

PROCEEDINGS

Seminar on Implementation Challenges in Joint Customs Control, Risk Management and Post-Entry Audit 7-9 February 2007, Bangkok, Thailand

I. Introduction

1. Co-sponsored by the Royal Thai Customs (RTC) and Asian Development Bank (ADB), the seminar focused on the challenges in the implementation of joint customs control, risk management and post-entry audit. The program included Working Group discussions and bilateral consultations to develop an action plan to advance the bilateral initiatives in these areas. A field visit to Suvarnabhumi International Airport allowed the participants to exchange views with RTC officials and learn more about cargo clearance at the new airport.

2. The seminar brought together 16 participants from the Central Asia Regional Economic Cooperation (CAREC) Program member countries, including the Deputy Minister for Customs and Revenue of the Ministry of Finance of Afghanistan; director general of the customs administration in Mongolia and Tajikistan; deputy chairman of customs administration in Uzbekistan; director general of the department of audit-based control and risk management in PRC Customs; and senior customs officials from Azerbaijan, Kazakhstan, and Kyrgyz Republic.

II. Seminar Outcomes

A. Joint Customs Control

3. Prof. Florian Albuero, Fellow, Institute for International Policy, discussed international best practices in joint customs control. He identified challenges in: (i) operations (how adjoining customs authorities operate specific functions such as joint inspection, documents check, valuation, origin determination, operating hours, etc.), (ii) institutional arrangements (formulation of a national and joint oversight arrangement to guide the implementation of joint customs control), and (iii) compatibility of information technology (IT). To address these challenges, he highlighted the need for: (i) cooperation between border authorities, not necessarily through joint operations but also through recognition and awareness of their respective operations, (ii) a lead coordinating agency at the national level, and (iii) detailing the functions of customs officers under joint customs control in a formal memorandum of agreement.

4. A Working Group Meeting, chaired by PRC, was convened to discuss joint customs control initiatives between KAZ-PRC, MON-PRC, and KAZ-KGZ. The KAZ/PRC Cooperation Sub-Committee Meeting held last December 2006 in Shenzhen agreed to establish a joint working group (WG) within the first quarter of 2007 to discuss details of their bilateral initiatives, including joint customs control and harmonization of cargo manifest. KAZ informed that they have already submitted their list of WG members to their PRC counterparts. PRC has just recently completed their list of WG members for transmittal to proper authorities. MON and PRC have already formed their joint WG. KGZ and KAZ, meanwhile, are currently undertaking joint customs control pilot test at the Aktilek-Karasuu border.

B. Risk Management and Post-Entry Audit

5. To address the challenges of risk management, Mr. Takashi Matsumoto, Head of the WCO Asia Pacific Regional Office for Capacity Building (ROCB) suggested to employ: (i) strategic risk management (identify high risk geographical areas in accordance with a Customs Strategic Plan, and allocate the necessary human and financial resources accordingly), and (ii) tactical risk management (involve different organizations and line agencies to form a National Intelligence Center that generates intelligence products such as alert via customs intranet, monthly intelligence report, post seizure analysis report and intelligence report on specific issues).

6. RTC has formed a Risk Management Committee to address implementation challenges in risk management. The roles of the Committee include: (i) developing policies and guidelines for risk management relating to customs formalities, release of goods, investigation, etc., (ii) developing criteria for selection of goods to be physically inspected, and (iii) establishing working groups and teams to research on proper profiling criteria.

7. Mr. Matsumoto also discussed the essential elements in addressing the challenges in post-entry audit including (i) establishment of a legal and regulatory framework, (ii) organization of an appropriate post-entry audit division, (iii) engagement of capable customs auditors and provision of training to customs officers to acquire appropriate expertise (e.g., accounting and auditing, international trade and business processes including banking procedures, customs laws and procedures, electronic record-keeping and IT applications). He also noted that WCO has developed a Post Clearance Audit Guide which could serve as a useful reference to customs administrations.

8. Following the essential elements described above, Thailand's implementation of post-entry audit is facilitated by: (i) the Customs Act of 2000 (which authorizes RTC to conduct audit at the premises of the importers and exporters even without a search warrant) and customs regulations (which prescribe the audit process and methodology); and (ii) the establishment of the Post Clearance Audit Bureau, and (iii) continuous training program for customs officers on audit techniques, risk assessment and targeting, and tariff classification.

9. A Working Group Meeting, chaired by UZB, was convened to discuss ongoing initiatives in risk management and post-entry audit. CAREC member countries are at varied stages of developing their risk management and post-entry audit systems. While more advanced countries, such as PRC and KAZ, are enhancing their risk managements systems, others such as KGZ and TAJ, are introducing integrated risk management techniques with the development of their unified automated information systems. The participants requested further training on the best practices of transition economies in implementing risk management and post-entry audit.

C. Bilateral Initiatives

10. The seminar also provided an opportunity for substantive policy dialogue on the key bilateral initiatives under the Trade Facilitation Program.

11. PRC and KAZ discussed the next steps in moving forward with their initiatives in joint customs control and harmonization of cargo manifest. PRC informed that their initiatives with KAZ have been elevated to the Deputy Prime Minister level and with such high-level of support, they expect that the joint WG will be formed within the first quarter of 2007 as scheduled. The

PRC delegates will follow up on the formation of the joint WG with the appropriate department in PRC Customs and will inform the KAZ delegates accordingly.

12. PRC and MON discussed their joint customs control initiative, including which borders will be subjected to joint control, as well as PRC's comments on the initial recommendations from MON. PRC suggested mutual recognition of inspection instead of joint inspection, similar to the arrangement between Shenzhen, PRC and Hong Kong. The delegates agreed to organize an Expert Group meeting as soon as possible to further discuss this initiative.

III. Conclusion

13. The seminar effectively combined knowledge sharing, policy forums and bilateral consultations to highlight key implementation challenges and effective approaches to joint customs control, risk management and post-entry audit. The country delegates deemed the seminar highly relevant and informative. They also noted that the Thai experience provided useful insights and lessons-learned.

14. To further support capacity building under the CAREC Trade Facilitation Program, PRC proposed to co-sponsor a regional seminar on customs automation in Beijing in late-May 2007. PRC also offered to host two training programs in Shanghai this year for CAREC member countries.