

# ***REPORT on the WCO PRIVATE SECTOR CONSULTATIVE GROUP (PSCG)***



**The World Customs Organization (WCO) Headquarters  
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## **Background**

The PSCG held its 45<sup>th</sup> meeting at the WCO headquarters in Brussels on October 15 and 16, 2018. The Private Sector Consultative Group (hereinafter referred to as the “PSCG”) was formed for the purpose of informing and advising the WCO Secretary General, the Policy Commission and WCO Members of Customs on International trade matters from the perspective of the private sector. The PSCG was chaired by John Mein and consists of 27 members (not all present).

Agenda points discussed during the two days:

- Revised Kyoto Convention review
- Report on e-Commerce
- Intelligence/data exchange 2.0 - Progress to date on the pilot project
- Impacts on Business: Recent tariffs, retaliatory tariffs and surtaxes
- Meeting with WCO Secretary General, Kunio Mikurya
- Progress report on the Regional Private Sector Groups
  - Africa
  - Americas
  - Asia/Pacific
- Case Study: Huawei - ICT and Trade facilitation
- Comments on the SAFE (more proactive role for the WCO)
- WCO request and update to PSCG
  - E-commerce
  - Free Zones
  - IP enforcement challenges
  - Picard Education Standard review
  - WCO Academy update
  - Monitoring and evaluation performance review
- Election of the new Chair (Y 2018 – 2021)

We will address the topics in a broader scope, provide some background, PSCG recommendations and list the projects that will be addressed in the next couple of months prior to the next PSCG meeting to be held in April 2019. This document is not the official minutes of the meeting and should not be seen in this context as it is purely for information and to lend context to the meeting as well as address the topics in a broader context that were discussed.

## **PSCG Meeting: 15 and 16 October 2018:**

The meeting was opened by the current chair and newly re-elected chair (2018 – 2021), John Mein (Private Sector – Brazil). Orientation was given by the WCO Deputy Secretary General, Ricardo Trevino.

Consideration was given to the new team to give them a general idea of how the organization (WCO) works as a membership-based organization and the way the private sector actively adds value through the proceedings, workshops, works streams, document to comment on etc. This allows each PSCG member to add value in their specific areas of expertise.

The WCO develops standards and assists in the rollout of these adopted standards through various capacity building programs. In the past, many contributions were made by the PSCG group, starting with SAFE. The private sector voice was instrumental when the WCO developed SAFE bringing an element of practicality to the implementation of the applied standards and guidelines.

Major benefits can be seen in the co-chairing of the e-commerce working group which was initiated by the PSCG and the desire to handle the new challenging environment.

It can be acknowledged that the PSCG began with limited functions. Over years it grew its participation in WCO working group(s).. Currently the WCO is exploring more opportunities in the various working groups which will raise the level of participation and improve the general information of the WCO in the broader private sector.

The WCO membership organization, started in 1948, and held its first formal Council meeting in 1952. The main purpose of the formation of the WCO was to address economic issues and more specifically Customs issues after World War II. It aimed at improving global environment with more appropriate ways to co-operate and understand each country's trading environment.

The official meeting in January 1952 was attended by 17 members. Today the WCO is a globally recognised organization with 182 members which handles 99% of all international trade. The WCO has evolved over the last 65 years. It is divided into six regions and each region has its own Vice Chair and a Head of National Customs Administration for each country:

1. Europe
2. Asia Specific
3. America
4. Africa three (English speaking, French speaking and North Africa/Arabic region)

What do the WCO members do and what are their daily concerns/focus areas with which the WCO works to assist?

1. Revenue collection
2. Protection of Society
3. Compliancy (raise level of compliance)
4. Capacity building

How does the WCO conduct these tasks? The WCO has a Council with several working bodies. The three main working bodies allow the WCO to be flexible in the execution of their work:

1. Finance committee - (March/April) – provides financial advice
2. Policy Commission - meets twice a year integrated by Regional – high level – Heads of Customs Administration. Not all 182 members are part of the Policy Commission as they rotate with 3-4 seats per region. More flexibility and discussion allows for in-depth debates on relevant issues. These are presented to the Council for endorsement and acceptance.
3. Audit Committee – taking care of audits, supervising and technical activities. General working for good governance.

The management structure of the WCO is the Secretary General, Deputy Secretary General and three Directors. The main objective of this management structure is to ensure day-to-day running of the organisation and ensure its efficiency and environment. Technical languages are French and English.

There are several working bodies such as the PSCG. The last working group formed was RKC Review Group which will meet six times a year.

