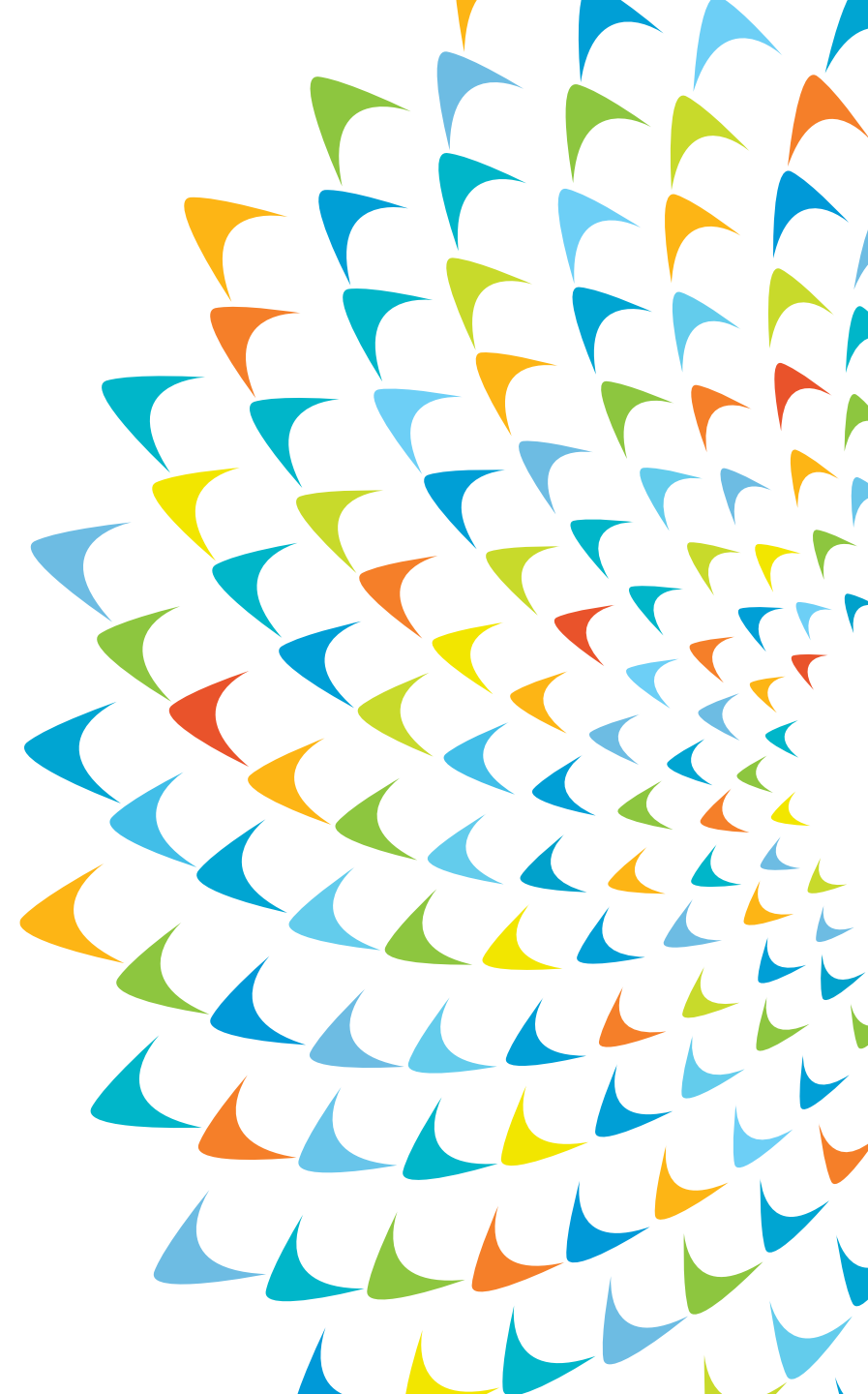




ENHANCE AND ACCELERATE THE IMPLEMENTATION OF THE AEO PROGRAM IN CENTRAL ASIA

**Workshop on
AEO Program – Value Proposition,
Status in Central Asia and the 2021
WCO SAFE Framework**

October 31 – 2 November 2023





Introduction



Promote trade facilitation and provides a seamless movement of goods across borders through a secure international trade supply chain using risk targeting and modern technology



