



Virtual Regional Workshop on Authorized Economic Operator (AEO) Program – Enhancement and Sustainability

27-28 February 2024: 14:00 – 16: 00 (Manila time), via Zoom Videoconference

AUTHORIZED ECONOMIC OPERATOR (AEO) PROGRAM – ENHANCEMENT AND SUSTAINABILITY

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27-28 February 2024**

PROVISIONAL AGENDA

Background

The Asian Development Bank’s Technical Assistance 9824: *Better Customs for Better Client Services in Central Asia Regional Economic Cooperation Countries* aims to foster inclusive economic growth and support the readiness of Central Asian countries to comply with existing international trade facilitation commitments such as the Authorized Economic Operator (AEO) Program and new or evolving requirements. The World Trade Organization Trade Facilitation Agreement¹ (WTO TFA) requires WTO Members to develop Authorized Operator schemes based on international standards. Article 7.7 of the TFA also provides that the criteria and requirements shall be specified in laws, regulations, or procedures, and include (1) an appropriate record of compliance with Customs and other related laws and regulations, (2) a system of managing records to allow for necessary internal controls, (3) financial solvency, including provision of sufficient security or guarantee where appropriate, (4) supply chain security. Further, to enhance trade facilitation measures provided to authorized operators, mutual recognition of authorized operator schemes is encouraged.

The 2021 version of the World Customs Organization’s (WCO) SAFE Framework of Standards to Secure and Facilitate Global Trade (SAFE Framework) strengthens cooperation between Customs and Participating Government Agencies (PGA) by promoting smart security devices to optimize Customs control and increase visibility in the movement of goods. Moreover, baseline provisions on the development of regional Customs union’s AEO programs and the implementation of mutual recognition arrangements. The updated SAFE Framework further 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.

It is important to recognize the crucial role of Customs authorities in the movement of goods across international borders, which requires the participation of numerous entities and stakeholders. The AEO program requires a uniform set of strategies to secure all process points yet facilitate the movement of global trade. The balance between secured supply chain and trade facilitation must also be recognized, including the vulnerable points along the supply chain.

Further, it is difficult from a risk perspective to secure all transactions in cross-border trade, especially as global trade continues to grow. The solution is to study the systems involved from a

¹ WTO-legal-text-agreement-on-trade-facilitation

wide range of perspectives to determine the likelihood of errors in transactions. This started the move from transaction controls to system-based controls. Thus, if the risk management systems can easily identify high-risk operators, they would also identify low-risk operators in compliance management. Thus, the AEO program is about to transform into more mature and developed models moving forward. This will allow the AEO concept to become the future game-changer it was originally intended to become, for both international trade and other stakeholders in the global supply chain. This solution became the compliance management model for trusted traders that later became the international standard known as the AEO, 'Growing recognition that risk detection and facilitation of trusted traders were two sides of the same coin, inherently inter-dependent and reinforcing, spurred the development of AEO programs and clearance regimes aligned with customer segmentation based on measured compliance rates and process maturity' (Cohen, Baida & Kouwenhoven, 2013, p. 10).

On October 31 – November 2, 2023, the *Regional Workshop in Enhancing and Accelerating the Implementation of the AEO Program in Central Asia* was held 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. The participants gained a better understanding of the main obstacles and bottlenecks that may hinder further development in making the AEO program effective and dynamic.

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, priority areas, and future plans. Countries are encouraged to look at international tools and best practices and find common ground.

The ADB key official highlighted that negotiating mutual recognition agreements (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. Further, the importance of the synergy of the AEO program and the national single window (NSW) was emphasized as it enhances risk management through collaborative joint on-site inspection of trade regulatory government agencies (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.

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, transportation risk management, negotiating MRAs, and AEO schemes for e-Commerce actors may be organized.