Strategic plan (2016–2019) – now in its final stages. The Strategic plan for this period will be finalised in June 2019 and adopted at the next Council meeting.. The current strategic plan has the following focus areas (packages):

1. Competitive Revenue package
2. Compliance and enforcement
3. Digital customs
4. Research and development

The new detailed strategic plan, it is understood, will incorporate many changes when tabled. This plan is being developed to be presented and approved by Council. Some of the main tools/instruments will be worked on to improve the existing processes and Customs administration in general:

1. RKC is the backbone instrument in the WCO with facilitation and compliance procedures. The members approved the decision to go for review of this instrument. This will bring the focus onto a new trading environment, a new landscape and establish needs to be able to work within updated technology and procedures.
2. SAFE - June 2005 – updated three times. This is a more useful tool/instrument for members and Private sector.
3. Harmonized systems (way we communicate) Exchange information on HS, COO, Valuation.
4. WCO has many other compendiums including an inventory of guidelines and tools that are WCO endorsed. (Available for review on WCO website).

### **Strategic plan priorities**

1. Trade facilitation – TFA implementation. 90% of Customs procedures are captured in the WTO-TFA which Council prioritised. Better co-ordination is required between Trade and the Customs Administration working environments. WCO wants to participate in trade facilitation and is now a permanent observer in the WTO TFA Committee. This will allow the WCO to enter into a new area of collaboration between trade and regulations.
2. New digital area and digital Customs. Transversal issue. Work and promotion in a single window with a verified accurate data model that captures the movement of cargo and the role of its players accurately.
3. Mercator programme – Implementation of TFA. (Capacity building program).
4. TRS – Time Release Study for cross border movement.
5. New Guidelines – Customs Brokers, transit guideline introduces new guidelines.
6. Coordinate new border management program.

**A second level of priorities during this process:**

- E-commerce - WCO stated that with some work the Council has provided the working group with an additional year to finish complex work in a very challenging environment. Private sector participation is very good and, as mentioned, the Private Sector co-chairs this working group.
- Security. The role of interest to Customs in the domestic operation includes engaging with other industries in terms of money laundering etc.
- Focus on specific industries - WCO makes use of technology in new ways to exchange information and ensure that compliance can be taken to the next level.
- Free trade zone – may be a compendium in conjunction with the MOU that the IMF signed. A more practical approach to learning from existing free zone analysis is the best working free trade zones and poorly operating free trade zones. How can we craft a better working free trade zone without hampering compliance or increasing risks?
- G20 – Development of a research paper which will be in this week’s publication on the WCO website. Combating the flow of illicit trade.
- Performance management (many tools, instruments) and adoption of this methodology. Currently the WCO does not measure the impact of performance. The World Bank measures a country’s ranking in a more economical way. The “ease of doing business” currently does not reflect the methodology as used in the WCO TRS tool. Talks are now taking place with World Bank and IMF to form a collective group.
- Comprehensive review of RKC. This program has just started. Good timing and intensive use of technology and linkage to the WTO – TFA makes this instrument more relevant in its application.

The process with a new strategic plan will capture some of these processes; however the WCO needs to engage each of its members and more specifically the six identified regions. There might be a feeling that the strategic plan does not represent the region(s) objectives. It will be imperative to find a way to engage with the strategic plan on all levels.

**Questions from the Private sector:**

1. Regulation & valuation? No mechanism currently to enforce some of the decisions of the WCO. It is open for each member to make their own interpretation of the standard, guidelines, instruments and compendiums. There has been some participation but not enough to ensure an overall approach is followed among the WCO members.
2. KPI reports that today there are approximately 90 reports for measurement in the instruments, guidelines and compendiums. In the strategic plan it will be tabled to form a working committee to work on KPI reports and produce a document for acceptance where performance and process enhancements can efficiently measure with greater transparency.
3. Requests were made for a more predictable Customs procedure. What is expected in each Customs procedure? Listen to the 182 members, monitor the functions, give transparency on the implementation and create an increased appetite for willingness and uptake on the instruments.
4. Early focus of the PSCG was on SAFE, AEO – AEO guidelines. Debate for a single window. Border management achieves true facilitation. Constant MRA and benefit. Mutual recognition is Customs-to-Customs and not early Customs-to-Business. Benefits measurable. Early concern offer benefits under AEO.
5. Alignment of TRS – and World Bank report – “Ease of Doing business”. TRS = Time Release Study - how does it link with the “Ease of Doing business”? Cost - need to align the two different concepts and ensure they

portray accurate measureable data on which the investment world can work for benchmarking and growth opportunities in the attraction of different countries. WCO – make it open and transparent.

6. Orientation, guideline, framework, monitor & evaluation with the most important question being - how can the PSCG contribute? Make the measurement transparent in the B-2-B transaction. Focus on monitoring and supervising of the tools implemented. Find a space in which PSCG can move forward and create value for its stakeholders.

