WORLD CUSTOMS ORGANIZATION

June 2005

FRAMEWORK OF STANDARDS

TO SECURE AND FACILITATE
GLOBAL TRADE
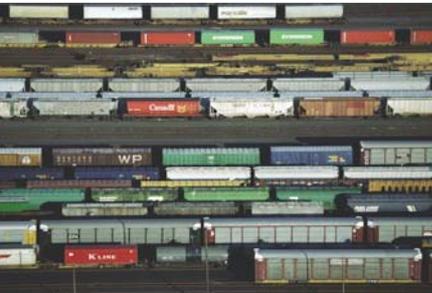
Theo Fletcher,
Vice President: Supply Chain Compliance, Security and Diversity, IBM

"Ratification of the WCO Framework of Standards is a landmark event in our ability to ensure the physical movement of goods globally. I urge all WCO Members to promptly take the necessary first steps for the global implementation of the Framework. Besides improving the security of our trade lanes, the Framework offers significant collateral benefits for all participants, including the efficiencies derived from a common global process, cost reductions and supply chain resiliency."

Isabelle Roca,
Customs and Trade Manager, Renault SA

"Companies that have applied advanced information technologies to their international trade procedures and which track their exports and imports, stand to benefit significantly from the introduction of the WCO's new Framework of Standards. These companies will be granted the status of 'approved partners' ('authorized economic operators') by their relevant Customs authorities. This will automatically improve their reputation on the international marketplace. Renault has integrated its entire Customs clearance procedure into its company structure with a view to improve earnings and competitiveness internationally. We now use a global information system with high security features, which allows us to reduce clearance time from the 4 hours previously necessary to 15 minutes."

Carol West,
Secretary, International Federation of Customs Brokers (IFCBA)

"Customs brokers around the world welcome global standards of security, standardized processes, uniform data requirements and automated systems to facilitate international trade. The Framework of Standards will assist traders and their supply chain partners to understand and realize these objectives and we congratulate the World Customs Organization on this important achievement. Customs brokers manage the majority of international trade transactions on behalf of large and small business, and we are committed to the principles and practices outlined in the Framework that will facilitate trade across secure borders."

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TO SECURE AND FACILITATE
GLOBAL TRADE

On 23 June 2005 safer world trade became a reality when Directors General of Customs, representing the 166 Members of the WCO, unanimously adopted the Framework of Standards to Secure and Facilitate Global Trade by acclamation during their annual Council sessions in Brussels. Not only does this unique international instrument usher in a safer world trade regime, it also heralds the beginning of a new approach to working methods and partnership for both Customs and business.

A large majority of WCO Members have signalled their intention to implement the Framework of Standards. It is my fervent hope that these numbers will grow to eventually encompass all the Customs community given the importance which Customs administrations place on efforts to secure the trade supply chain from potential terrorist threats, transnational organized crime, and all related offences.

For those Customs administrations that have expressed the need, sustainable assistance in the form of a capacity building plan will be implemented by the WCO Secretariat, with the committed support of other WCO Members.

The commitment and willingness shown by WCO Members to implement the Framework of Standards clearly demonstrates their desire to both secure and facilitate world trade in order to reap all the economic, financial and social benefits. This new instrument is intended for all WCO Members, whether developed or developing, and thus should make it possible to derive greater benefits from the positive effects of globalization.

A way forward has been charted. The international Customs community has risen to the challenge. A new chapter has been opened.

Michel Danet
Secretary General
World Customs Organization

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1.1. Introduction

International trade is an essential driver for economic prosperity. The global trading system is vulnerable to terrorist exploitation that would severely damage the entire global economy. As government organizations that control and administer the international movement of goods, Customs administrations are in a unique position to provide increased security to the global supply chain and to contribute to socio-economic development through revenue collection and trade facilitation.

There is a need for a World Customs Organization (WCO) endorsed strategy to secure the movement of global trade in a way that does not impede but, on the contrary, facilitates the movement of that trade. Securing the international trade supply chain is only one step in the overall process of strengthening and preparing Customs administrations for the 21st Century. Accordingly, to strengthen and go beyond existing programmes and practices, WCO Members have developed a regime that will enhance the security and facilitation of international trade. This is the WCO Framework of Standards to Secure and Facilitate Global Trade (hereafter referred to as the "WCO Framework" or "Framework"). This WCO Framework to secure and facilitate global trade sets forth the principles and the standards and presents them for adoption as a minimal threshold of what must be done by WCO Members.

The WCO as the appropriate platform for this initiative is readily apparent. The WCO has the membership and thus the participation of 166 Customs administrations, representing 99 percent of global trade. Customs administrations have important powers that exist nowhere else in government - the authority to inspect cargo and goods shipped into, through and out of a country. Customs also have the authority to refuse entry or exit and the authority to expedite entry. Customs administrations require information about goods being imported, and often require information about goods exported. They can, with appropriate legislation, require that information to be provided in advance and electronically. Given the unique authorities and expertise, Customs can and should play a central role in the security and facilitation of global trade. However, a holistic approach is required to optimize the securing of the international trade supply chain while ensuring continued improvements in trade facilitation. Customs should therefore be encouraged to develop co-operative arrangements with other government agencies.