Encouraged by the successful outcome of the workshop, this virtual workshop, aside from the specific country interventions in 2024 cited by the ADB, will provide the participants the opportunities and benefits of what a more developed and dynamic AEO concepts can provide. These opportunities and benefits will arise through the design, development and implementation of more advanced compliance management models and applications that, in the near future, will cover the entire global supply chain and all border agencies. ^[OB]

OBJECTIVES

This is a technical workshop on basic principles of the AEO Program to raise awareness on the underlying requisites in setting up uniform set of strategies and optimizing Customs control yet facilitate the movement of global trade. The following are the strategic activities in supporting the objectives:

- Convey a holistic approach in implementing and sustaining an efficient and affective AEO program citing best practices of other countries in designing the criteria for accreditation for multiple levels, important areas for MRA negotiations, inclusion of other potential operators to benefit from the AEO scheme;
- Sharing knowledge on the methods and tools adopted by CAREC member countries in aligning their business and information processes in implementing the AEO program;
- Improved coordination and cooperation among CAREC member countries in the implementation of the AEO program; and
- Assist CAREC countries that do not have AEO programs in mapping their needs in each identified area.

WORKSHOP CONDUCT

AEO experts from CAREC member countries and development partners will be invited to share their country experiences in the development and implementation of a dynamic AEO program with the following themes:

	Theme	Variables
1	Application, verification, and authorization, including security and compliance requirements	Application, Verification & Authorization Procedures and Self-Assessment Mechanism
		AEO Validator's Guide
		Information Security, Business Continuity and Transportation Risk Management
		Mapping the AEO program with the 2021 SAFE Framework
2	Partnership between Customs and the private sector	Partnership Initiatives and Benefits
		AEO Scheme for E-Commerce Actors
3	Partnership between Customs authorities	Cross-border Data Sharing Arrangement
4	Partnership between Customs authority and Trade Regulators	Coordinated Border Management
		Inter-agency Data Sharing Arrangement

PARTICIPANTS

CAREC Customs officials (Kyrgyz Republic, Mongolia, Tajikistan, Turkmenistan), trade regulator representatives, traders, transport operators' associations and development partners. Other CAREC Customs officials from Azerbaijan, Georgia, Kazakhstan, Pakistan, People's Republic of China and Uzbekistan are also encouraged to participate, including representatives from the economic operators such as traders, customs brokers, logistics actors, transporters and other service providers.

REGISTER HERE: <https://adb-org.zoom.us/j/91574054254?pwd=V1p3RW9iQ1hUnRxazEzSEppR2d2Zz09>

PROGRAMME OF ACTIVITIES

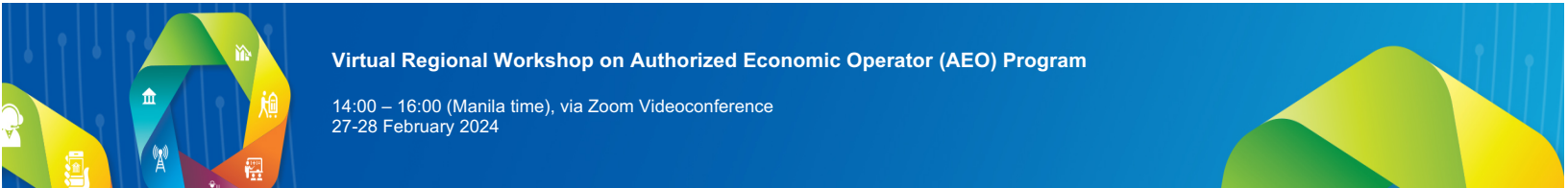
Moderator: Ms. **Zulfia Karimova**, Principal Regional Cooperation Specialist, Regional Cooperation and Integration Unit, Central and West Asia Department, Asian Development Bank