Recognize the crucial role of involved stakeholders in addressing the vulnerable points in applying the supply chain security measures through **efficient validation process, support to MRA negotiation, and public outreach**. In return, the **compliant traders are given incentives to expedite their goods clearance**



Provide support to Customs and PGAs in crafting coordinated interventions for the exchange of AEO-related data at the national level



Manage business expectations and leverage on the use of modern technology in **establishing a holistic approach towards an efficient and dynamic AEO program**



2021 Version of the WCO SAFE Framework

Recognizes the crucial role of Customs authorities in the movement of goods across international borders, which requires the participation of numerous PGAs and stakeholders

Requires a uniform set of strategies to secure all process points yet facilitate the movement of global trade. Balance between secured supply chain and trade facilitation must also be recognized

Strengthens cooperation between Customs and PGAs by promoting smart security devices to optimize Customs control and increase visibility in the movement of goods, including baseline provisions in setting up regional AEO programs and implementation of mutual recognition

Enhances data elements by aligning the data set on air cargo security with the data elements specified in the WCO's data model and consolidates the reporting mechanisms on the implementation of the SAFE Framework.



Status of AEO Program in Central Asia

AEO Program in place

- Significant progress is noted in the implementation of the AEO program, including trade digitalization and risk management
- All ten respondents conveyed that there is senior-level support and buy-in that will ensure the necessary funding

Nine Countries will join the AEO program's pilot project

- Nine respondents expressed their interest to join the AEO program's pilot project
- One respondent conveyed to be just an observer

Dedicated Team Created

- Six respondents shared that there is a dedicated unit / team created in managing the development of their AEO Program.

Capacity building programs in addressing the development gap

- From these results, Azerbaijan, China, Georgia, Kazakhstan, Pakistan and Uzbekistan Customs have operational AEO programs.
- The rest of the CAREC member countries need more capacity building programs in addressing the development gap



Status of AEO Program in Central Asia

Paperless Trade Measures that are in place

- Electronic submission of customs declarations by the traders
- Electronic application and issuance of Import/Export Permit, Certificates, Licenses
- Laws and regulations for electronic transactions
- Internet connection available to partner government agency/agencies
- Electronic Single Window Platform (TFA Article 10.4)
- Electronic payment of customs duties and taxes (TFA Article 7.2)
- Electronically exchanged customs data on goods and vehicles moved among countries

Wise use of Single Window

- Eight (8) respondents viewed the wise use of the single window in supporting the AEO program as positive.
- Several countries have operational single window system, and one country is using the platform to obtain permits in real time



Status of AEO Program in Central Asia

Main Challenges Recognized

- Fluctuating workload with static or declining resources
- Growing business expectations and continuous pressure to meet government revenue
- There are still manual processes in the application of permits and certificates
- Lack of standardized data formats and interoperability among different trade-related systems across government agencies need to be addressed
- Ongoing digitalization issues, trade facilitation and national security objectives
- As the private sector have transformed themselves with digital technologies, expectations for the government to follow suit have also increased
- This affects the focus of the management to prioritize the development of the AEO Program
- But all respondents agreed, the AEO program would provide the impetus to enhance the Customs-Business partnership on trade security and trade facilitation based on trust and mutual respect



Status of AEO Program in Central Asia

Technical Assistance Requested

- Benefits for Trusted Partners
- Post validation procedures of security measures and supply chain security best practices, including on-site validation procedure, if necessary
- Raising awareness campaign within Customs
- Security and Compliance Requirements
- Post Authorization Audit, Suspension and Revocation
- Basic concepts of the AEO program
- Customs-Business Partnership and Customs-Trade Regulators (PGAs) partnership in extending the AEO benefits.
- Outreach with PGAs and Trading Community
- AEO Scheme for E-Commerce Shipment Actors
- AEO Scheme for SMEs

The benefits of the AEO program for the trading community are immense

Customs should demonstrate respect and not immediately assuming the worst in dealing with prospective applicants. In return, the trading community must demonstrate a continued record of compliance and express its desire to collaborate

Holding an AEO authorization as a freight forwarder will have an edge since accredited traders do not wish to have non-AEO companies serving their requirement for the movement of goods in their supply chain as it may jeopardize their AEO status

As a reliable trade partner for the movement of goods, your clients would definitely feel safer and comfortable that their shipments would go through safety and security procedures much quicker

Behaviors may not change overnight across the board, but if the Customs AEO team can win the cooperation and commitment of the trading community and demonstrate that compliance has its rewards, that message will gain impetus and the AEO program will grow and deliver.