It is an unacceptable and an unnecessary burden to inspect every shipment. In fact, doing so would bring global trade to a halt. Consequently, modernized Customs administrations use automated systems to risk manage for a variety of issues. In this environment, Customs administrations should not burden the international trade community with different sets of requirements to secure and facilitate commerce, and there should be recognition of other international standards. There should be one set of international Customs standards developed by the WCO that do not duplicate or contradict other intergovernmental requirements.

The WCO Framework also considers the critical elements of capacity building and requisite legislative authority. While certain aspects of the Framework can be implemented without capacity building, it is recognized that many administrations will need assistance to implement the standards. The WCO Framework contemplates appropriate assistance with capacity building for those Customs administrations that adopt the Framework.

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1.2. Objectives and Principles of the Framework

The Framework aims to :

→ Establish standards that provide supply chain security and facilitation at a global level to promote certainty and predictability.

→ Enable integrated supply chain management for all modes of transport.

→ Enhance the role, functions and capabilities of Customs to meet the challenges and opportunities of the 21st Century.

→ Strengthen co-operation between Customs administrations to improve their capability to detect high-risk consignments.

→ Strengthen Customs/Business co-operation.

→ Promote the seamless movement of goods through secure international trade supply chains.

1.3. The Four Core Elements of the WCO Framework

The WCO Framework consists of four core elements. *First*, the Framework harmonizes the advance electronic cargo information requirements on inbound, outbound and transit shipments. *Second*, each country that joins the Framework commits to employing a consistent risk management approach to address security threats. *Third*, the Framework requires that at the reasonable request of the receiving nation, based upon a comparable risk targeting methodology, the sending nation's Customs administration will perform an outbound inspection of high-risk containers and cargo, preferably using non-intrusive detection equipment such as large-scale X-ray machines and radiation detectors. *Fourth*, the Framework defines benefits that Customs will provide to businesses that meet minimal supply chain security standards and best practices.

1.4. The Two Pillars of the Framework

The WCO Framework, based on the previously described four core elements, rests on the twin pillars of Customs-to-Customs network arrangements and Customs-to-Business partnerships. The two-pillar strategy has many advantages. The pillars involve a set of standards that are consolidated to guarantee ease of understanding and rapid international implementation. Moreover, the Framework draws directly from existing WCO security and facilitation measures and programmes developed by Member administrations.

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1.5. Benefits

This Framework provides a new and consolidated platform which will enhance world trade, ensure better security against terrorism, and increase the contribution of Customs and trade partners to the economic and social well-being of nations. It will improve the ability of Customs to detect and deal with high-risk consignments and increase efficiencies in the administration of goods, thereby expediting the clearance and release of goods.

1.6. Capacity Building

It is recognized that effective capacity building is an important element to ensure widespread adoption and implementation of the Framework. However, it is also recognized that parts of the Framework can be implemented immediately. To this end, strategies are required to enhance the capacity building provided to Members to enable implementation of the Framework. For capacity building to be successful, a foundation of political will and integrity must already exist. Thus, countries that demonstrate a commitment to implement the Framework and the necessary political will should be assisted by the WCO and a consortium of countries and other co-operating partners.

1.7. Implementation

In order for the Framework to be implemented, not only will capacity building be necessary, but also an understanding that a phased approach will be required. It is unreasonable to expect that every administration will be able to implement the Framework immediately. While the Framework is considered a minimum set of standards, it will be implemented at various stages in accordance with each administration's capacity and the necessary legislative authority. The WCO Secretariat, in conjunction with the High Level Strategic Group, will develop an Implementation Plan for the Framework Standards.

This Framework is structured as follows :

➔   A description of the benefits of adoption and implementation;

➔   The pillars dealing with Customs-to-Customs network arrangements and Customs-to-Business partnerships;

➔   The annexes containing the detailed implementation specifications.

This Framework will be further developed in due course.

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2.   BENEFITS

Adoption of the Framework of Standards will bring benefits for nations/governments, Customs administrations and the business community.

2.1. Nations/Governments

One of the main objectives of the Framework is to secure and facilitate global trade. This will enable international trade to contribute to economic growth and development. This will help to secure trade against the threat of global terrorism and, at the same time, the Framework will enable Customs administrations to facilitate the movement of legitimate trade and improve and modernize Customs operations. This will, in turn, improve revenue collection and also the proper application of national laws and regulations. The Framework therefore supports economic and social protection, and will enable foreign direct investment.

The Framework also encourages the establishment of co-operative arrangements between Customs and other government agencies. There should be recognition of other already existing international standards (see 1.1.). This will assist governments to ensure integrated border management and control. By putting the necessary measures in place, the Framework also empowers governments to expand the mandate and responsibilities of Customs administrations in this area.