#### **Progress and feedback from Private sector on the E-Commerce working group**

Marianne Rowden, co-chair for the working group in the previous week held a 5-day discussion on this topic. It summarized the progress of the program now in the WCO – 3<sup>rd</sup> year. Participation was excellent. Work on the program will wrap-up during the coming year. June 2018 – the term was extended due to the technical role, data model & framework of Standard on which this topic will impact. The working group will finalize the technical specification, regulatory data set and risk assessment tools as soon as possible. Optional partnership – dataset as program will deferred to the Trusted Trader, AEO concept and where it requires information, this will be shared to minimize the amount of data transmitted for accurate risk profiling, screening and segmentation. A voluntary data set was determined on what can work for the working group. However the USA has put the brakes on for the moment. PSCG was asked to also give a final review of the draft document to ensure the description/definition is correct.

A permanent working group will meet again in November 2018. The work is not yet finalised. Private sector, case studies, best practice will all be completed in February 2019 during final review. The enforcement committee will meet in March 2019. The Policy Commission will be meeting in November 2019. Flowcharts are to be constructed.

Process of production and framework such as e-commerce is time-consuming. An example is the sharing with the group to get a better understanding on how a process is unfolding in the WCO and its working groups.

1. A concern was raised by Customs Administrations and Private sector. A tsunami of packages was in the system and many concerns were tabled by Customs Administrations. Private sector expressed concern for revenue and new laws with their impact on supply chain movement. PSCG recommend a new working group, more specifically a permanent technical meeting. Approval at this level was granted by the Policy Commission and the Council.
2. Four Sub-committees were created to work on this complex problem statement.
3. A proposed standard document was submitted (lots of work over a considerable short time period).
4. Council approval. Term: Three years at minimum. One must not get frustrated as movement and change does not happen overnight. Ideas will take time before being considered. Recommendation is to adopt a concept for a CYCLE program for items before they become a standard or recommendation.

E-commerce it can be argued as being all about datasets. Is it the datasets regulated data sets or can be it be used for all the shipments? What is the cost per data element and if Customs Administration receive the data elements quickly, do they use them in an efficient manner to identify risk? The real concern is in the country itself – is the dataset voluntary? Or is it from a trusted trader? Acceptable data sets are agreed but many Customs Administrations are going beyond the minimum dataset. They want HS as a new data element. A Data model project team will investigate (research within 15 countries to bring data sets into harmony) for alignment. The next meeting to be held, 5-8 November 2018.

*Review more information in the working group*

**PSI – (PSCG leader and spokesperson (Cecilia) – gave information feedback on the Pilot project:**

Pfizer – makes use of the intelligence from the brand owner and combines it with what Customs are seeing from the same data. More intelligent data can be reviewed and created to identify counterfeit goods. In some countries it is easier to create a Pilot. Companies provide data and test the data to give Customs a more holistic picture. Ultimately it will lead to obtain a better seizure rate for Customs and other enforcement agencies.

PSI – have big data and a successful model can be developed and debated once enough progress is made to showcase such a joint cooperation. We are moving along this path to progress and will report accordingly. WCO agreed to work with this concept as tabled by PSI. USA, France and Australia plan to work together on this pilot - currently five member's countries. This pilot might add additional responsibility to the importer in terms of dataset, responsibility and risk mitigation strategies.

What is the legal standpoint on such a pilot? Various members of the Private Sector group raised concerns.

However, Cecilia explained the position of Pfizer and progress in this pilot – Pfizer is helping Customs Administrations to pick the right container for inspection and screening. They will both see how it is working? Currently it is too early in the pilot phase to make any recommendations or conclusions. Before recommendations will be made, the showcase needs to be vetted with real data and its effects. A two-page document will be compiled by PSI on the results obtained.

Aim of the project is to enhance enforcement - website level of maturity of reach and roll out to other sectors of Trade and countries. Keep on monitoring as a pilot.

We can see that IP enforcement challenges (Compliant and enforcement) are a huge concern.. Success of seizure and the co-operation of brand holders with big data analysis cannot be ignored if we want a higher success rate. Counterfeit and brand owners need to take hands-on and determine the escalated of cost for destroying and success in detection.

**Private Sector view on the resent tariffs, retaliatory tariffs and surtaxes. (PSCG - Carol) – impacted**

**Reason/Actions**

Our trading environment is currently freely aggressive, i.e. USA Steel may or may not have an impact on all of us. PSCG don't want to name and shame countries but the practical examples will be shared. Trade issues around the globe are being escalated and it is becoming our new norm. Customs Brokers act as intermediaries in the supply chain. What can Customs Brokers and Customs Administrations do to facilitate trade better in a very uncertain trading environment? For example Tariffs are implemented over a long-weekend while importers look at supplies months in advance which effects on the entire global value chain.

1. Programming in the supply chain to ensure compliance is achieved. (How it might work in other countries to make such a change...?).
2. Huge impact on the supply chain.... Amazed by the the number of client impacted. NAFTA. (Release, security, other supply, credit department, managing the impact. The suggestion is to get CEO's involved. Duty outlay) All have a negative impact. Working on remission of orders. Not sure anyone can immediately understand the full impact and situation. Small business is cut out and contractual commitment cannot be made.

