



Regional Workshop in Enhancing and Accelerating the Implementation of the Authorized Economic Operators' Program in Central Asia

31 October – 2 November 2023, Tashkent, Uzbekistan



REGIONAL WORKSHOP IN ENHANCING AND ACCELERATING THE IMPLEMENTATION OF THE AEO PROGRAM IN CENTRAL ASIA

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HIGHLIGHTS OF DISCUSSION

INTRODUCTION

1. The *Regional Workshop in Enhancing and Accelerating the Implementation of the AEO Program in Central Asia* was held on 31 October – 1 November 2023 in Tashkent, Uzbekistan. It was attended by representatives from the customs authorities of the CAREC countries, AEO experts from Korea Customs Service, Indonesia Customs, Chamber of Commerce and Industry of Moldova, development partners, staff, and consultants of ADB.
2. The objective of the workshop was to discuss the basic principles of the AEO program, to gain a better understanding of the main obstacles and bottlenecks that may hinder further development in making the AEO program effective and dynamic, to convey a holistic approach to implementing an efficient and effective AEO program citing best practices of other countries in designing the criteria for accreditation for multiple levels, important areas for Mutual Recognition Agreements (MRA) negotiations, inclusion of other potential operators to benefit from the AEO scheme and to assist CAREC countries that do not have AEO programs in mapping their needs in each identified area.
3. In her opening remarks, Ms. Kanokpan (Gem) Lao-Araya, Country Director of the ADB Resident Mission in Uzbekistan, emphasized that businesses experienced difficulties in participating in AEO programs and remaining compliant traders because of the restrictions brought by the COVID-19 pandemic and recent geopolitical conflicts. She stressed the growing importance of streamlining AEO processes through digitalization, strengthening the security of the international supply chain with all modes of transport, and promoting connectivity and cooperation between customs administrations.
4. Deputy Chairman of State Customs Committee Musamukhamedov Nodir Kamaliddinovich welcomed the participants. He underscored the important use of the World Customs Organization's (WCO) instruments to increase mutual trade further, strengthen trust between businesses and the state, and reduce the time for customs clearance of goods and cost.

Session 1: Value Proposition of the AEO Program and the 2021 WCO SAFE Framework

5. AEO expert from ADB noted the significant progress of CAREC countries in the development and implementation of the AEO program, including paperless trade digitalization, expedited clearance, and customs-centric risk management. In a survey conducted among CAREC countries, nine respondents expressed their interest to join an AEO program's pilot project and agreed that the AEO program would provide impetus to enhance customs-business partnership on trade security and trade facilitation based on trust and mutual respect.

6. From these results, Azerbaijan, the People's Republic of China, Georgia, Kazakhstan, Pakistan, and Uzbekistan Customs have operational AEO programs. The rest of the CAREC member countries need more capacity-building programs to address the development gaps.

Session 2 Korea's Experience on Business Process Re-engineering (Customs Modernization)

7. Korea Customs Service (KCS) introduced the electronic clearance customs system that is in operation through the UNIPASS system. Globally, several countries already adopted the UNIPASS system in their national systems. The main functions of UNIPASS include the single window process, customs data warehouse, risk management system, application of new technologies, and information management system. The 100% computerization of the customs clearance process increases reliability through rapid customs clearance, transparent administration, and convenient post-clearance management. In terms of AEO, the establishment of an advanced customs clearance system is essential for the safe and smooth supervision and management of transactions between traders.

Session 3: Country Experiences on AEO Program's Self-Assessment Questionnaire and On-Site Validation

8. Indonesia Customs presented its experience on the AEO Program's self-assessment and on-site validation, based on conformity with the WCO AEO Implementation and Validation Guideline of 2021. The authorization process and on-site validation include document checking, standard operating procedure presentation by the company, on-site validation, conduct of panel forum, and certificate issuance. During validation, a company profile analysis and an on-site visit to the company premises are conducted. Understanding the company's business processes and the roles in supply chains is a must to mitigate risks.
9. AEO expert from ADB also shared the Philippine's experience on self-assessment and on-site validation. Launched in 2019, the Philippine AEO program has three levels, wherein level 1 is already in place with at least 20 trusted members. The Philippines also developed an AEO Operations Manual, which provides guidance to all AEO staff and certified members, including other interested parties as to how they should comply with their obligations defined in the AEO program.