2.2. Customs

One of the main thrusts of the Framework is to establish Customs-to-Customs network arrangements to promote the seamless movement of goods through secure international trade supply chains. These network arrangements will result, inter alia, in the exchange of timely and accurate information that will place Customs administrations in the position of managing risk on a more effective basis. Not only will this improve the ability of Customs to detect high-risk consignments, it will also enable Customs administrations to improve their controls along the international trade supply chain and make for better and more efficient allocation of Customs resources. The Customs-to-Customs network arrangements will strengthen co-operation between Customs administrations and enable administrations to carry out controls earlier in the supply chain, e.g. where the administration of an importing country requests the administration of the exporting country to undertake an examination on its behalf. The Framework also provides for the mutual recognition of controls under certain circumstances. The application of the Framework will enable Customs administrations to adopt a broader and more comprehensive view of the global supply chain and create the opportunity to eliminate duplication and multiple reporting requirements.

As stated above, the Framework will enable Customs administrations to cope with the challenges of the new international trading environment by putting the building blocks in place to undertake Customs reform and modernization. The Framework has also been structured in a flexible manner to enable Customs administrations to move at different speeds. This will enable Customs administrations to implement the Framework in line with their own unique levels of development, conditions and requirements.

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2.3. Business

The Framework creates, amongst other things, the conditions for securing international trade, but also facilitates and promotes international trade. This encourages and makes it easier for buyers and sellers to move goods between countries. The Framework takes account of, and is based on, modern international production and distribution models.

Authorized Economic Operators (AEOs)[1] will reap benefits, such as faster processing of goods by Customs, e.g. through reduced examination rates. This, in turn, translates into savings in time and costs. One of the main tenets of the Framework is to create one set of international standards and this establishes uniformity and predictability. It also reduces multiple and complex reporting requirements.

These processes will ensure that AEOs see a benefit to their investment in good security systems and practices, including reduced risk-targeting assessments and inspections, and expedited processing of their goods.

1   *Authorized Economic Operator is a party involved in the international movement of goods in whatever function that has been approved by or on behalf of a national Customs administration as complying with WCO or equivalent supply chain security standards. Authorized Economic Operators include inter alia manufacturers, importers, exporters, brokers, carriers, consolidators, intermediaries, ports, airports, terminal operators, integrated operators, warehouses, distributors.*

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3.1. The Customs-to-Customs Pillar

Customs administrations must work co-operatively with common and accepted standards to maximize the security and facilitation of the international trade supply chain as cargo and container shipments move along the nodes of the global trading system. The Customs-to-Customs Pillar achieves this objective. It provides an effective mechanism for securing the international trade supply chain against the effects of terrorism and other forms of transnational crime.

Traditionally, Customs administrations inspect cargo once it has arrived at their domestic ports. Today, there must be an ability to inspect and screen a container or cargo before it arrives. In view of their unique authority and expertise, Customs administrations contribute to both securing and facilitating global trade.

The central tenet of this pillar is the use of advance electronic information to identify high-risk containers or cargo. Using automated targeting tools, Customs administrations identify shipments that are high-risk as early as possible in the supply chain, at or before the port of departure.

Provision should be made for the automated exchange of information. Systems should therefore be based on harmonized messages and be interoperable.

To be effective and to ensure that the process does not slow down the movement of trade, Customs administrations should use modern technology to inspect high-risk shipments. This technology includes, but is not limited to, large-scale X-ray and gamma-ray machines and radiation detection devices. Maintaining cargo and container integrity by facilitating the use of modern technology is also a vital component of this pillar.

Drawing from, inter alia, the Revised Kyoto Convention (RKC), the Integrated Supply Chain Management (ISCM) Guidelines, and national programmes[2], Customs administrations joining the WCO Framework will standardize Pillar 1[3].

2   In many cases the Framework Standards, and in particular the technical specifications, are taken directly from these sources.

3   The technical specifications for the Pillar 1 Framework Standards are presented in Annex 1.

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3.2. Pillar 1 Standards

Standard 1 – Integrated Supply Chain Management
The Customs administration should follow integrated Customs control procedures as outlined in the WCO Customs Guidelines on Integrated Supply Chain Management (ISCM Guidelines).

Standard 2 – Cargo Inspection Authority
The Customs administration should have the authority to inspect cargo originating, exiting, transiting (including remaining on board), or being transhipped through a country.

Standard 3 – Modern Technology in Inspection Equipment
Non-intrusive inspection (NII) equipment and radiation detection equipment should be available and used for conducting inspections, where available and in accordance with risk assessment. This equipment is necessary to inspect high-risk containers or cargo quickly, without disrupting the flow of legitimate trade.

Standard 4 – Risk-Management Systems
The Customs administration should establish a risk-management system to identify potentially high-risk shipments and automate that system. The system should include a mechanism for validating threat assessments and targeting decisions and identifying best practices.

Standard 5 – High-risk Cargo or Container
High-risk cargo and container shipments are those for which there is inadequate information to deem shipments as low-risk, that tactical intelligence indicates as high-risk, or that a risk-scoring assessment methodology based on security-related data elements identifies the shipment as high-risk.

Standard 6 – Advance Electronic Information
The Customs administration should require advance electronic information on cargo and container shipments in time for adequate risk assessment to take place.

Standard 7 – Targeting and Communication
Customs administrations should provide for joint targeting and screening, the use of standardized sets of targeting criteria, and compatible communication and/or information exchange mechanisms; these elements will assist in the future development of a system of mutual recognition of controls.