Strategic impact and relationship impact are huge. People in the supply chain, elements of the supply chain are not going away but accumulate into a disaster of note for CEO to handle.

3. Impacts - observational issues (PSCG). We now have a new norm and new environment in which we operate. Government does not understand the impact on Trade and supply chain. (Client survey, financial and second tier finance issues.) How do we manage our day-to-day operations in the new narrative? How do we create a better understanding?
4. Uncertainty is created with countries changing their buying patterns. Better analysis of data should be done to get a full understanding how trade and global supply chain with all their links are impacted.
5. What tools are there to view the impact (direct and secondary) when a country is making major change and other stakeholders are affected? How to ease the pain points? (Suggestions). What are the trade remedies available to whether the shock effects in a more responsible manner. Focus on how can the relevant Customs Administrations put forward solutions that can assist with tariff barriers and trade barriers. How can Customs Administration move forward in such an uncertain trade environment? Lack of institutional knowledge.
6. Transshipping – could be a symptom. Management to consider.
7. Trade policy – Customs is equally unhappy with quick changes. Government will tell them what to do. Private sector thinks Customs is the victim and in the middle of trade decisions. The effect is felt on the border while the trade remedies/resolutions are not at the border. Trade remedies are generated in other ways. PSCG can facilitate information share across the globe. Q – Will these trade interventions occur more and more and how can we make these changes as quick as possible with the lesser impact to trade?
8. Important observation: Disruption trade patterns are here to stay.
9. TFA – look at this article... See if we can add more information. Pain will not be heard.
  - a. Customs merely implemented this policy.
  - b. Being told, emergency measure, emergency action. Raise issues and influence the implementation:
    - i. Time line
    - ii. Mechanism
10. Increasing post clearance audit. Many countries use this method as a penalising methodology although the original context made business logic sense, allowing the risk profile to move away from transactional based risk to accounting base risk. How do we discuss this in a practical world where we are working with different parameters and a changing trade environment? How we change the method and the outcome that Private sector experiences in their day-to-day engagement with Customs Administrations?
11. Triangle of influence that we can do as PSCG. Priorities – tool and technology. New norm. Adaption towards a stronger emphasis on new technology and alignment.
12. Raising awareness – collateral impact. Think it is within the scope to raise awareness. Generating unnecessary risk.
13. Working group – or at least a document that will create awareness. (Before the next meeting).
  - i. Others wishing to participate sign up with Carol, Gordon, Kit, share some experience, Aviva

PSCG Engagement with Ping Liu – Director of Tariff, Trade. (Customs Revenue collection), touched on the following three questions:

1. What is the product (intellect in the classification of a product)?
2. How much does this product cost (WTO valuation agreement)?
3. Where are they from...? (Certain tariff, from a particular origin)?



Answers to these questions will have different results (Harmonized System). Year 2018. This can be seen on the agenda of the Policy Commission. How do we facilitate a change in a jargonized system? How will this instrument apply in global value chains with different parameter settings?

Valuation and Rules of Origin are not aligned in the Regional integration/Regional Trade agreements. Most important is the complexity in the rules of origin - it can sometimes become like a 'Spaghetti bowl' and the verification of Origin should be looked at in a different light. Objectively review the Revenue collection method and its impact on Supply chain.

Can we generate a better HS tool?

- What is needed?
- How will business add value, to service its purpose?
- Allow PSCG to give WCO, working committee private sector comments, if any....?
- What can be done to help improve compliance – specifically developing countries?
- What is the effect on global supply chain?

**Private sector concern:**

People are getting older and some people retire. People coming in do not have the knowledge and institutional memory. We often experience in private sector hostile behaviour/approach from Customs Administration in various WCO member's countries. Auditors make decisions and once made are difficult to unwind. Private sector finds many areas of inconsistency. It can be said that the only consistent is the inconsistency. How do we work jointly to get better Tax and Customs Compliance?

Overall consent from PSCG – Valuation needs to be re-written and something done to the existing trading environment. IT must be part of this with the determination of a transaction value, but in the transaction value we need to balance the overall functionality with business evolution over time and address the valuation of product per time slot.

Origin of goods - no issues per se. The document is a challenging one. The data on the certificate is there for an alignment. Focus on the alignment and the operational issues which a Rule of Origin brings. A Harmonized system can work with Trade has to do it first and not a focus on revenue collection.

For example, International Trade systems rely on Statistics (influence of e-commerce). Small value systems with e-commerce booming and as a result we fail to account accurately in the various systems.

