

event    | **Indonesia**

CUSTOMS COLLAGE SERIES:
CUSTOMS COLLABORATION BEYOND THE EDGE

**WEBINAR ON
AUTHORIZED
ECONOMIC
OPERATOR
(AEO) 2.0**

Thursday, Aug 19, 2021
08.45 - 11.45 AM (UTC+7)

Online Registration:
<https://linktr.ee/rtcindonesia>

Registration closed at 18th August 2021, 05.00 PM (UTC+7)

Keynote Remarks
Mr. Askolani
Director General of Customs and
Excise of the Republic of Indonesia
**To be confirmed*

Guest Speaker
Ms. Asha Menon
WCO Accredited Expert on AEO

Opening Remarks
Mr. Andin Hadiyanto
Chairman of the Financial Education
and Training Agency

Register Now!

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19 August 2021

AEO 2.0 Concept Origin

SAFE Working Group (SWG),
April 2019: How to strengthen
AEO Programs as to overcome
the key challenge;
“Standardization/Harmoni-
zation”, faced in the
implementation of AEO
programs?

AEO 2.0 Draft Concept
Paper: WCO SAFE Sub-
group and Secretariat. Sept
2019

CONSIDERATION:

- Standardized/Harmonized implementation
- Minimum Criteria
- Recognition of other economic operators/service providers in MRAs;
- Involvement of OGAs - Expanding AEO programmes to e-commerce and free zones
- Augmenting the benefits;
- Strengthening data exchange capabilities
- Levering emerging technology for AEO & MRAs
- Promoting for regional/plurilateral AEO & MRA approach
- Validation and recognition

Background

- The AEO programme came about in 2007 (14 years)
- Now 97 AEO Programmes
- Programmes have evolved
- WCO developed draft concept paper 2.0 in 2019
- Can AEO assist post pandemic
- 4th WCO AEO Global Conference (Uganda)

What is AEO 2.0?

- Harmonised implementation
- Optimization of border intervention as well as involvement of, and recognition by, OGA in AEO programmes
- Expanding AEO programmes to other entities including cover cross-border e-commerce, Free Zones and Postal Operators
- Effective implementation of AEO-MRA
- Regional/plurilateral AEO programmes and MRAs
- Recognition of other economic operators/service providers in MRAs
- Leveraging emerging technologies for AEO and mutual recognition processes
- Account-based management
- Virtual Validations
- Need for Customs, other government agencies and trade to collaborate even more
- More comprehensive RM, shared responsibility, more info exchange

Why AEO Programmes are not harmonized?

- focus on exports or imports,
- non-inclusion of all economic operators in the programme,
- disproportionate costs to meet AEO criteria and requirements vis-à-vis benefits,
- entry barriers such as a minimum turnover and/or a minimum number of Customs declarations,
- requirements of submission of financial guarantee,
- many other government agencies involved in clearance process, but not included in AEO programmes,
- overall challenges with regard to the modernization and performance of Customs, including level of automation, paper-based clearance, release time, absence of a security/bond system, and
- challenges to SMEs.

Optimization of border intervention as well as involvement of, and recognition by, OGA in AEO programmes

- **Inclusion of OGA**
- **In accordance with WTO TFA Art 7.7**
- **SAFE FoS Pillar 3**
- **Integrated/Single agency AEO programme**

Optimization of border intervention as well as involvement of, and recognition by, OGA in AEO programmes

Background – international level

WCO SAFE, Pillar 3 – Customs to Other Government and Inter-Government Agencies

Why?

- to ensure that the government response to the supply chain security is both efficient and effective;
- to reduce burden on both trade and government

How?

- by avoiding duplication of requirements and inspections;
- streamlining processes.