Standard 8 – Performance Measures
The Customs administration should maintain statistical reports that contain performance measures including, but not limited to, the number of shipments reviewed, the subset of high-risk shipments, examinations of high-risk shipments conducted, examinations of high-risk shipments by NII technology, examinations of high-risk shipments by NII and physical means, examinations of high-risk shipments by physical means only, Customs clearance times and positive and negative results. Those reports should be consolidated by the WCO.

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Standard 9 – Security Assessments

The Customs administration should work with other competent authorities to conduct security assessments involving the movement of goods in the international supply chain and to commit to resolving identified gaps expeditiously.

Standard 10 – Employee Integrity

The Customs administration and other competent authorities should be encouraged to require programmes to prevent lapses in employee integrity and to identify and combat breaches in integrity.

Standard 11 – Outbound Security Inspections

The Customs administration should conduct outbound security inspection of high-risk containers and cargo at the reasonable request of the importing country.

3.3. The Customs-to-Business Pillar

Each Customs administration will establish a partnership with the private sector in order to involve it in ensuring the safety and security of the international trade supply chain. The main focus of this pillar is the creation of an international system for identifying private businesses that offer a high degree of security guarantees in respect of their role in the supply chain. These business partners should receive tangible benefits in such partnerships in the form of expedited processing and other measures.

The following statement from the "High Level Guidelines for Co-operative Arrangements between WCO Members and Private Industry to Increase Supply Chain Security and Facilitate the Flow of International Trade" sums up the critical relationship between Customs and Business in adding another layer to the protection of international trade :

> "*To the extent that Customs can rely on its partners in the trade community to evaluate and address threats to their own supply chain, the risk confronting Customs is reduced. Therefore, companies that demonstrate a verifiable willingness to enhance supply chain security will benefit. Minimizing risk in this way helps Customs in performing their security functions, and in facilitating legitimate trade.*"

Such programmes push the security of cargo and containers further back into the supply chain by involving the private sector and by requiring increased security at the point of origin, e.g. the point of stuffing a container at a foreign manufacturer's loading docks, and as the container is moved from point to point through the supply chain.

This Framework sets forth the criteria by which businesses in the supply chain can obtain authorized status as a security partner. Such criteria address issues such as threat assessment, a security plan adapted to the assessed threats, a communication plan, procedural measures to prevent irregular or undocumented goods entering the international supply chain, physical security of buildings and premises used as loading

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or warehousing sites, security of containers and cargo, means of transport, personnel vetting, and protection of information systems.

The priorities of validating or authorizing participants can be determined by a number of factors, including import volume, security-related anomalies, the strategic threat posed by certain geographic regions, or other risk-related information. Deciding which factors to emphasize will inevitably change based on evolving circumstances.

General agreement on the minimum benefits that Business partners can reap from the authorized operator status is also crucial. Benefits include quicker movement of low-risk cargo through Customs, improved security levels, optimized supply chain cost through security efficiencies, enhanced reputation for the organization, increased business opportunities, improved understanding of Customs requirements, and better communication between the AEO and the Customs administration.

Many businesses that function along the nodes of the international supply chain already must meet existing international security requirements and/or have internal security programmes in place that address concerns of Customs administrations. The systems within the Customs-to-Business pillar of the Framework must be based on the quality accreditation of Customs routines that use information technology to facilitate the procedures commonly associated with cross-border trade and that offer special benefits to those importers, exporters, brokers, forwarders, carriers and other service providers that qualify.

Drawing from the vast number of innovative programmes [4], Customs administrations and international trade businesses joining the WCO Framework will standardize Pillar 2 [5].

4   These programmes include, inter alia, the RKC, Sweden's StairSec Programme, Canada's Partners in Protection (PIP), Australia's Frontline and Accredited Client Programme, the U.S. C-TPAT, New Zealand's SEP and FrontLine Programme, the WCO's Business Partnership Group, and the WCO's ISCM Guidelines.

5   The technical specifications for the Pillar 2 Framework Standards are presented in Annex 2.

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3.4. Pillar 2 Standards

Standard 1 – Partnership

Authorized Economic Operators involved in the international trade supply chain will engage in a self-assessment process measured against pre-determined security standards and best practices to ensure that their internal policies and procedures provide adequate safeguards against the compromise of their shipments and containers until they are released from Customs control at destination.

Standard 2 – Security

Authorized Economic Operators will incorporate pre-determined security best practices into their existing business practices.

Standard 3 – Authorization

The Customs administration, together with representatives from the trade community, will design validation processes or quality accreditation procedures that offer incentives to businesses through their status as Authorized Economic Operators.

Standard 4 – Technology

All parties will maintain cargo and container integrity by facilitating the use of modern technology.

Standard 5 – Communication

The Customs administration will regularly update Customs-Business partnership programmes to promote minimum security standards and supply chain security best practices.

Standard 6 – Facilitation

The Customs administration will work co-operatively with Authorized Economic Operators to maximize security and facilitation of the international trade supply chain originating in or moving through its Customs territory.

