TRADE FACILITATION FOR AUTHORISED OPERATORS

WORLD BANK GROUP
Trade & Competitiveness

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Trade Facilitation – reduce time & cost; increase predictability

- “simplification, standardization, and harmonization of procedures & processes and associated information flows to move goods through the supply chain in a transparent and predictable manner”

- But also relevant: “identifying and addressing bottlenecks that are imposed by weaknesses in trade related logistics and regulatory regimes and that prevent the timely, cost effective movement of goods.”
There is a huge demand by countries to become better integrated into the global economy.

Tariffs, historically the biggest obstacle to the flow of goods, are at an all-time low.

For individual businesses, regardless of nation or region, practical reforms to international trade and investment can be crucial for success.

For any country, the development of a simplified and automated trade environment is a challenging reform programme that requires vision, leadership, change management and collaboration between all stakeholders.
<table>
<thead>
<tr>
<th>Customs</th>
<th>Trade</th>
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<tbody>
<tr>
<td>To collect accurate revenue at least cost for government</td>
<td>Encouraged economic development and investment</td>
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<td>To reallocate resources from low to high risk trade through data analysis, planned profiling &amp; targeting</td>
<td>Reduced unnecessary ‘red tape’ for compliant / low risk traders</td>
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<tr>
<td>To provide choices for trade to encourage voluntary compliance</td>
<td>Reduced inventory holdings and cost</td>
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<td>To position Customs as the central border agency – knowledge</td>
<td>Increased speed / predictability in supply chains</td>
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<td>Increased trade = Greater Revenue</td>
<td>Increased trade = Greater Profit</td>
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However..

Attempting to accelerate the movement of goods within the supply chain while ensuring full compliance with government regulations is a complex affair!

Border Regulations continue to proliferate

Transaction costs, suitable infrastructure and wait times remain unacceptably high resulting in wasted product or missed opportunities

Reforms are undermined by complex tariff structures, unnecessary “red tape”, documentation and record keeping
Breaking the bottleneck…

Neither governments nor the private sector can deliver on the full potential of trade facilitation on their own.

Trade reforms must address issues at the border, as well as barriers behind the border, with simplicity and commonality as key, underlying objectives.
Logistics performance is heavily influenced by the quality of public sector institutions and the effective co-ordination of border clearance processes.

Why does this matter?

Nine + billion documents each year to process the movement of goods

Between 2-15% of the cost of imported goods is currently attributed to customs and border processes.

A 1% reduction in these costs would result in worldwide gains of US$43billion.

(OECD 2005)
Typical problems:

Excessive documentation requirements

Inefficient border-crossing procedures

Transport and transit impediments

Lack of transparency and predictability

Lack of cooperation and coordination

Lack of automated processes and scarce use of information technology

High administrative costs
Breaking the bottleneck…

Trade Facilitation & National Security now seen as broader concepts that include goals relating to national economic performance as well as physical security.

Contemporary border management strategies acknowledge this and strive to achieve both improved security and trade facilitation outcomes through comprehensive, integrated risk-based regulatory control strategies, appropriately supported by technology.
Paradigm Shift – Customs Response to Supply Chain Security

In 2005, the WCO adopted the “SAFE Framework of Standards to secure and facilitate international trade” in response to international terrorist events.

SAFE set principles and standards that Customs are encouraged to use in developing their cargo and supply chain security policies and programs, including voluntary Customs-business partnership programs intended to enhance the security of international supply chains while facilitating legitimate trade (“Authorized Economic Operator” or AEO programs).
Paradigm Shift – Customs Response to Supply Chain Security

The European Community's Authorized Economic Operator (AEO) program took effect on January 1, 2008.

The purpose of the program is to provide benefits to certified traders (Authorized Economic Operators/AEOs) that voluntarily agree to adopt and integrate the AEO program’s security and other criteria into their supply chains.

The AEO status may be granted by an EU Member State to any economic operator who, in the course of its business, is involved in the import, transport or export of goods to or from the customs territory of the Community, and who has been certified to meet the AEO criteria.

AEOs may benefit from simplifications provided for by the customs rules and/or facilitation with regard to customs controls related to security and safety, according the type of AEO certificate they obtain.
Paradigm Shift – WTO Response to Supply Chain Facilitation

The WTO Trade Facilitation Agreement (TFA)

Positive integration – countries working domestically and together to simplify processes, share information

Cooperate on regulatory and procedural goals that impact positively on the performance of government agencies and the private sector
WTO TRADE FACILITATION AGREEMENT

**Transparency Articles**

- Article 1: Publication & Availability of Information
- Article 2: Comment and Consultations
- Article 3: Advance Rulings
- Article 4: Procedures for Appeal or Review
- Article 5: Measures to Enhance Impartiality, Non-Discrimination & Transparency

**Fees, Charges & Formalities Articles**

- Article 6: Disciplines on Fees and Charges
- Article 7: Release and Clearance of Goods
- Article 8: Border Agency Cooperation
- Article 9: Movement under Customs Control
- Article 10: Import, Export & Transit Formalities
- Article 11: Freedom of transit
- Article 12: Customs Cooperation

**Institutional Arrangement Article**

- Article 23: Institutional arrangements
BALANCING TRADE CONTROL & FACILITATION

Art. 5.1 Notification of Enhanced Controls
Art. 7.4 Risk Management
Art. 7.5 Post Clearance Audit
Art. 7.7 Authorised Operators
Art. 7.8 Expedited Shipments
Art. 8 Border Agency Cooperation
Art. 10.7 Common Border Procedures
Art. 11 Transit Procedures
Full Implementation of the Trade Facilitation Agreement supports the risk and intelligence function.