Day 1 – 27 February 2024 (Tuesday)	
13:30 – 14:00	Virtual Registration of Participants
14:00 – 14:10	Opening Remarks (10 minutes) Ms. Lyaziza Sabyrova , Regional Head, Regional Cooperation and Integration Unit, Central and West Asia Department, Asian Development Bank
14:10 – 14:15	Group Photo Session (5 minutes)
14:15 – 14:40	Session 1: Transformational Value of the AEO Program (15 minutes) <i>Let's face it, private sector involvement is the best option for making global trade as secure as possible for everyone's benefit – it is simply unrealistic to expect Customs with small group of frontline officials to police the volumes of goods now entering and exiting daily. Successful supply chain management hinges on the ability of border agencies to keep pace with the ebb and flow of global trade. Trusted partnership program is a game changer, it provides balance between a country's need to safeguard its territory while allowing goods to flow across its borders as quickly and cost-effectively as possible.</i> <i>The unsung value of AEO programs lies in their slow but sure transformation of the mindset permeating Customs administrations, a world view based on control and monitoring access, rather than on easing trade. The acknowledgment that not all companies pose the same risk helps in streamlining the movement of safe, legally compliant goods while excluding those goods that pose security or safety risks.</i> <i>Once certified, a company will receive priority treatment at the border, typically translating to faster processing times, equivalent to fast lanes at many airports for pre-screened passengers. Though many companies testify that it is not the benefits offered by governments that create the demand for and justify the investment in AEO status, but rather industry quality standards and requirements from other stakeholders. This was always a part of the original idea, but it was not the intention that it should be the only driver for entering AEO programs. The intention of a contemporary compliance management approach is to offer powerful incentives for compliant operators to further improve and maintain compliance over time.</i> Speaker: Mr. Dennis C. Pantastico , AEO Expert, ADB Consultant

	<p>Q & A (10 minutes)</p> <p>Moderator: Ms. Zulfia Karimova, ADB</p>
14:40 – 15:05	<p>Session 2: Planned Activities for 2024 in the Enhancement and Sustainability of the AEO Program in Central Asia (15 minutes)</p> <p><i>The Korea Customs Service’s (KCS) presents the technical support for the AEO program in 2024. The KCS recognizes that a clear understanding of the procedures, systems and practices in place is key in implementing a dynamic AEO program.</i></p> <p>Speaker: Ms. Jang Yunhee, Assistant Director, Audit Policy and Compliance Division, Korea Customs Service</p> <p>Q & A (10 minutes)</p> <p>Moderator: Ms. Zulfia Karimova, ADB</p>
15:05 – 15:45	<p>Session 3: Panel Discussion – Information Security, Business Continuity and the ASEAN Customs Transit System (40 minutes)</p> <p><i>This session will present the opportunities and challenges for customs authorities in adopting AEO authorization process that covers evaluation and validation of the prospective applicant’s information security and business continuity, including issues and risks involved in the movement of goods in compliance with the WCO SAFE framework.</i></p> <p><i>An ASEAN Customs Transit System (ACTS) Recognition Scheme was established to recognize logistics companies who undertake ACTS movement and to recognize staff and professionals with adequate knowledge of ACTS in improving its usability and functions. This recognition scheme provides synergy with the AEO program.</i></p> <p><i>Further, the ACTS will eventually support other modes of transport, such as rail and sea, which would help ASEAN leverage emerging opportunities to develop a sustainable transport network in the region.</i></p> <p><i>Aside from the recognition scheme, information security is another challenge that should be addressed in the movement of goods in the international supply chain. Access to IT systems must be protected from infiltration via strong passwords or other authentication, and user access to IT systems must be safeguarded, including a robust cybersecurity training program. Moreover, a business continuity plan should be in place to address possible disruption of the movement of trade data due to a cyberattack, a fire, or a carrier driver being hijacked by armed individuals. Based on risk and where the member operates or sources from, contingency plans may include additional security notifications or support, and how to recover what has been destroyed or stolen, with a view to returning to normal operating conditions.</i></p>