Leverage on the use of modern technology



Positive Reinforcement

Recognize Compliant Traders

Catch the Trader when doing right not when doing wrong

- Talk to the compliant trader and not to the violators
- The usual practice is that management knows more the violators and not the quiet performer

360 Feedback Mechanism

Arrange 360 feedback mechanism between Customs and PGAs, Customs and the private sector

- Avoid multiple examinations by involved PGAs
- Avoid continued examination of similar consignment

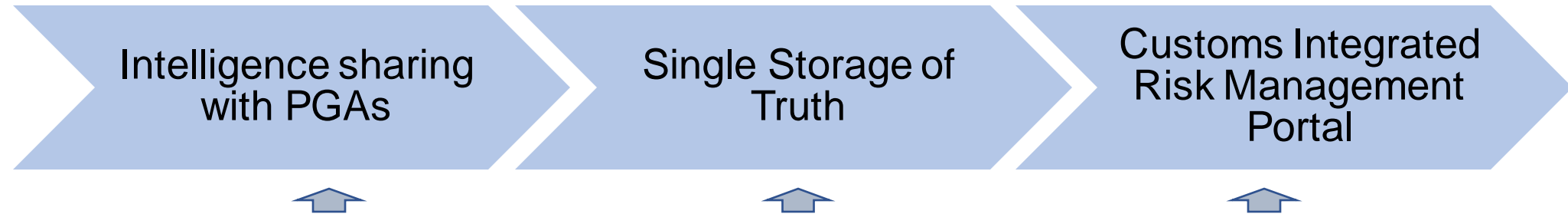
Compliance

Implement a Trader's Compliance Scoresheet

- Proactive monitoring of eligible economic operators for the AEO program
- Well-organized compliance plans help ensure goods move swiftly and securely across borders



360 Degree AEO Feedback Mechanism



360-Degree Feedback Mechanism driven by the Customs Administration

Level	Indicators	Remarks
1	Risk management not applied for AEO-related data	Initiation needed
2	Lack of intelligence sharing between Customs and PGAs on AEO-related data	One is the absence of reliable means in making risk decisions due to the lack of intelligence sharing with other PGAs, and the lack of feedback mechanism in place to avoid multiple examinations
3	Feedback arrangement between Customs and the private sector	Feedback from private sectors also showed the lack of a feedback loop/mechanism within Customs that resulted to continued examination of similar consignment, over many years, even though these inspections are not identifying discrepancies



Trader's Compliance Scoresheet

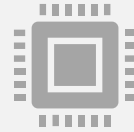
- A dynamic AEO program recognizes the use of an integrated risk management system to proactively assist the AEO team in knowing eligible economic operator for AEO certification.
- Using a compliance scoresheet managed by Customs, it can determine compliance markers of traders for each category using scoring system generated from any available consolidated database.
- Well-organized compliance plans help ensure goods move swiftly and securely across borders and into economic operator's premises.

No..	Importer	Customs	Dept. of Agriculture Quarantine	DOH - Food Control	DA - Fish Quarantine	Department of Trade
1.	Trader A	L	L	L	-	-
2.	Trader B	L	L	M	-	-
3.	Trader C	M	M	-	-	-
....
n.	Trader Z	H	-	-

AEO Outreach within Customs



The **AEO program's success depends on Customs key officials and involved sections** in understanding it and willingness to support



AEO program briefings should be regularly conducted about the AEO concept, the role of Customs, economic operator providers in supply chain security, and voluntary compliance



The Customs **AEO specialists should make arrangement to speak at public forums** and schedule briefings with involved Customs offices

AEO Outreach with PGAs

PGAs that have import or export requirements must also understand how an AEO program affects them, simplified procedures are not just a Customs concern

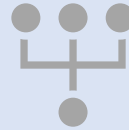
PGA concerns and processes must be factored into the program and issues solved to everyone's satisfaction

This may be difficult when PGAs may think that Customs is trying to take charge and that this could result in a cut in their budgets, staffing, or responsibilities. In this event, the Customs **AEO team will probably have to enlist the support of the heads of PGAs**