- Art. 7.1 Pre-arrival Processing
- Art. 7.4 Risk Management
- Art. 7.5 Post Clearance Audit
- Art. 7.7 Authorised Operators
- Art. 8 Border Agency Cooperation
- Art. 12 Customs Cooperation

Effective Risk & Intelligence
# AEO CONCEPTS ....RECAP

## Revised Kyoto Convention AUTHORISED PERSON
- Good compliance record
- Commercial record management

## Safe Framework Of Standards AEO
- Measurement and Analysis
- Crisis Management
- Trading Partner Security
- Premises Security
- Conveyance Security
- Cargo security
- Information Access
- Education & Training
- Consultation & Communication
- Financial Viability
- Commercial record management
- Good compliance record

## EU AEO
- Compliance with customs regulations to date
- Satisfactory system of managing commercial and transport records
- Proven financial solvency
- Practical standards of competence or professional qualifications

## TFA AUTHORISED OPERATOR
- Supply chain security
- Financial solvency
- Commercial record management
- Good compliance record

## Declaration by means of
- an entry in the records
- Self-assessment on duties
- Single customs declaration
- Clearance of goods at the premises
- Minimum information

## First consideration for participation in any new cargo processing programmes
- Special measures
- access to information of value to AEO
- Expedite cargo release, reduce transit time and lower storage costs

## Fewer physical and document-based controls
- Prior notification in case of selection for physical control
- Priority treatment if selected for control
- Possibility to request a specific place for customs controls
- Mutual Recognition

## Clearance at the premises
- Comprehensive or reduced guarantees
- Deferred payment
- Rapid release time
- Low rate of physical inspections
- Low documentary and data requirements
SIMPLIFIED PROCEDURES

Criteria to qualify as an authorized operator

• an appropriate record of compliance with customs and other related laws and regulations;
• a system of managing records to allow for necessary internal controls;
• financial solvency, including, where appropriate, provision of a sufficient security or guarantee; and
• supply chain security.

Trade facilitation measures

• low documentary and data requirements, as appropriate
• low rate of physical inspections and examinations, as appropriate
• rapid release time, as appropriate
• deferred payment of duties, taxes, fees, and charges
• a single customs declaration for all imports or exports in a given period
• clearance of goods at the premises of the authorized operator or another place authorized by customs.
Reduces volume of transactions subject to intervention = improved capacity to apply/adopt risk management

Screens out lowest risk transactions, provides greater visibility of potential weaknesses in supply chain even before a transaction has commenced.

Promotes greater knowledge of supply chain operations / practices and leverages off capacity of private sector.

Assists segmentation of clients willing to comply with trade regulations from those that require education or are non-compliant.
Although all these programmes find their roots in international conventions, and their outcomes are similar, the approaches differ.

The European Customs AEO programme also differs from the other programmes as it has a wider scope, as it encompasses customs simplified procedures, security and compliance with all customs legislation, including customs duties.
The globalization of trade and use of electronic communication has resulted in goods being moved in greater volume and at greater speed.

This has increased the risk of customs offences and put customs administrations under greater pressure in their dual role to control and facilitate cross border trade.

Customs offences and their frequency are affected by national economic conditions, geographical position, rates of duty applied, import & export controls and the prohibitions, restrictions and other measures of control in force in a particular country.
Customs administrations operate on the basis of their national legislation which normally grants them wide ranging powers - but only within their national territories and for their own purposes.

The legal systems in many countries and the competencies and capabilities of customs administrations can differ widely.
CUSTOMS MUTUAL RECOGNITION AGREEMENTS

- Customs often deal with goods arriving in their territory with little or no external support or background information to assist with their controls, other than customs declarations and accompanying documents.

- Cooperation at the international level aims at improving facilitation of trade flows, the enforcement of applicable laws and regulations by exchange of information such as - export and import declaration data, trader-related information, origin and valuation-related information.

- Such data exchanges are a key elements in the WTO TFA, Article 12, EU Customs Code, WCO Revised Kyoto Convention & SAFE Framework of Standards.
Compliance Strategy

- Use the full force of law
- Deter by detection
- Assist to comply
- Facilitation incentives

Categories of Attitude to Compliance
- Voluntarily comply
- Attempting to comply
- Resistance to compliance
- Criminal intent

Create pressure to voluntarily comply

More

Less

Customs resources

World Bank Group
THANKS FOR YOUR ATTENTION!

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Contact: TFSP@worldbankgroup.org