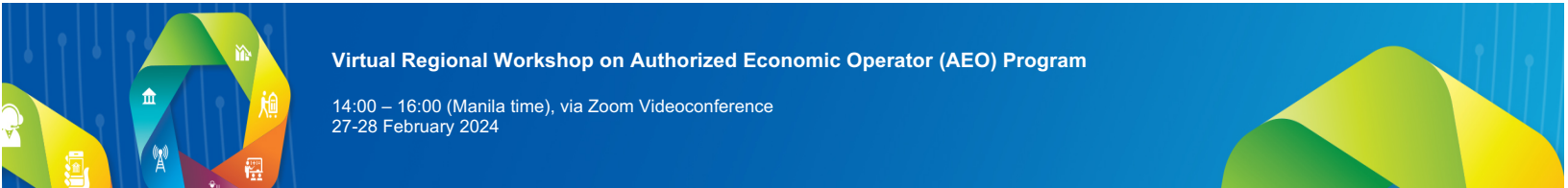
	<p>Panelists:</p> <ul style="list-style-type: none"> a. Ms. Jang Yunhee, Assistant Director, Audit Policy and Compliance Division, Korea Customs Service – <i>Information security and business continuity (10 minutes)</i> b. Ms. Xiaofan Yin, Deputy Section Chief, Department of Enterprise Management, Qingdao Customs District, People’s Republic of China – <i>Addressing the security measures in the movement of goods (10 minutes)</i> c. Mr. Aji Bhaskara, Senior Officer, Trade Facilitation Division, ASEAN Secretariat – <i>ASEAN Customs Transit System or Transportation Risk Management in supporting the AEO program (10 minutes)</i> <p>Q and A (10 minutes)</p> <p>Moderator: Mr. Dennis C. Pantastico, AEO Expert, ADB Consultant</p>
15:45 – 16:00	<p>Summary and Wrap-Up of First Day (15 minutes)</p> <p>Speaker: ADB</p>

Day 2 - 28 February 2024 (Wednesday)	
13:30 – 14:00	Virtual Registration of Participants
14:00 – 14:20	<p>Session 4: National Level Support Program (15 minutes)</p> <p><i>In line with ADB’s national level support for interested CAREC countries, part of the technical assistance will include the development of the self-assessment questionnaire and AEO operations manual, a mapping of the current AEO program against the 2021 WCO SAFE Framework, public outreach and support to MRA negotiation. The new version of the SAFE is an updated instrument that balances facilitation and control, while promoting the security of global trade supply chains. It brings together the best practices, knowledge, and lessons learned from Members to simplify the AEO implementation process and align the AEO requirements with Customs validation processes. It also introduces a suggested approach to virtual re-validations and the use of modern technologies to support business continuity and to ensure the resilience of the AEO program.</i></p> <p>Speaker: Mr. Dennis C. Pantastico, AEO Expert, ADB Consultant</p> <p>Q and A (5 minutes)</p> <p>Moderator: Moderator: Ms. Zulfia Karimova, ADB</p>
14:20 – 14:50	Session 5: Understanding the ASYCUDA modules (20 minutes)



	<p><i>The ASYCUDA Programme has played a major role in the modernization of Customs Administrations in almost 100 countries and supported various trade facilitation initiatives, including the AEO program. Mr. Ciuta participated in the functional analysis and design of various Single Window and ASYCUDA Cross-border e-Commerce components, such as ASYPCD (ASYCUDA Postal Customs Declaration, establishing and facilitating the exchange of electronic customs information between designated postal operators/UPU and customs administrations), ASYPAP (the ASYCUDA component to facilitate the Pre-Arrival Processing of Express consignments), and ASYHUB (“Digitizing Global Maritime Trade” initiative, improving customs administrations access to advance cargo information), including the module for special clients’ (trusted partners) compliance scoresheet.</i></p> <p>Speaker: Mr. Constantin Ciuta, Senior Customs Adviser, UNCTAD</p> <p>Q and A (10 minutes)</p> <p>Moderator: Mr. Dennis C. Pantastico, AEO Expert, ADB Consultant</p>
<p>14:50 – 15:05</p>	<p>Session 6: Modern Technologies to Support the AEO Program (15 minutes)</p> <p><i>The AEO program helps stakeholders share responsibilities in ensuring security in supply chains and facilitates fair trade. Challenges in moving strategic goods, goods that require cold-storage and tedious data for e-commerce, impel global customs to re-assess the management and control procedures in customs operations and to seek a new balance between enhancing security and facilitating trade.</i></p> <p><i>Digitalizing customs declaration processes using artificial intelligence technology will significantly reduce the burden placed on customs personnel, freeing up valuable administrative resource for other services and provide more efficient and transparent customs procedures.</i></p> <p><i>Moreover, blockchain technology provides the necessary trust in the data to automatically trigger processes in one system, based on data from another system, such as the requisites of a certificate of origin (CoO) application system. Digitalising the CoO through the use of blockchain technology allows the integration of different logistical flows and has great potential to speed up administrative procedures, as data is not only digital but fully trusted by all parties in often long and complex supply chains.</i></p> <p><i>Additionally, advanced technologies have the potential to support the AEO program in facilitating cross-border trade, increasing access to global value chains in expediting e-commerce shipments, cater to the needs of SMEs, as well as supporting customs clearance efficiency and supervision effectiveness.</i></p> <p>Speaker: Mr. Avtandil Chelidze, Advisor of the Department for International Relations, Georgia Revenue Service</p>