Available tools

- RKC, Coordinated Border Management Compendium, Single Window Compendium, AEO Compendium and Risk Management Compendium

Cooperation with other Government Agencies

Forms of cooperation

Mutual Cooperation

- WCO SAFE, Pillar 3, Standard 6;
- Different forms (exchange of information, training, technical assistance, etc.) and different levels;
- Direct relevance with regard to the AEO validation/post validation process

Harmonisation of national/regional control measures

- WCO SAFE, Pillar 3, Standard 4
- May take different forms (e.g. joint inspections, coordinated risk management, mutual recognition of controls)
- Direct relevance with regard to AEO benefits

Alignment of security programmes

- WCO SAFE, Pillar 3, Standard 3
- Depends on and may vary as per mode of transport
- Does not mean 'competing' but doing it more efficiently
- Difference between government and non-government security standards
- Direct relevance with regard to the AEO validation/post validation process

Examples: OGA inclusive programmes

- Colombia – 5 agencies (Customs, National Police, Sanitary, Phytosanitary, Ministry of Trade)
- Brazil – 6 agencies (Ministry of Agriculture, Civil Aviation, Army, Quality and Technology, Secretary of Foreign Trade, Health, Metrology)
- Dominican Republic – 7 agencies (MOH, Ministry of Environment, Agriculture, Drug Control Agency, Port security, Airport Security and Customs)
- Mexico – Civil Aviation & police
- EU – Fisheries + Civil aviation + Export control
- US – TSA – FDA
- Canada – TSA
- China – 40 agencies
- Malaysia – 44 government agencies

The WCO Framework of Standards on Cross Border E-Commerce (E-Commerce FoS)

Standard 6: Expanding the Concept of Authorized Economic Operator (AEO) to Cross-Border E-Commerce

- ▶ **Customs administrations should explore the possibilities of applying AEO Programmes and Mutual Recognition Arrangements/Agreements in the context of cross-border E-Commerce, including leveraging the role of intermediaries, to enable Micro, Small and Medium-sized Enterprises (MSMEs) and individuals to fully benefit from the opportunities of cross-border E-Commerce.**

The Technical Specifications for Standard 6 provides that Customs should strengthen partnerships with the private sector, especially with vendors, e-commerce platforms/ marketplaces and intermediaries (including express carriers, postal operators, Customs brokers and freight forwarders/ logistics service providers), by exploring the possibilities to include them in their AEO programme.

Standard 11: Public-Private Partnerships

- ▶ **Customs administrations should establish and strengthen cooperation partnerships with E-Commerce stakeholders to develop and enhance communication, coordination and collaboration, with an aim to optimize compliance and facilitation**

underlines the importance of establishing cooperation partnership with e-commerce stakeholders. The Technical Specifications explains that such public-private partnership includes AEO programmes with well-defined roles, responsibilities and benefits, and Customs should encourage incentives for the voluntary submission of additional data.

Expanding AEO concept to postal operators

- Postal operators play an important role to facilitate the exchange of e-commerce through the international postal network. According to the UPU Acts, postal operators shall comply with the requirements for providing electronic advanced data on all e-commerce items.
- some postal operators such as in India, the Netherlands, Slovenia, Czech Republic, Hungary and Romania have already received AEO status from their respective Customs administrations.
- WCO UPU Customs Postal Guide, use of UPU security standards S58 and S59 for the purpose of meeting AEO security requirements and for expanding AEO.
- Standard 2.1 Pillar 3 of the SAFE FoS, that the UPU security standards S58 and S59 are consistent with the SAFE Framework of Standards.

WCO Practical Guidance on Free Zones (FZ Guidance)

Guidance for Customs approval of FZ operators and companies operating in FZs

- Customs should be involved in and be responsible for reviewing applications by companies wishing to operate in FZs as tenants.
- Customs should be involved in the permission procedure for commercial and other activities related to Customs procedures and controls in FZs.
- Customs should use Authorized Economic Operator (AEO) validation criteria to verify compliance levels, as well as check for records of any infringements and monitor compliance, in close cooperation with FZ Authorities and FZ operating bodies.
- Customs should provide periodic training to companies on responsibilities and compliance in FZs, and provide opportunities to exchange and share the necessary information.
- In addition, Customs should take any appropriate actions to revoke approval if non-compliance, illegal activities or losses of goods are observed.