**Some reference points to consider:**

1. Human resource. In terms of technology and Trade. Intelligence among us is decreasing.
2. Looking at valuation, origin, HS – make sure the focus is crystal clear in those very complex tools. Like the alignment in product classification, HS classification. Concrete scope of individual agreements
3. Reference to compliance of trade
  - a. PSCG is equally concerned by Government not complying with the agreements - they have their own focusing Trade & Government.
4. Bilateral agreement
  - a. Making in it more complex

- b. Companies have to develop to parallel systems for accuracy and compliance
- c. Uniformed – Trade statistics is distorted
  - i. Continue to debate. Research the common agreement
  - ii. GATT agreement. Work with IOCD – more fundamental agreement
    - 1. Transfer pricing (30 years – new methodology)
    - 2. Very old origin. (20 years) Fundamental review
- d. Documentation review is more challenging. Operate in two extremes

**Private Sector Comments on the re-scope / review of Revised Kyoto Convention – (Dietmar) give feedback.**

**Simplification and standardization of Customs procedures**

115 Countries signed to the RKC and efforts are made to implement the simplification, standardization of Customs procedures. The latest country of adoption was a very small ocean island. The number one consideration to bear in mind is the management committee and its active role in a way during the last 30 years, but sadly it did not stay up to date with the review and monitoring process. Regular cycle of amendment and constant need for adjustment was not done. WCO failed to amend and stay abreast with new trading environment pressures.

- 1. How will the WCO ensure they do not fall into the same trap going forward (RKC)?
  - a. Review process, up to date
  - b. Management structure, governance structure
- 2. PSCG – who observe the implementation of this Convention? What will the PCSG new role be in this process?
  - a. RKC – Private Sector no role, other than to take notes (current observation)
  - b. WCO stick to the text, no pro-active role, and need guiding role to members into this new way of thinking

Private Sector need to convey the message in a clear and decisive context for the WCO and its administrations to get a clear understanding of what is required and needed. What can we as Private sector suggest? Can we, as Private sector follow the virtual groups from a business point of view? WCO suggested a formal structure. Committee, TOR – The members (are ultimately the contracting parties) and will decide if, when and with whom, they want to engage i.e. PSCG or individual members which WCO think can contribute. Comprehensive external engagement is required and the Private sector does not appreciate the approach of “can be invited and when needed”.

First meeting was in September 2018 and then December 2018 – not sure when, who will be invited?

For now the Private sector is excluded.

Next question will be, how will the review of RKC take place - will it be only the Body or specific Annexure(s) - what is the sequence of events and how will the review procedure unfold? Will they review each standard in terms of the standard itself and measure against the weakness and the efficiency of the standard?

Observation from Private sector in specific: Is the RKC addressing everything across the spectrum? Annexure A, B – it is a fundamentally important provision for example toward the “E-commerce” development. When we look at this for example ‘return procedure’, ‘repayment of duty’ - there is no synchronization. For the review process to be more relevant and address the current challenges it must have a holistic view and approach.

What is the ultimate intention, ultimate objective, ultimate aim? If this is known to Private sector, it can be mobilised by them to add value and work in a more constructive way?

Indirect questions/statements to consider:

1. Align the RKC with TFA
2. Looking to revise the RKC – awaiting? Speaking directly to the approach to be followed.
3. RKC – convention – Trade facilitation conversion. What is the logic to exclude Private Sector from trade facilitation measurements, while there might be logic to exclude Private sector from the work the Enforcement committee is doing?

**Kunio Mikurya (SG) – address to the PSCG:**

John Mein welcomed him and appreciated his time made available to address and meet with the PSCG. Kunio in response to the value of good partnership with Governments. Ricardo – presentation set out the priorities of the WCO and the SG proposed a visit to all six regional members in order to obtain a good understanding of their priorities and requirements. Every three years a strategic plan is formulated and followed by practical execution. This working method in the strategic plan encourages an open dialogue and allows good input and contribution from Private Sector. i.e. took the approach that was followed in the SAFE and e-commerce working group, which are co-chaired by private sector and WCO. Success can't be denied.

Revised Kyoto Convention – SG suggested that Business is invited. November 2018 – require Private Sector to come in, with a practical workable view. The Implementation strategy (RKC – 1999) is now 19 years old. Harmonized system – is also due for a comprehensive review. Continue in the WCO work, reviewing the key- instruments is critical to the success of WCO as an organization and the various Customs Administrations around the world.

Performance management is a topic that we, WCO can no longer ignore – what do we need to observe in this task? Can we review it more fundamentally, how do we align it with the World Bank Business Report and indicators ('ease of Doing Business')? These are all questions that we need to work with and address and ensure recommendations that are aligned with business practice and unlock more value added measurements in the day-to-day operation.

Trade Compliance is a concern and we need to work jointly to ensure we can get a better co-operation between Trade and Customs Administration to ensure tax administration continue with their good work. Next week SG will be in South Africa. (Interpol – opening the forum).

**Questions raised by Private sector to SG:**

The time made and dedicated to the PSCG was very important. Discussions centre on the following core context

Review or RKC, harmonized system, Customs Tax cooperation in the digital area.