	<p>Q and A (5 minutes)</p> <p>Moderator: Mr. Dennis C. Pantastico, AEO Expert, ADB Consultant</p>
<p>15:05 – 15:45</p>	<p>Session 7: Panel Discussion – AEO Scheme for E-Commerce Actors and Transportation Risk Management - Government and Private Sector Perspective (40 minutes)</p> <p><i>Promote certainty, predictability, transparency, safety and security, and efficiency in the e-commerce international supply chain in the context of the AEO program. Further, provide a standardized framework for advance electronic data exchange between e-commerce stakeholders and relevant government agencies with the aim to facilitate legitimate shipments, and strengthen co-operation of involved actors and entities in cross-border e-commerce.</i></p> <p><i>For government, it should recognize compliant economic operators through the AEO program and negotiate mutual recognition arrangements with trading partners to expedite cross-border e-commerce. Further, leverage the use of modern technologies in addressing the vulnerabilities of the international supply chain with the intent of facilitating cross-border data flows and strengthening customs control.</i></p> <p><i>Involved government agencies should provide guidelines in clearing e-commerce goods, establishing procedures in the accreditation of all stakeholders and ensuring the collection of lawful and correct, duties and taxes on importation of e-commerce shipments.</i></p> <p><i>In transportation risk management activities, the logistics actors play a crucial role in the success of the AEO program. Risks are a constant factor at all stages, from loading to final delivery. These risks include potential impacts on fleet integrity and safety and on-time delivery compliance issues, which are:</i></p> <ul style="list-style-type: none"> • <i>Natural disasters and extreme temperatures</i> • <i>Road traffic</i> • <i>Sea conditions</i> • <i>Social herds</i> • <i>Infrastructure outages</i> • <i>Robbery on the road</i> • <i>Accidents</i> <p><i>We can learn from our speakers in addressing the risks indicated above to obtain a more comprehensive design strategies in supporting risk profiling and targeting activities of involved stakeholders.</i></p> <p>Panelists:</p> <p>a. Ms. Theresita Eisma, E-Commerce Expert from the Philippines, National Consultant for the e-Commerce Program of the International Trade Centre (ITC) / ARISE Plus Philippines –</p>



	<p><i>Government control issues in clearing e-commerce shipments (20 minutes)</i></p> <p>b. Atty. Ferdinand Nague, Managing Partner, NMM Customs Brokers – <i>Transportation risk management issues (10 minutes)</i></p> <p>Q and A (10 minutes)</p> <p>Moderator: Mr. Dennis C. Pantastico, AEO Expert, ADB Consultant</p>
15:45 – 15:55	<p>Summary and Way Forward (10 minutes)</p> <p>Speaker: ADB</p>
15:55 – 16:00	<p>Closing Remarks (5 minutes)</p> <p>Ms. Zulfia Karimova, Principal Regional Cooperation Specialist, Regional Cooperation and Integration Unit, Central and West Asia Department</p>