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Customs-to-Customs Network Arrangements
Technical Specifications to Pillar 1[6].

Standard 1
Integrated Supply
Chain Management

The Customs administration should follow integrated Customs control procedures as outlined in the World Customs Organization's (WCO) Customs Guidelines on Integrated Supply Chain Management (ISCM Guidelines).

1.1. Scope

The implementation of the integrated Customs control procedures requires appropriate legal authority that will allow Customs administrations to request the advance electronic submission to Customs of data from the exporter (see 1.3.1) and by the carrier (see 1.3.2) for security risk-assessment purposes. In addition, the integrated Customs control procedures involve cross-border co-operation between Customs administrations on risk assessment and Customs controls, to enhance the overall security and the release process, that require a legal basis. Both of these requirements are supported by WCO-developed instruments: Guidelines for the Development of National Laws for the Collection and Transmission of Customs Information; the Model Bilateral Agreement; and the International Convention on Mutual Administrative Assistance in Customs Matters (Johannesburg Convention). As part of this co-operation, Customs administrations should agree on mutual recognition of control/inspection results and authorized economic operator programmes.

1.2. General control measures

1.2.1. *Customs control*

The Revised Kyoto Convention (RKC)[7] provides in the General Annex (Standard 6.1) that all goods, including means of transport, which enter or leave the Customs territory, shall be subject to Customs control. For the purpose of Standard 1, the integrity of the consignment has to be ensured from the time the goods are loaded into the container, or if not containerized, onto the means of transport until they have been released from Customs control at destination.

1.2.2. *Risk assessment*

In the integrated Customs control chain, Customs control and risk assessment for security purposes is an ongoing and shared process commencing at the time when goods are being prepared for export by the exporter and, through ongoing verification

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6   *The technical specifications are taken directly from the ISCM Guidelines with editorial modifications as well as additions.*

7   *Not yet entered into force. As of June 2005, 38 of the required 40 Contracting Parties have accepted the amendments to the 1973 Kyoto Convention.*

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of consignment integrity, avoiding unnecessary duplication of controls. To enable such mutual recognition of controls, Customs should agree on consistent control and risk management standards, the sharing of intelligence and risk profiles as well as the exchange of Customs data, taking into account the work which has been carried out within the context of the WCO Global Information and Intelligence Strategy. Such agreements should foresee the possibility of joint monitoring or quality control procedures to oversee the adherence to the standards.

1.2.3. *Controls at departure*

The Customs office of departure must take all necessary action to enable the identification of the consignment and the detection of any unauthorized interference along the supply chain. In respect of maritime containerized consignments, any such screening, risk assessment and action should be taken prior to loading the container onto the ship. The ISPS Code (b1630-37) outlines in broad terms the measures which should be taken by the port facility. In addition, the Customs administrations along the supply chain should agree to use an electronic messaging system to exchange Customs data, control results and arrival notifications, in particular for high-risk consignments. If necessary, Customs administrations should modify their enabling statutory authority, so that they can fully screen high-risk cargo.

1.2.4. *Sealing*

In the interest of supply chain security and the integrated Customs control chain, in particular to ensure a fully secure movement from stuffing of the container to release from Customs control at destination, Customs should apply a seal integrity programme as detailed in the revised Guidelines to Chapter 6 of the General Annex to the Revised Kyoto Convention (see Appendix to Annex 1 of the Framework). Such seal integrity programmes, based on the use of a high-security mechanical seal as prescribed in ISO/PAS 17712 at the point of stuffing, include procedures for recording the affixing, changing and verification of seal integrity at key points, such as modal change.

Additionally, Customs should facilitate the voluntary use of technologies to assist in ensuring the integrity of the container along the supply chain.

1.2.5. *Unique Consignment Reference (UCR)*

Customs administrations should apply the WCO Recommendation on the UCR and its accompanying Guidelines.

1.3. Submission of data

1.3.1. Export Goods declaration

The exporter or his or her agent has to submit an advance electronic export Goods declaration to the Customs at export prior to the goods being loaded onto the means of transport or into the container being used for their exportation. For security purposes the Customs should not require the advance export Goods declaration to contain more than the details listed below.

The exporters have to confirm to the carrier in writing, preferably electronically, that they have submitted an advance export Goods declaration to Customs. Where the export Goods declaration was an incomplete or simplified declaration, it may have to be followed up by a supplementary declaration for other purposes such as the collection of trade statistics at a later stage as stipulated by national law.

No.	WCO ID	Name	Description
1	042	Exporter, coded	To identify the name and address of party who makes, or on whose behalf the export declaration is made, and who is the owner of the goods or has similar right of disposal over them at the time when the declaration is accepted.
or	041	Exporter, if no code	Name [and address] of the party who makes - or on whose behalf - the export declaration - is made - and who is the owner of the goods or has similar right of disposal over them at the time when the declaration is accepted.
2	072	Consignor, coded, if different from exporter	To identify the party consigning goods as stipulated in the transport contract by the party ordering transport.
	071	Consignor, if no code	Name [and address] of the party consigning goods as stipulated in the transport contract by the party ordering transport.
3	050	Carrier identification	To identify a party providing the transport of goods between named points.
	049	Carrier name, if no ID	Name [and address] of party providing the transport of goods between named points.
4	040	Importer, coded	Identifier of party who makes - or on whose behalf a Customs clearing agent or other authorized person makes - an import declaration. This may include a person who has possession of the goods or to whom the goods are consigned.
or	039	Importer, if no code	Name [and address] of party who makes - or on whose behalf a Customs clearing agent or other authorized person makes - an import declaration. This may include a person who has possession of the goods or to whom the goods are consigned.