**RKC (Management and Monitoring)**

Now the question: What does it do to Trade facilitation? RKC – simplification and standardization while developed in the business cooperation - how can the review work? Do not invite Private sector? Private sector indicated that the RKC instrument was not managed correctly while the WTO is doing on going work on Trade facilitation with its members. Neither do we need in Private sector a patch to the TFA. In reality the WCO did not amend the RKC to keep up with resend demands and the members of the WCO. Members could not do it in such a manner to be inclusive.

Each year many tools are created to support the RKC but we need to bring back an amendment cycle into this instrument. Risk of potential members – past 10 years – SG pushing will have the political will, looking more to the non- members to join WCO for RKC otherwise the TFA will not work.

Closely aligned. Larger part of the TFA link to the RKC. Global trade environment continue with or without a stop RKC working group. Members can choose what kind of discussion they want to have among themselves and it is not driven by what Private sector deemed to be important. How can business solidify their view in terms of recommendations to the WCO and its members?

Implementation & Monitoring – the challenge in RKC is the monitoring. We can suggest an assessment. However, Customs Administrations recommended that they will do a self- assessment.

- MONITORING – what kind of wisdom is required to turn this concept into a desirable requirement?
  - SAFE is very important.
  - Feedback and monitoring.
  - Hopefully, Business support can be gained to ensure that we all start thinking to create a better measureable compliant trading environment.
  - WCO is at a crossroads and needs to balance trade with compliance and alignment around the world.
- **Harmonized system**

What is happening in the internal trade? Goods are changing the way they are transported and consumed, i.e. pointing in sub-headings. In a way the goods have developed with so much technology advancement that implementation becomes a challenge. We notice huge misclassification: 1. Lack of capacity 2. Current system is not working to its optimum and WCO has to look at this. WCO has not yet decided to open a comprehensive review on this instrument.

  - Business using several classification systems, including ROO. From this point of view, it is the current Harmonized system and best possible user friendly.
    - Hear from Trade
- **Customs Tax cooperation in the digital area**

How will Customs be digitalized, where is the synergy in digitalization and how can we address this issue? We have to address all these issues collectively to ensure we keep our society more compliant.
- **Regional private sector Group**

This is an excellent concept and we need to how it is unfolding in the next couple of years, as it will assist the WCO to address more regional issues and assist trade in the granular details. This will also empower the WCO to align its strategic impact and plan.
- We are in the process (three in the six region) (Africa, English, French, Arabic)
  - Vice-Chair (meet once annual face to face in the region)

**ICT: (Huawei – Aviva, presented case study and research on how ICT can impact and facilitate trade-):**

TFA – have a service part and want to remove any technical barriers to Trade. Examples were showcased on how Digital Technology can assist trade (upload to the cloud). Big data analyse are possible - connection to e-commerce and across the world. Like e-labelling of products.

ICT leverage for trade facilitation will also open new risk and new remedies. The Global companies are much more vulnerable and need to look at the new challenges differently. How do they related to the other players, more

prominently, how do they deal with this industry? Huawei has completed analysis, identified the risk and seeking possible remedies. The coin has two sides, the key problem can be ignored, but more importantly how do we manage this type of risk. Match/analysis and find some partners to address the digital trade issues collectively.

ICT is great and its traceability is amazing. Big software companies can provide an end-to-end solution. Culturally, the solution is not paper documentation, but if paper is excluded we take half of the world out of the system. How do we address the cultural issues and user ability effectively?

The Border controls are paper based systems. Two systems along, where the ICT Solution is working excellently for perishable goods.

Firstly, ICT centres on data, secondly who owns the data? Thirdly, block chain which in effect is old technology that is now being revived. Fourthly, how is the data being managed? Fifthly, the validation of data. Sixthly, how can we simplify the data.....And lastly, the cost and how do we work with data in the clouds?

Technology with Trade Facilitation combined is good and great. Two concepts as we agreed are good when brought together. Culturally and level of maturity of a country will determine the success. Capability, capacity, governance, people development, management processes it becomes a triple window. Too much technology talks but does not changing many trading environments.

What comes first? Technology can boost it. Block chain – transaction base technology, but does not seems if it will help with audit post clearance. Reliance on data is still very challenging. Countries regulate information and protection... Bring a big challenge - they are connected. We in Private sector need to re-think our trading environment.

### **SAFE working group - can we install a new way of thinking into this instrument?**

John Mein – lead the overall discussion, SAFE and its impact in our daily work.

Private sector need to give the pros and cons on the SAFE and its implementations across the globe. It should not just be a program, but a methodology in our daily execution of work. Can the SAFE instrument being seen as an opportunity to change the culture and use to leverage change from transaction base to account base risk? Unless we as PSCG pursue this opportunity and push for the adoption of a new culture, the less change we will have for Customs Administration to embrace new changes.

The most important question will be how risk is managed in such a way that cargo can flow seamless. Security is very important but we need to also address the compliance issues, as we all want a community which manage the processes effectively and become more mature in the program with a higher level of self-compliance.

Can we start with a new cycle - can we change things?

