

Speech by Kunio Mikuriya, Deputy Secretary General, WCO

“Trade Facilitation: benefits and capacity building for Customs ”

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Thank you Mr. Chairperson,

1. It is a great pleasure and honour for me to address here again following the last year's very successful forum. I would like to express my appreciation to the UNECE for its efforts to support trade facilitation, as we believe that Customs is one of major players in this area.
2. In my speech I would like to talk about how Customs could play a role in achieving benefits for all from trade facilitation. Then, I will point out how recent security concerns should be well based on and incorporated in the existing trade facilitation efforts. Finally, I will introduce a Customs capacity building strategy that we are currently developing to assist Customs administration in promoting a comprehensive Customs reform.
3. In responding to the Doha Declaration on trade facilitation, the WTO Council for Trade in Goods (CTG) has made a good progress in reviewing relevant Articles of the GATT 1994. While standardization and simplification of Customs procedures has been one of central focuses in the WTO discussion, we welcome this undertaking by the WTO, since this is precisely the area that the WCO has been committing resources to and championing for the past 50 years. We expect that the WTO task will bring the political will and commitment, enhanced cooperation from the trade, and the realignment of resources to Customs capacity building, all of which are necessary ingredients for reform and modernization of Customs that the WCO has advocated for years. Another important benefit of the WTO focus will be the improvement in co-ordinated intervention of border agencies, resulting

in “Single Window” approach. We will join the efforts made by the UNECE in this regard, as Customs procedures are only a part of the entire trade procedures.

4. Moreover, the WTO discussion has resulted in a general understanding among WTO members on the complementary nature between the WTO rules and the WCO instruments in the Customs area. The WTO rules set high principles and the WCO instruments, including the revised Kyoto Convention, provide implementation tools for these high principles. In fact, the WCO has developed and maintained instruments that provide the key principles for simple, effective and modern procedures that the trade also requires in the competitive business environment. All the provisions and the principles in the WCO instruments are compatible with and complimentary to the relevant GATT Articles. Especially, the revised Kyoto Convention and its accompanying guidelines provide the basis and practical guidance and information for the implementation of the WTO high principles. These instruments are designed to offer solutions that allow countries to meet their legitimate goals of revenue collection and protection of society, while at the same time delivering practical trade facilitation dividends.
  
5. To elaborate, the revised Kyoto Convention provides international standards based on the core principles for modern Customs procedures, including:
  - Transparency and predictability;
  - Standardization and simplification;
  - Maximum use of information technology;
  - Minimum necessary control to ensure compliance;
  - Risk management to facilitate legitimate trade while maintaining effective control;
  - “Fast track” procedures for traders with good compliance record (“Authorized traders” concept); and
  - Co-operation and partnership with all stakeholders including government agencies, the private sector and other Customs administrations.

These principles also provide a long-term solution to address integrity issue, one of the major obstacles to trade facilitation, and to economic and social development.

6. In addition, we have been working on a number of supporting initiatives, including the WCO Customs Data Model to establish standard data sets and electronic format for most commercial declarations. Moreover, we have developed the Unique Consignment Reference (UCR) concept that would provide each consignment with a common reference number to enable authorities to trace and control the whole logistical chain, thereby providing end-to-end prime service. Other examples include the MOU programme to enhance partnership with the private industry and the Time Release Study to identify potential bottleneck of the clearance procedures for benchmarking activities. These initiatives have been developed as measures to facilitate legitimate trade while ensuring effective Customs control. They could also be utilized to secure supply chain that I will take up later.
  
7. We expect that the WTO work on trade facilitation will draw attention of the international community to and considerably enhance the revised Kyoto Convention and other WCO instruments. Indeed, with the growing appreciation of trade facilitation, the revised Kyoto Convention has got a momentum for their effective implementation. In addition to the 14 members that have already ratified the revised Kyoto, both the European Council in this March and the US President earlier this month approved the Convention, upon the completion of their respective administrative procedures. The two biggest trade players are expected to move forward quickly to complete their parliamentary procedures for formal accession. Moreover, many countries have already incorporated the principles of the revised Kyoto Convention in its national legislation, without waiting for its formal entry into force. The WCO, on its part, has continued to review the Kyoto guidelines and already updated the Kyoto Information technology Guidelines in March 2003. Now we need effective implementation of these facilitative measures and this is where capacity building plays an important role that the

Doha Declaration also identifies as a matter of priority. I will come back to this point at a later stage.

8. Moving on to the next topic, addressing the security concerns, I can report that the Customs community has continued to make solid progress since I had talked here a year ago. Seeing that this topic will be discussed in detail this afternoon, I will limit myself to explain how we see the new security initiatives in relation to the existing trade facilitation measures. As security is a common concern in a highly globalized world economy, a multilateral approach is imperative to address this worldwide issue in consistency with existing bilateral and regional approach. Last June the WCO Council unanimously adopted the Resolution on Security and Trade Facilitation of International Trade Supply Chain. We took special care in responding to security concern without compromising the facilitation efforts that we had been pursuing. Many people made an observation that security and facilitation are two sides of the same coin, because the efficient and effective Customs procedures that address security concerns will surely facilitate the legitimate trade as well. While this is a new area of activity for Customs and involves a strategic partnership with the private sector, most of the concepts contained in the Resolution - including risk management, advance electronic transmission of standardized Customs data, co-operation with the private sector, and exchange of information - have already been well developed and incorporated in the WCO instruments that are designed to promote trade facilitation while enhancing effective control. That is why the Resolution urged the early implementation of the revised Kyoto Convention.
9. Under the new initiative, Customs attention will be expanded from the traditional import to cover the entire supply chain including the point of export. Security is undertaken as early as possible, ideally before the container is stuffed at the exporters premises. Risk management will be performed to identify high-risk goods on the basis of information supplied at this early stage, normally by the exporter. Our security initiative is based on a secure and authorized supply chain, with all key players in that chain contributing towards an increased level of