Session 4: AEO Program Updates from CAREC

10. The representatives of CAREC introduced the features of their AEO or similar mechanism's program, the legal framework regulating requirements and conditions for inclusion of AEOs, benefits for its users, criteria for application, and types of authorization and validation process. Countries also highlighted the key issues, challenges and priority areas, and future plans. Countries are encouraged to look at international tools and best practices and find common ground.

Session 5: Panel Discussion - Partnership between Customs Authority and Trade Regulators

11. Under Pillar 3 of the WCO SAFE Framework of Standards, WCO Accredited Expert on AEO program emphasized that the goal of Partner Government Agencies (PGAs) cooperation is to ensure government response to the challenges of the supply chain security by avoiding duplication of requirements and inspections, streamlining procedures and working towards global standards. He focused on cooperation with air cargo security standards since it also involves e-commerce goods. One of the benefits of aligning a secure supply chain program - regulations that complement each other are easier to implement by industry, thereby alignment

can enhance the level of compliance. Political will and executive commitment are also key to aligning supply chain security programs.

12. From KCS perspective, KCS enhances AEO cooperation system with PGAs by i) signing agreements with public enterprises to support SMEs to get AEO status, ii) negotiating with commercial banks to provide financing packages consultancy costs for new applicants and renewal of AEOs, and iii) providing voucher support for AEO companies who venture into global shopping malls. KCS emphasized that accredited operators can contribute to the expansion of exports by expanding their businesses through additional benefits such as financial support.

Session 6: Paperless Trade

13. The ITC Expert explained how paperless trade is fundamental for AEO development as it enhances efficiency and transparency, reduces cost, and promotes interoperability and standardization. Obstacles at the institutional, legal, and technical level preventing implementation of an effective cross-border paperless trade, and recommendations on how to resolve them were noted.

Session 7: Synergy between the AEO Program and the National Single Window program

14. The implementation of the Pakistan Single Window (PSW) bridged the gaps in AEO program as it enables real-time exchange of AEO-related information with trading partners allowing AEO applications to be submitted through the PSW, as well as the evaluation of the risk level of AEO applicants through the integrated risk management system. Further, Certificate of AEO status are issued through the PSW.
15. KCS shared that the AEO risk management is done through the National Single Window (NSW). The NSW analyzes risk factors and information and monitors the status of import and exports as all information for each step are collected and used for the assessment of AEO applications. As part of the post-clearance risk management plan, AEOs are authorized only through the decision of the AEO Deliberation Committee. In the future development plan, Korea plans to develop an integrated risk management body through the NSW, which will require information sharing, communication, and collaboration among local companies, regulatory government agencies, and MRAs.

Session 8: WCO Guidelines on Negotiating Mutual Recognition Agreements

16. WCO presented the basic elements included in the text when negotiating MRAs, and a brief outline of the MRA process, from the planning, negotiation, implementation, and maintenance of the MRA. MRAs are sometimes triggered by interest from the public and private sector with the intent to increase trade with partners.

Session 9: Korea and Moldova Experiences on AEO Program - boosting capacity of its product winners

17. The Chamber of Commerce and Industry of the Republic of Moldova shared that the country successfully implemented the AEO program through active promotion of the program's steady growth in the number of AEOs of mostly importers, exporters, producers, and transporters, annually contributing to the boost in trade volume with European Union (EU). To effectively implement the MRA AEO with the EU and to accelerate trade and improve bilateral relationships with EU Nations, Moldova harmonized its domestic legislation with the EU in accordance with the EU standards and requirements for AEOs, resulting in the increase in

trade with the region, where 60% of Moldova exports go. She also highlighted that the interest from entrepreneurs and businesses to receive AEO status increased significantly when the MRA with the EU was signed.

18. KCS shared how on-site validation of AEO applicants is conducted through a video presentation. The AEO program contributed to the increase of South Korea's export volume. The expansion of AEO MRAs with trade partners is key to the success of the AEO program. KCS also presented the process and benefits of AEO MRAs, though MRAs with each partner country vary depending on the outcomes of the negotiations, particularly on the inspection rates and customs clearance time, and in some MRAs: simplified document check, designation of officers, and preferential treatment in emergencies.