Augmenting the benefits

- AEO benefits should be tangible, meaningful, transparent and measurable
- Benefits should remain sufficiently attractive & commensurate with investment
- System established to identify & enhance AEO benefits

International recognition of AEOs in supply chain risk management

- MRAs no more necessary
- Adherence to minimum standards
- Validation & recognition by the WCO
- AEO programmes implemented uniform, harmonized and standardized manner via single tier certification/authorization
- Greater level of compatibility

Effective implementation of AEO-MRA

- As of today – 87 bilateral & 4 plurilateral/regional AEO-MRAs
- Over 78 MRAs are being negotiated
- Some key challenges – TIN, efficient data exchange, disparate Customs clearance systems
- Data security/privacy

Regional/plurilateral AEO programmes and MRAs

- Reduce spaghetti bowl
- Standardization/harmonization of programme
- Concept of cross-accreditation/recognition
- Provide benefits in transit countries by including in MRAs
- AEO Convention or multilateral MRA?

Recognition of other economic operators/service providers in MRAs

- **Now recognition exporters/importers**
- **Study roles of all AEOs**
- **A few Members have taken initiatives to recognize other AEO members**
- **Recognition of other economic operators under MRA lead to greater trade facilitation benefits in MRA even id exporter/importer not an AEO**

Leveraging emerging technologies for AEO and mutual recognition processes

- **Modern technologies to develop solution for AEO**
- **Data analytics could be used**
- **Blockchain**
 - **management of AEO certification process**
 - **data sharing**

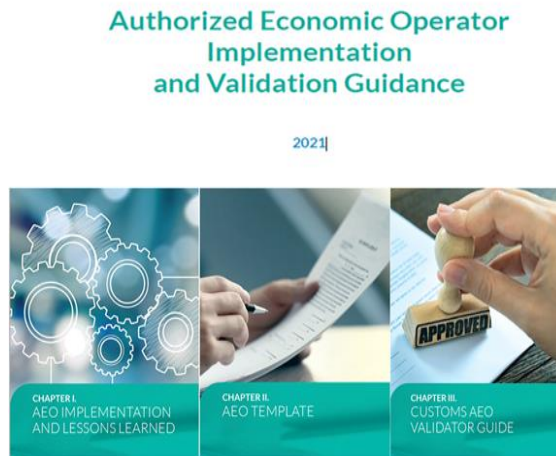
US Proposal For SAFE 2021

- **Protecting the supply chain from agricultural threats (IPPC)**
- **Statement of support for supply chain security**
- **Design and support the security program with an audit process**
- **Have an employee code of conduct**
- **Social compliance programme to address forced labour**

New WCO Tools and Instruments related to AEO

NEW TOOLS: SAFE Package 2021

- AEO Implementation and Validation Guidance
- Regional Customs union AEO programmes and plurilateral MRAs
- The AEO Compendium 2020 edition



COMPENDIUM OF AUTHORIZED ECONOMIC OPERATOR PROGRAMMES



2020th Edition¹

NEW GUIDANCE

Authorized Economic Operator Implementation and Validation Guidance

2021



The overview of this AEO Implementation and Validation Guidance is as follows:

CHAPTER I AEO IMPLEMENTATION AND LESSONS LEARNED

Chapter I outlines the development of an AEO programme. Given that the implementation of an AEO programme is a considerable undertaking, it recommends that Customs administrations follow a typical project lifecycle. This chapter explains the four distinct phases of the lifecycle, using a series of activities and steps that should be considered during the process of AEO development. The order in which the stages or steps are completed may vary, depending on the needs and structure of the Customs administration.