Change can be positive and effective but we need to find a balance the partnership with Private sector and Customs Administration while addressing both sides of the same coin i.e. effective policing, compliance and trusted partnerships.

The Trusted Trader program is portraying as an ideal pillar, but where countries implemented SAFE, the benefits to Private sector are not evident. Effectiveness of implementation in terms of risk management is not measured and we need to find alternative mechanism to measure it.

Re-alignment of Customs Core competencies in the SAFE, Countries say that they are following SAFE, but nobody is checking on the implementation and monitoring. Can Customs Administrations be certified in terms of the SAFE, similar to a good AEO program?

Trade work in a very dynamic environment while change in the WCO does not come easy. Policies and standards are created, but there is no supervision to oversee the implementation of the instruments and the practical effect on the ground when standards are enforced or not. Through the years WCO has had to convince all the members to have supervision and certification. The AEO program, SAFE pillar II, open a new way of thinking, but it does not over write the basic principle of HS, valuation, COO.

Studies on the cost of AEO program versus the perceived benefits. How can we reduce the cost of AEO? Private sector is of the option that there is much room for improvement to obtain efficiency as a huge of burden of self-compliance is off-loaded in companies, but the real benefits are not tangible. How can we find collective ways to make it better, easier and more effective?

MRA – did not delivered in what it was supposed to, in other words more trade facilitation. For an example, linking SAFE to e-commerce creates a more simplified process under the AEO – SAFE structure. A number of issues that can be brought together and ensure that they dovetail with each other in synergy.

WCO – consensus stretch to its 182 members, WCO can guide them, can tell them, but if a country does not follow the standards and guidelines, the WCO cannot stop them their operations. Where does this leave the implementation of SAFE and promise to Private sector for an equal trading environment, as the WCO measure nothing in its standards and guidelines? Then we have a similar challenge. If WCO measures it, but it is not published, how will it benefit the greater trading community? Private sector is of the opinion that if we do not publish results we will not create good coherence. Private sector doesn't want to blame and shame countries, but establish transparency and visibility to assist in creating more equal uptake of procedures and standards.

Gatekeeper - Customs officials are faced with many changes. Political issues, tax collecting or should they be more of an enforcement agency? Focus from 1952 was more on governance of the movement of goods, GATT, WTO. Customs Administration does not know how to deal with this change.

- Gate keepers
- Tax collectors
- Find their place in the new environment

Trust Trader program with the centre of “trust” and how it can be measured. Risk assessment program and involve “trust”.

Until we can stand back, convince the WCO – we are there to help the WCO and Customs Administration, all the other aspects in the relationship of TRUST will be a challenge. How do get to this relationship of “TRUST”? The WCO has no alternative but to be adamant regarding SAFE, it is a binding agreement and each country under the TFA needs to know. What is advance cargo information and how will it look, AEO what and how will it look like? Risk assessment how will look?

These concepts are binding under the WTO and the WTO is pursuing their mandate. WCO has to put more focus on the Mercator program ensure Customs Administrations understand the benefits of SAFE and more the practical implementation.

Awareness is a problem and knows the expected benefits from a private sector, with a first phase to unlock cheap benefits:

- Cargo inspected with less occurrence
- Processes perform in less time
- The core benefit of AEO is the acknowledgement of the other elements in SAFE and its successful implementation
- Key benefit of AEO if a company is compliant is that the AEO is not standalone but can be linked into the TFA, while the TFA is moving along

Risk, trust are good words, but the word that is lacking is **"FEAR"** and nobody want to invite fear. Behaviours of Customs Administration around the world are getting worse and bring about a great amount of fear among companies.

What is in for us, Private sector in the word "fear" and what is the cost for Private sector in carrying this concept?

Where are we, what to do, where we should go?

Right time. SAFE is a very good place to initiate performance indicators into this program. This is the right time. It can be the beginning of good a discussion. We can support WCO in this environment testing initiative. This is normal but what does the WCO is expect from us, what kind of instruments are needed?

Fear concept --- rank them in terms of compliance to SAFE, RKC ICC – study program.

#### **Questionnaire/Survey:**

Based on information shared amongst us, can a survey be conducted, performance indicators, environment scan. What will enable us to be relevant?

- First step – put together set of Questions. What are we trying to show?
- Get answers ..... is this Group willing to work together and articulate some ""Q"". Looking for a good way to put our suggestions across (not sure how the final report will be looking at)?
  - Recommendation... what are we trying to show and how can we articulate it in a concrete, decisive manner.
  - Or we can consider an approach off, asking specific questions and make suggestions to the questions asked, but refine from general ideas (Work to be done from now to Feb 2019)...
  - Where is SAFE, RKC, and TFA in context? Take stock, come back based on information and data shared amongst private sector.

Questions which can be considered, ask Customs Administration – what is the cost for implement SAFE, benefits for them implementing SAFE. It is a relevant question, but not sure if these questions were put previously to Customs Administrations. There is lots of effort around the word to have the SAFE implemented for achieving practical alignment in daily activities.