AEO Outreach with the Trading Community



Prospective applicants must be persuaded that the benefits of participation will outweigh the costs in meeting program requirements



Convey that the establishment of economic operator-based profiles and audit-based controls, as opposed to transaction-based controls, will expedite clearance of shipments



It would be wise to maintain a dialogue with the WCO and potential partner donors as the project develops

Core Global Set of AEO Benefits

- It is not possible for all Customs administrations to offer the same benefits
- Nevertheless, it is imperative to establish a core set of internationally accepted trade facilitation benefits that could be provided to AEOs
- AEO benefits should be transparent and meaningful to justify the additional costs sustained by economic operators in meeting prescribed AEO program requisites



Core Global Set of AEO Benefits

	AEO Benefits	ASEAN	EU	US	East Asia
1	Mutual recognition of AEO status by Customs	✓	✓	✓	✓
2	Expedited processing and release of shipments	✓	✓	✓	✓
3	Financial guarantee waivers, reductions of rebates	✓	✓	✓	✓
4	Notification of intention to release prior to goods arrival		✓	✓	✓
5	Pre-qualification for simplified procedures (single or two step clearance) depends on importer's preference		✓	✓	✓
6	Establishment of AEO based profiles and audit-based controls, as opposed to transaction-based controls	✓	✓	✓	✓
7	Priority of inspection and use of non-intrusive inspection equipment whenever inspection is required	✓	✓	✓	✓
8	Perpetual declaration of similar goods	✓	✓	✓	✓

Source: [Apec.org/docs/default-source/publications/2020/12/best practices](https://www.apec.org/docs/default-source/publications/2020/12/best-practices)



Core Global Set of AEO Benefits

	AEO Benefits	ASEAN	EU	US	East Asia
9	Priority customs processing during a period of elevated threat conditions	✓	✓	✓	✓
10	Priority treatment in post-incident resumptions and trade recovery programs	✓	✓	✓	✓
11	AEO status should be a significant factor in determining the administrative settlement of a Customs offense	✓	✓	✓	✓
12	Self-assessment when Customs automated systems are not functioning		✓	✓	✓
13	An option to provide a reduced standard data set for security risk assessment purposes	✓	✓	✓	✓
14	Priority for helpdesk services	✓	✓	✓	
15	An AEO badge	✓			

Source: [Apec.org/docs/default-source/publications/2020/12/Best Practices](https://www.apec.org/docs/default-source/publications/2020/12/Best-Practices)

AEO Scheme for SMEs

Criteria

- Most countries use the number of employees as a criteria to identify and categorize SMEs, but the caps vary considerably - from 20 employees in New Zealand to 1000 employees in China
- According to the OECD, SMEs represent 99% of all businesses, generate about 60% of employment, and account for between 50% and 60% of value added in the OECD area.
- SMEs make up over 97 percent of all businesses, employ over half of the workforce, and contribute 30 percent of GDP in the major economies

Crucial role of SMEs

- SMEs engage in indirect export activities
- A small but increasing number of SMEs supply intermediate goods and services in global supply chains
- An analysis of direct exports alone might underrepresent SMEs' export capacity. Also relevant is the role of SMEs in e-commerce

Objectives



To agree on a specific definition of what constitutes an SME and provide SME codification



To develop a tailored program for SMEs with specific requirements and benefits, considering their role in indirect exports



To set a realistic goal according to SMEs with direct imports or exports



To strengthen institutional support to help SMEs overcome regulatory and procurement hurdles



To develop specific capacity- building and outreach programs

Main Challenges

SMEs do not have large trade volumes, their participation in the AEO program may not be as attractive from the standpoint of trade-related KPIs.

SMEs generally lack a supply chain security culture and therefore they implement no procedures at all

SMEs have limited access to financing and resources, which restricts their ability to spend time and money on meeting AEO requirements and implementing the program

Lack of SME-specific requirements makes the certification unattractive

Limited access to information and free tools

Recommendations



BOC AEO Team should work together with businesses to create supply-chain based AEOs for AEO program expansion



Involve TRGAs, especially licensing agencies to offer more benefits to encourage supply chain operators, especially SMEs, to participate in the program



Customs risk management should consider the international supply chain in involving SMEs



SME risk profiling should mainly focus on the compliance rate of customs laws and regulations. The other accreditation criteria should be flexible



Thank you.