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No.	WCO ID	Name	Description
5	052	Consignee, coded, if different from importer	Identifier of party to which goods are consigned.
	051	Consignee, if no code	Name [and address] of party to which goods are consigned.
6	058	Notify party, coded	Identification of a party to be notified.
	057	Notify party, if no code	Name [and address] of party to be notified.
7	034	Delivery destination, if different from importer's or consignee's address	The address to which goods are to be delivered. Address, region and/or country as required by national legislation or according to national requirements.
8	064	Country(ies) of routing, coded, to the extent known	Identification of a country through which goods or passengers are routed between the country of original departure and final destination.
9	061	Agent, coded, if applicable	Identification of a party authorized to act on behalf of another party.
	060	Agent, if no code	Name [and address] of a party authorized to act on behalf of another party.
10	145	Tariff code number (Customs)	Code specifying a type of goods for Customs, transport, statistical or other regulatory purposes (generic term).
	137	Description of goods, if no code	Plain language description of the nature of a goods item sufficient to identify it for Customs, statistical or transport purposes.
11	143	UNDG Number (Dangerous Goods Code), if applicable	United Nations Dangerous Goods Identifier (UNDG) is the unique serial number assigned within the United Nations to substances and articles contained in a list of the dangerous goods most commonly carried.
12	141	Type of packages identification	Code specifying the type of package of an item.
	144	Number of packages	Number of individual items packaged in such a way that they cannot be divided without first undoing the packing.
13	131 136	Total gross weight (incl. Measure unit qualifier)	Weight (mass) of goods including packaging but excluding the carrier's equipment for a declaration.
14	159	Equipment identification number, if containerized and available	Marks (letters and/or numbers) which identify equipment, e.g. container or unit load device.
	152	Equipment size and type identification	Code specifying the characteristics, i.e. size and type of a piece of transport equipment.
15	165	Seal number, if applicable and available	The identification number of a seal affixed to a piece of transport equipment.

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No.	WCO ID	Name	Description
16	109 135	Total invoice amount (incl. currency, coded)	Total of all invoice amounts declared in a single declaration.
17	016	Unique consignment reference number	Unique number assigned to goods, both for import and export.

1.3.2. Cargo declaration

The carrier or his/her agent has to submit an advance electronic cargo declaration to the Customs at export and/or at import. For maritime containerized shipments, the advance electronic cargo declaration should be lodged prior to the goods/container being loaded onto the vessel. For all other modes and shipments, it should be lodged prior to arrival of the means of transport at the Customs office at export and/or import. For security purposes, Customs should not require more than the details listed below.

The advance cargo declaration may have to be followed by a supplementary cargo declaration as stipulated by national law.

No.	WCO ID	Name	Description
1	070	Place of loading, coded	To identify a seaport, airport, freight terminal, rail station or other place at which goods are loaded onto the means of transport being used for their carriage.
	069	Place of loading, if no code	Name of a seaport, airport, freight terminal, rail station or other place at which goods are loaded onto the means of transport being used for their carriage.
2	050	Carrier identification	To identify a party providing the transport of goods between named points.
	049	Carrier name, if no ID	Name [and address] of party providing the transport of goods between named points.
3	159	Equipment identification number, if containerized	Marks (letters and/or numbers) which identify equipment, e.g. container or unit load device.
	152	Equipment size and type identification, if containerized	Code specifying the characteristics, i.e. size and type of a piece of transport equipment.
4	165	Seal number, if applicable	The identification number of a seal affixed to a piece of transport equipment.

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No.	WCO ID	Name	Description
5	160	Identification of means of transport crossing the border of the Customs territory	Name to identify the means of transport used in crossing the border.
	175	Nationality of means of transport crossing the border of Customs territory, coded	Nationality of the active means of transport used in crossing the border, coded.
6	149	Conveyance reference number	To identify a journey of a means of transport, e.g. voyage number, flight number, trip number.
7	098	Transport charges method of payment, coded	Code specifying the payment method for transport charges.
8	047	Customs office of exit, coded	To identify the Customs office at which the goods leave or are intended to leave the Customs territory of despatch.
9	085	First port of arrival, coded	To identify the first arrival location. This would be a port for sea, airport for air and border post for land crossing.
10	064	Country(ies) of routing, coded, to the extent known pre-loading	Identification of a country through which goods or passengers are routed between the country of original departure and final destination.
11	172	Date and time of arrival at first port of arrival in Customs territory, coded	Date and time / scheduled date and time of arrival of means of transport at (for air) first airport, (land) arrival at first border post and (sea) arrival at first port, coded.
12	138	Brief cargo description	Plain language description of the cargo of a means of transport, in general terms only.
13	016	Unique consignment reference number	Unique number assigned to goods, both for import and export.