#### **Picard program & WCO academy:**

Improve the use of the Academy. Performance measurement (during the next council meeting.) Future work on this particular agenda point:

▪ **Year 2008 - Research and Professionalism**

Single window agenda. Economic competitiveness. Regional integration (new Customs code). New intervention....

Technology has a strong effect. Not only trade but also Customs Administration

The most difficult and changing element in change is human nature

○ Education of Customs professionals (Middle and high level)

- Bench mark for Customs recruitment
- In-house training
- Standards for academic development

○ 21 recognized qualification

○ 11 universities (10 year of Picard). Customs Administration relies much more on data.

○ 2 pillars

- Education
- Research

○ Updated standard November 2018. Standard serve Customs and Public sector. Feedback from PSCG ends of January 2019.

- **Question** – Code of conduct. – Collective action. What tools in Customs and Private sector align? All levels of management. Speak to the values of institutions. WCO – regional – Capacity building progress in the Region. How can we work together – Capacity building? Trade involvement, Customs and Business more impact... real experience in the region.... Streamline capacity building...
- **Customs Administration** - Training program – full program for human resources...

**Performance measurement - how does Customs report on their service and Quality?**

Tools and instruments were developing to a specific need of the Customs Administration. Maturity Model, Data analytics, Chapter 13, ISOCA. No tool currently to measure the performance. In the last Policy Commission it was asked for Measurement. World Bank “Ease of Doing Business”. IMF – own tool measure revenue collection. There are many measuring tools, consider development a WCO measuring tool. Discuss in December Policy commission. First meeting during next year before Council. TOR will be approved by Policy Committee. Ask Private sector to give their comments. See how the members move forward - Monitoring, performance – Rachel.

**Suggested Framework for next discussions:**

Recent development:

- Pre – loading program (i.e. cartage coming from Yemen). Most development programs from June 2018 – pre-loading program into a legal status. Time frame: only one year to compile. ±600-hundred million transactions/parcels during the Pilot phase. IATA and GEA
  - The program is closely to USA / Canada (7+1 data field), expand the program
  - Air and Express
    - Concerns about the development in USA
    - Deviation from the Pilot that tested 600-hundred million transactions
      - Now new program is significantly deviated from the Pilot



- Modify and adopt the regulations
  - Enforcement can happen any time (Postal office, commercial operator – same risk engine.)
- Chapter 99, Singapore introduce. (Microsoft)
  - Moving heavy on intangible
  - Focus on physical goods
    - SAFE can't move to intangible
      - Ping Lui talk about taxes, WCO have no issue on Taxes
        - They can look at Duties
          - Deliberately avoid the word “duties”
    - Duty and taxes for intangibles
- Enforcement issues, do we carry any knowledge in Private sector on the movement:
  - Train from China to Europe (one belt, one road). England to China. Delivered on time, nothing missing
  - China ratified the TIR agreement.

**Future work for the PSCG:**

1. E-commerce: Way to control the flow of goods (Customers: unknown, informal) – transactions via e-commerce. Flow of goods present impressive risk. Review document on PSCG website.
2. Performance management – ICC – Rachel
3. PSI – Feedback on Pilot
4. Regional Private sector group
5. Free Zones: RKC – annexure that address Customs Free Zone. Great challenges of how these zones are managed. Goods out of free zones. Embark on new areas what is the Free zone looking today, Economic way for usage. Strengthen the understanding... Actively ensuring... global supply chain... (WCO – more extensive). Law and enforcement. Existing framework... Research – team going out.... Sight visit on how these free zones are operating. Send recommendation to Ana. Share the good and bad stories.- Juanita and company
6. HS, Valuation, COO, - Carol/Kit
7. Capacity alignment - Carol/Kit.

**Conclusion:**

The document is done in a structured format to give the reader insight in the most important topics and the view from private sector. Private sector as we know can be classified in different working streams and sectors – therefore we hold different opinions and different stand points to a specific topic. The pure nature of information sharing on different private sector platforms, can never discredit us for not having a collective, shared view and sometimes use as a claim that it makes it impossible for Customs Administration to work with private sector as one collective body.

We are segregated in terms of cargo owners, intermediators in the global value chain and service offering companies to the bigger trading environment. This wealth of knowledge and instructional memory hold can empower the engagement between private sector and Customs Administration, as the WCO instruments, its standards and practical guidelines will be much more robust in addressing a range of different activities within the supply chain and trade with its complexity.

One core element that binds us together is the desire to create a better, transparent, fair, complaint, secure and safe trading environment for all. This inherent desire with unwavering drive to believe tomorrow will be different, better if we start doing good and address challenges today with good solutions - nobody can take this away from us or discourage us during this journey.

Therefore, our dream and desire is to ensure that tomorrow will be better for all of us and that we can raise the living standard for all.