security. The system will also allow for mutual recognition of authorized traders from one country to another. This should lead directly to more predictable, reduced risk, less opportunity for theft and pilferage in the supply chain and increased opportunities for facilitation of businesses who contribute towards enhanced security standard. Whereas the risks of terrorists' threat are currently a primary concern, our Members, 161 Directors General of Customs around the world, consider that Customs should build their security and facilitation capacity to identify and reduce the risks associated with all types of security including economic and revenue security. These must be integrated with Customs efforts to intercept prohibited items, such as illegal drugs, counterfeit products and other form of contraband, which will help to restrict the large scale funding opportunities for organized criminal and terrorist groups.

10. Since last June the WCO Task Force has been working to implement the recommendations contained in the Resolution with the active participation from all the stakeholders including the relevant international organizations, as well as a wide range of trade and transport bodies. The Task Force is expected to deliver the following three of the key issues identified in the Resolution to the WCO Council Sessions next month for its consideration and approval:

- Re-examination of the Customs Data Model to ensure it includes the essential data elements to identify high-risk cargo;
- Development of guidelines for a legal and other procedural basis to enable the advance electronic transmission of Customs data; and
- Development of guidelines for cooperation between Customs and private industry.

The Task Force has already identified the 27 essential data elements to identify high-risk goods to be included in the Customs Data Model. It has also finalized a proposed Customs Guidelines on Advanced Cargo Information, based on the revised Kyoto Convention and supported by the UCR concept, to enable the advance electronic transmission of Customs data. A legal draft of a multilateral

instrument on Mutual Administrative Assistance and a draft Guidelines for national legislation have also been developed in this regard.

11. In addition to the three tasks that the Task Force has so far concentrated, the Resolution identified the following five longer-term aspects:

- Promotion of the security and facilitation tools;
- Identification of Customs needs in establishing a supply chain security regime;
- Identification of donors;
- Development of Customs techniques and implementation of procedures; and
- Development of databank on advanced technology which has already been established.

While the WCO has already made a good progress in these areas, it will continue to actively pursue its mission in supply chain initiatives with a longer perspective, because these issues, and capacity building in particular, requires for longer-term and effective efforts in close partnership with the relevant players.

12. With the necessity for effective implementation of supply chain initiatives and also in responding to the Doha call for trade facilitation that I talked earlier in mind, now, I would like to move on to the next and last issue, and that is capacity building. Based on the request from the last year's Council session, we have developed a Customs Capacity Building Strategy as a business case for well designed and targeted capacity building investments focused on improving the efficiency and effectiveness of Customs. While technical assistance and training for each specific area is important which many organizations including the WCO had been delivering, capacity building needs to go beyond a series of narrowly focused activities to embrace a more comprehensive and long term approach designed to address all areas of Customs administrations. We believe that such a broad and comprehensive Customs reform can deliver significant dividends for governments, donors and the private sector, and allow developing countries to

take advantage of the many development opportunities provided by the global trading system. A well performing and ethical Customs administration can make a major contribution to effective revenue mobilization and can assist governments to facilitate trade and investment and increase confidence in the quality and integrity of government institutions, leading to good governance. It can also contribute to the protection of community from a range of social and national security concerns. While the capacity building needs for developing countries are huge in scale and scope, the past capacity building initiatives have not always met the initial expectation. By way of example, in some cases the mistake was caused by an inaccurate diagnosis due to the lack of high quality diagnostic tool or experts, as “one size fits all” solutions simply do not work. We need situational solution. In other cases, the lack of post-implementation support for information technology systems resulted in a failure of sustainable IT infrastructure. We have many lessons to learn from the past experience, including these examples, to improve capacity building.

### 13. The Customs Capacity Building Strategy includes:

- The case for comprehensive capacity building in Customs;
- What capacity building means in the Customs context by identifying the key principles of the revised Kyoto Convention, including integrity aspect, as providing the basis for all capacity building activities;
- Lessons learned from the previous capacity building initiatives;
- The outcome of the survey of our members on capacity building needs and challenges, including specific needs associated with the implementation of the Resolution on Security and Facilitation of International Trade Supply Chain;
- Roles and responsibilities of potential stakeholders and partners; and
- Proposal for a standardized and comprehensive diagnostic tool for capacity building, which ensures linkage to WCO instruments and best practice approaches, thus allowing Customs administrations to base their procedures on internationally accepted standard.

14. This Strategy document is an attempt to respond to the Doha Declaration where Ministers committed themselves to capacity building in Customs-related areas, particularly in relation to trade facilitation, and a contribution to the WTO Ministerial Conference in Cancun this September. It will also cover the request of the “Resolution”. With this document we intend to help Customs administrations and all stakeholders mobilize all available resources for capacity building. While, the WCO is ready to assist members in technical assistance and capacity building support, it is up to each Customs administration to take a strategic approach and all stakeholders to commit themselves to the practical implementation of capacity building.
15. Finally, I would like to stress once again the importance of cooperation among all stakeholders in order to achieve benefits for all from trade facilitation, including enhanced partnership with the trade community, joint and well-coordinated intervention with other border agencies, and better co-ordination with other international and regional organizations working in this area. Indeed, one of the lessons that the Customs capacity building strategy will articulate is the need for cooperation and coherence. The WCO has already been working in partnership with most of the participants to this conference. I wish that this forum would contribute to further promoting the coherent approach for international efforts of trade facilitation, in particular by avoiding unnecessary duplication.

Thank you very much for your attention.