1.3.3. *Import Goods declaration*

The importer or his/her agent has to submit an advance electronic import Goods declaration to the Customs at import prior to arrival of the means of transport at the first Customs office. For security purposes, Customs should not require more than the details listed in 1.3.1. Where the import Goods declaration was an incomplete or simplified declaration, it may have to be followed up by a supplementary declaration for other purposes such as duty calculation or the collection of trade statistics at a later stage as stipulated by national law. The Authorized Supply Chain (see 1.4.2) provides the possibility to integrate the export and import information flows into one single declaration for export and import purposes, which is being shared between the Customs administrations concerned.

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1.3.4. *Exchange of information for high-risk consignments*

As part of the integrated Customs control chain, Customs administrations along the supply chain must consider Customs-to-Customs data exchange, in particular for high-risk consignments, to support risk assessment and facilitate release. Such an electronic messaging system could include the exchange of notifications about the export transaction, including the control results, as well as a corresponding arrival notification.

National legislation must contain provisions to allow Customs to transmit information they collect for their purposes to other Customs administrations. If not, such provisions must be developed and enabled. The Guidelines for the Development of National Laws for the Collection and Transmission of Customs Information may be used as a basis to develop these provisions. In addition, existing WCO tools such as the Johannesburg Convention and the Model Bilateral Agreement may serve as a basis to exchange information on high-risk goods.

1.3.5. *"No load", "No unload" notification*

Customs should establish a system whereby notifications will be issued only for those consignments which cannot be loaded or unloaded. Such notifications should be issued within a specified time following the submission of data required for risk assessment.

1.3.6. *Time limit*

The exact time at which the Goods and Cargo declarations have to be lodged with the Customs administration at either export or import should be defined by national law after careful analysis of the geographical situation and the business processes applicable for the different modes of transport, and after consultation with the business sector and other Customs administrations concerned. Customs should provide equal access to simplified arrangements to Authorized Economic Operators regardless of the mode of transport. However, in order to ensure a minimum level of consistency and without prejudice to specific situations, Customs should not require the advance declarations to be submitted more than :

Maritime

- Containerized cargo : 24 hours before loading at port of departure.
- Bulk/Break bulk : 24 hours before arrival at first port in the country of destination.

Air

- Short haul : At time of "Wheels Up" of aircraft.
- Long haul : 4 hours prior to arrival at the first port in the country of destination.

Rail

- 2 hours prior to arrival at the first port in country of destination.

Road

- 1 hour prior to arrival at the first port in country of destination.

1.3.7. WCO Data Model

Customs administrations should ensure that their respective IT systems are interoperable and are based on open standards. To this end, Customs should use the WCO Customs Data Model, which defines a maximum set of data for the accomplishment of export and import formalities. The Data Model also defines the electronic message formats for relevant Cargo and Goods declarations. The WCO Data Model includes all the data elements listed in paragraphs 1.3.1, 1.3.2 and 1.3.3 above that may be required by way of advance information for security purposes.

1.3.8. Single Window

Governments should develop co-operative arrangements between Customs and other Government agencies involved in international trade in order to facilitate the seamless transfer of international trade data (Single Window concept) and to exchange risk intelligence at both national and international levels. This would allow the trader to electronically submit the required information once to a single designated authority, preferably Customs.   In this context, Customs should seek close integration with commercial processes and information flows in the global supply chain, for example by making use of commercial documentation such as the invoice and the purchase order as the export and import declarations.

1.4. Authorized Supply Chain

1.4.1. Authorized Economic Operators

Authorized Economic Operators who meet criteria specified by the Customs (see Annex 2) should be entitled to participate in simplified and rapid release procedures on the provision of minimum information. The criteria include having an appropriate record of compliance with Customs requirements, a demonstrated commitment to supply chain security by being a participant in a Customs-Business partnership programme, and a satisfactory system for managing their commercial records. Customs administrations should agree on mutual recognition of Authorized Economic Operator status.

1.4.2. Authorized Supply Chain

The Authorized Supply Chain is a concept under which all participants in an international trade transaction are approved by Customs as observing specified standards in the secure handling of goods and relevant information. Consignments passing from origin to destination entirely within such a chain would benefit from an integrated cross-border simplified procedure, where only one simplified declaration with minimum information would be required for both export and import purposes.

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**Standard 2
Cargo Inspection
Authority**

The Customs administration should have the authority to inspect cargo originating, exiting, transiting (including remaining on board), or being transhipped through a country.

**Standard 3
Modern Technology
in Inspection
Equipment**

Non-intrusive inspection (NII) equipment and radiation detection equipment should be available and used for conducting inspections, where available and in accordance with risk assessment. This equipment is necessary to inspect high-risk containers or cargo quickly, without disrupting the flow of legitimate trade.

Modern technology

To assist its Members, the WCO maintains a Data Bank on Advanced Technology and has produced detailed Guidelines on the purchase and operation of container scanning equipment in a Customs Compendium.