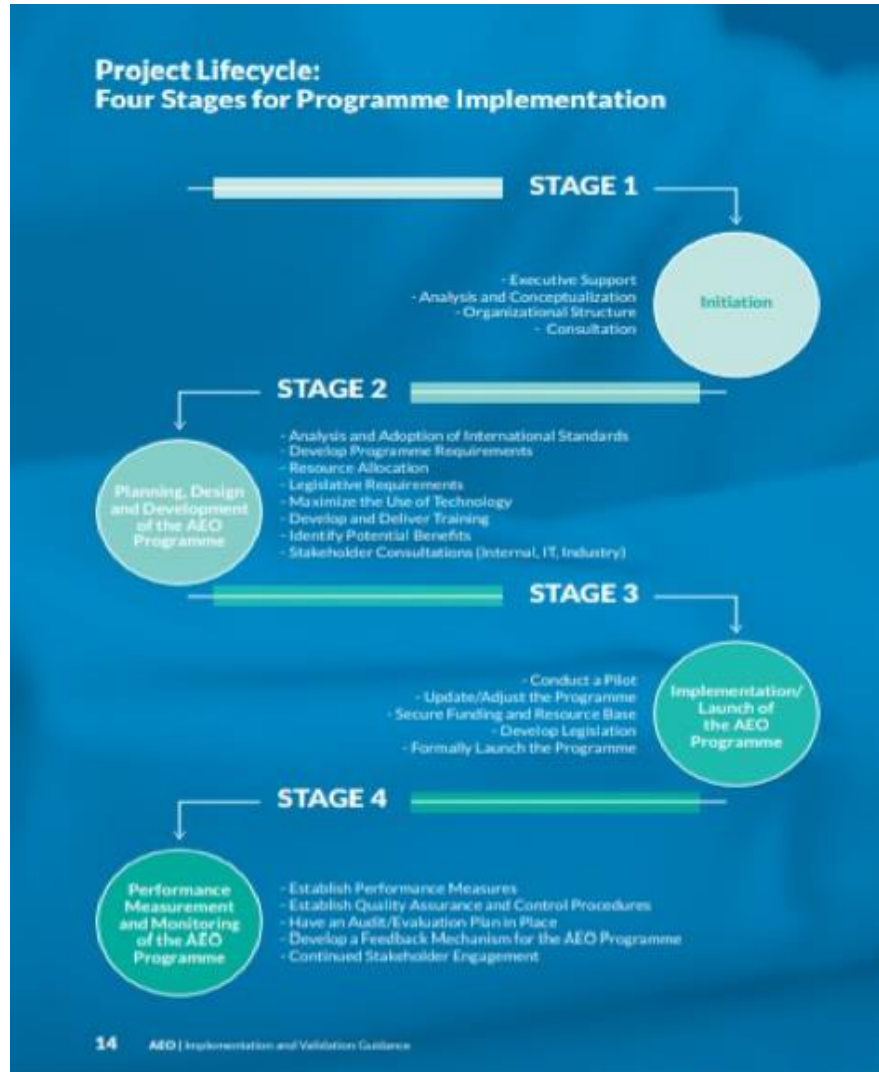
CHAPTER II AEO TEMPLATE

Chapter II outlines the expected interpretation of the WCO SAFE criteria (A-M) through a globally consistent and harmonized AEO Self-Assessment Questionnaire and accompanying Explanatory Notes. This chapter builds the capacity to implement an AEO programme and encourages WCO Members to adopt it. Furthermore, the standardized approach and the Explanatory Notes will facilitate and clarify what is required under each criterion to implement an AEO programme, potentially encouraging participation in AEO programmes by SMEs.

CHAPTER III CUSTOMS AEO VALIDATOR GUIDE

Chapter III provides practical guidance to assist countries in carrying out AEO validations in a standardized manner. The chapter also sets out the essential required elements. It further promotes a standard minimum set of competencies of Customs officers (or "AEO Validators") tasked with conducting validations, which would facilitate the efficiency of mutual recognition negotiations.

AEO IMPLEMENTATION PROCESS



- Key considerations:
- Strong political will, good resources allocation;
- C-B partnership: building requirements and attractive benefits;
- Early engagement with OGAs: tangible benefits;
- Flexibility for the AEO programme specifics;
- Pilot: start small but think big;
- Establish monitoring mechanism and continued stakeholder engagement.