Session 10: Panel Discussion – Technical Features of the AEO Program in relation to Risk Management

19. Georgia Revenue Service shared that Georgia's risk management system helps determine which category the AEO falls under based on the clearance and post-audit risks after evaluation. The higher scores received by the AEO company entail higher risk and, thus will be less eligible for treatment.
20. Uzbekistan's risk management system simplifies the design for both imports and exports, reducing customs inspections and clearance time. They established the targeting center, which allows Customs officials to assess AEO companies by analyzing the information and data gathered from various sources on customs control, payments, and smuggling cases, among others.
21. Indonesia Customs shared its holistic approach to risk assessment and the strong relation to internal control system that can prevent risks and ensure that the company's operations are performed effectively and efficiently. There are risks that are inherent in the company, including those related to premises security criteria; information exchange, access, and confidentiality criteria; cargo security criteria; and crisis management and incident recovery. Regarding these criteria, on-site validation activities are important to be able to see directly the risks that exist in the company, and how the implementation of fulfilling the AEO criteria is carried out in the company.

Session 11: Panel Discussion – Proposed AEO Scheme for SMEs

22. People's Republic of China (PRC) gave an overview of the AEO program in PRC Customs, adhered to international rules and standards, with continuous innovation and improvement of their system. To help their SMEs, the PRC Customs introduced trade facilitation measures tailored to SMEs, such as, among others, lower inspection rates, priority in declaration, reduced post-clearance audit, AEO MRA benefits, and coordinator service from PRC Customs
23. Kazakhstan Customs shared the different certification types of AEOs and the conditions and requirements for AEO registration eligibility. The same AEO criteria and qualifications are mutually recognized among Eurasian Economic Union (EAEU) partner countries. Several *Memorandums of Mutual Recognition of AEOs* with key trade partners were signed since 2019.
24. AEO expert shared the international definition of SMEs and their role in the economy. He highlighted the main challenges of SMEs, particularly their limited capacity to export and in having wider access to the international market. By introducing, promoting, and involving SMEs in the AEO program, SMEs will benefit from lower trade transaction costs, expedited

and more trade facilitative procedures, and wider market access through MRAs through partnerships with larger enterprises and engage in public-private collaboration.

Wrap-up and Closing

25. ADB co-delivered the closing remarks, highlighting that negotiating the MRAs is essential in the development and implementation of the AEO program as it sets out some of the key enablers that are required for a successful MRA implementation with working examples and best practices. ADB highlighted the importance of the synergy of the AEO program and the NSW as it enhances risk management through collaborative joint on-site inspection of TRGAs, amendments on customs declarations to comply with regulations, and system integration and suggested that the AEO program could be part of the NSW. ADB encouraged regular consultations with key stakeholders, industry, academic experts, and government representatives on how the AEO program can make a difference in making the export industry competitive.
26. As a way forward, ADB discussed possible activities in 2024, including specific country interventions in helping CAREC countries enhance or set up their AEO self-assessment questionnaire and train their AEO validators in supporting their AEO authorization process. Regional workshops on information security policies, business continuity, transporting risk management, negotiating MRAs, and AEO schemes for e-Commerce actors may be organized.
27. In closing, the Uzbekistan State Customs Committee (SCC) provided a summary of the processes of AEO validation, overview of the AEO requirements, and the development of MRAs between countries within and outside the region. Uzbekistan stressed the importance of organizing similar activities, which significantly help CAREC member countries in developing their respective AEO programs as they realize the gaps in their AEO implementation and will seek to improve their domestic processes.

Site Visit

28. On 2 November, participants from CAREC Member Countries and several resource persons joined the site visit to the Uzbekistan SCC, where Uzbekistan Customs presented their digital center located in the same building as the SCC, following the recent renovations and developments. This includes the procurement of hardware and the in-house development of all information technology applications and systems, which allows them to have country-wide access to customs control, both through air and land. The site visit included a tour of the National Cynological Center of the SCC to demonstrate the results of extensive canine training.