- 2-4 Working Group on Commercial Fraud, 9th Meeting
- 8-9 Private Sector Consultative Group, Dublin (Ireland)
- 9-11 Policy Commission, 70th Session, Dublin (Ireland)

January

- 7-10 Scientific Sub-Committee, 29th Session
- 13-15 Data Model Project Team
- 14-15 Technical Experts Group on Air Cargo Security
- 16-17 Information Management Sub-Committee, 66th Meeting
- 21-22 Technical Committee on Rules of Origin, 32nd Session
- 26 International Customs Day
- 27-28 Global RILO Meeting, 17th Meeting
- 29-30 CEN Management Team, 13th Meeting

February

- 25-26 Audit Committee, 8th Meeting

March

- 3-4 Harmonized System Committee, Working Party
- 5-14 Harmonized System Committee, 53rd Session
- 10-14 Data Model Project Team
- 17-21 Enforcement Committee, 33rd Session
- 17-21 Permanent Technical Committee, 203rd/204th Sessions
- 24-25 ATA/Istanbul Administrative Committee
- 27-28 Regional Offices for Capacity Building /Regional Training Centres, 9th Meeting
- 31-02/04 Capacity Building Committee, 5th Session

April

- 3-4 Integrity Sub-Committee, 13th Session
- 7-10 Finance Committee, 5th Session
- 14-15 Private Sector Consultative Group
- 15 SAFE Members Only Meeting
- 16-17 SAFE Working Group, 13th Meeting
- 16-17 ICAO-WCO Joint Conference on Enhancing Air Cargo Security and Facilitation (Bahrain)
- 28-29 WCO Counterfeiting and Piracy Group, 10th Meeting
- 28-30 WCO AEO Global Conference (Spain)

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



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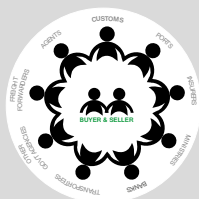
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