2.2. AEO Criteria Structure Applicable to Self-Assessment Questionnaire

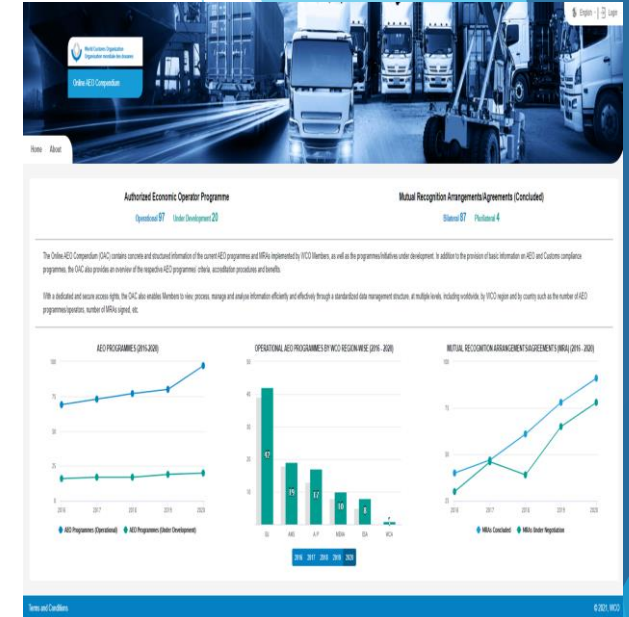
Criteria	ID Number	Sub-Criteria
A. Demonstrated Compliance with Customs Requirements	A.1	Record of Any Infringements/Offences
	A.2	Tax and Customs Duty Payment
	A.3	Quality Assurance of Customs Declarations
B. Satisfactory System for Management of Commercial Records	B.1	Commercial Records Management Framework
	B.2	Commercial Records Management System
	B.3	Internal Control System
C. Financial Viability	C.1	Proven Financial Standing
	C.2	Bankruptcy Proceedings
	C.3	Obligations
D. Consultation, Cooperation and Communication	D.1	Exchange of Information
	D.2	Discrepancy Reports for Goods and Items
	D.3	Emergency Reporting and Contingency Planning
E. Education, Training and Threat Awareness	E.1	Internal Trade Security Training System
	E.2	Education and Training on the Risks Associated with the Flow of Goods and Articles in the International Trade Supply Chain
	E.3	Crisis Management Training and Crisis Management Simulation Exercises
	E.4	Internal Training System on Customs Laws and Regulations
F. Information Exchange, Access and Confidentiality	F.1	Import/Export Activities
	F.2	Data Security

Criteria	ID Number	Sub-Criteria
G. Cargo Security	G.1	Safety Management System of Cargo
	G.2	Loading and Receipt of Cargo
	G.3	Export Security
	G.4	Container Safety Management System
	G.5	Container Inspection
	G.6	Container Seals
	G.7	Container Storage
	G.8	Driver Identity Verification
H. Conveyance Security	H.1	Security Management System for Conveyance
	H.2	Conveyance Inspection
	H.3	Conveyance Storage
	H.4	Transport Process Control
I. Premises Security	I.1	Safety and Security Management System of Premises
	I.2	Exit/Entry
	I.3	Building Structures
	I.4	Lighting
	I.5	Video Surveillance
	I.6	Warehousing Area
	I.7	Locking Devices and Key Custody
	I.8	Access Control Management System
	I.9	Employee Access Control
	I.10	Visitor Access Control
	I.11	Control of Unauthorized Access and Unidentified Persons

NEW INITIATIVE/TOOLS

Online AEO Compendium (OAC): [aeo.wcoomd.org](https://preprod-aeo.wcoomd.org)

<https://preprod-aeo.wcoomd.org/welcome/13?expires=1627212039&signature=7d51bda9803c39becb6cbdf61e005e42f7d537704cd65c549402f3f9d352cb>



Comprehensive Capacity Building Program: Training Materials and CLiKC!

AEO Composition: Out of 97 AEO Programs

(Source: AEO Compendium 2020 edition)



Less than 10 AEOs

24%

10 - 100 AEOs

18%

100 - 500 AEOs

19%

More than 500 AEOs

39%

Operational AEO Programmes by WCO Region-Wise (Last Five Years)



AEOs and MRAs



AEO PROGRAMS (2016 - 2020)



MUTUAL RECOGNITION ARRANGEMENTS/AGREEMENTS (MRA) (2016 - 2020)



In Development



Training materials for AEO



An e-learning module on AEO

REFERENCES

1. WTO's TFA:

<https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/L/940.pdf&Open=True>

2. WCO's SAFE Package:

http://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/frameworks-of-standards/safe_package.aspx

3. SAFE FoS 2021:

<http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/facilitation/instruments-and-tools/tools/safe-package/safe-framework-of-standards.pdf?la=en>