**Standard 4
Risk-Management
Systems**

The Customs administration should establish a risk-management system to identify potentially high-risk containers and automate that system. The system should include a mechanism for validating threat assessments and targeting decisions and identifying best practices.

4.1. Automated selectivity systems

Customs administrations should develop automated systems based on international best practice that use risk management to identify cargo and container shipments that pose a potential risk to security and safety based on advance information and strategic intelligence. For containerized maritime cargo shipments, that ability should be applied uniformly before vessel loading.

4.2. Risk management

Risk management is "the systematic application of management procedures and practices which provide Customs with the necessary information to address movements or consignments which present a risk".

4.3. WCO Global Information and Intelligence Strategy

An effective risk-management regime has as an important component the collection of information, its processing and dissemination in support of Customs controls and operations. This intelligence function, coupled with Standardized Risk Assessments (SRAs), which produce risk indicators for Customs targeting and screening of goods and conveyances, is contained in the WCO Global Information and Intelligence Strategy.

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4.4. References

The WCO Risk-Management Guide, the WCO Global Information and Intelligence Strategy, WCO Standardized Risk Assessment (SRA) and General High-Risk Indicators are useful references for risk management (and assessment).

Standard 5
High-Risk Cargo
or Container

High-risk cargo and container shipments are those for which there is inadequate information to deem shipments as low-risk, that tactical intelligence indicates as high-risk, or that a risk-scoring assessment methodology based on security-related data elements identifies the shipment as high-risk.

<u>Selectivity, profiling and targeting</u>

Customs should use sophisticated methods to identify and target potentially high-risk cargo, including - but not limited to - advance electronic information about cargo shipments to and from a country before they depart or arrive; strategic intelligence; automated trade data; anomaly analysis; and the relative security of a trader's supply chain. For example, the Customs-Business Pillar certification and validation of point-of-origin security reduces the risk, and therefore, the targeting score.

Standard 6
Advance Electronic
Information

The Customs administration should require advance electronic information on cargo and container shipments in time for adequate risk assessment to take place.

6.1. Need for computerization

The advance electronic transmission of information to Customs requires the use of computerized Customs systems, including the use of electronic exchange of information at export and at import.

6.2. Kyoto Convention ICT Guidelines

Standards 7.1, 6.9, 3.21 and 3.18 of the General Annex to the RKC require Customs to apply information and communication technologies (ICT) for Customs operations, including the use of e-commerce technologies. For this purpose, the WCO has prepared detailed Guidelines for the application of automation for Customs. These Kyoto ICT Guidelines should be referred to for the development of new, or enhancement of existing, Customs ICT systems. In addition, Customs administrations are recommended to refer to the WCO Customs Compendium on Customs Computerization.

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6.3. Use of economic operators' systems

The ICT Guidelines also recommend the possibility to use economic operators' commercial systems and to audit them to satisfy Customs' requirements. In particular in the context of the Authorized Supply Chain, the possibility for Customs to have online access to the commercial systems of the parties involved, once any confidentiality or legal issues have been resolved, would provide enhanced access to authentic information and offer the possibility for far-reaching simplified procedures. Another example is Cargo Community Systems (CCS) where in ports or airports all parties involved in the transport chain have established an electronic system by which they exchange all relevant cargo and transport related data. Provided that these systems contain the necessary particulars for Customs purposes, Customs should consider participating in such systems and extracting the data required for their purposes.

6.4. Electronic data-exchange standards

The Kyoto Convention ICT Guidelines recommend to Customs to offer more than one solution for the electronic exchange of information. While EDI using the international standard UN/EDIFACT is still one of the preferred interchange options, Customs should also look at other options such as XML. Depending on the risks involved, even the use of e-mail and telefax could provide a suitable solution.

6.5. WCO Data Model

Economic operators required to submit Cargo and Goods declarations to Customs based on the data sets of the WCO Customs Data Model should use the electronic message specifications of the WCO Customs Data Model.

6.6. ICT Security

The use of ICT in general and electronic exchange of information over open networks in particular requires a detailed ICT security strategy. ICT security therefore has to be seen as an integral part of any Customs supply chain security strategy. To arrive at an effective and efficient IT security strategy, Customs have to undertake risk assessment. The Kyoto ICT Guidelines outline ways in which a comprehensive ICT security strategy can ensure the availability, integrity and confidentiality of the information and of IT systems and the information they handle, including, for example, the avoidance of repudiation at origin or receipt. There are many ways to implement ICT security, for which purpose reference is made to the Kyoto ICT Guidelines.

6.7. Digital signatures

One essential ICT security element for a supply chain security strategy is related to digital signatures. Digital signatures, or Public Key Infrastructure (PKI) arrangements, can play an important role in securing the electronic exchange of information. The integrated Customs control chain includes the possibility that traders can submit

their declarations in advance to both the Customs administration at export and to the Customs administration at import. It would be beneficial if economic operators would also benefit from mutual recognition of digital certificates. This would allow the economic operator to sign all electronic messages to those Customs administrations having accepted to recognize this certificate. This cross-border recognition of digital certificates can help increase security but, at the same time, provide significant facilitation and simplification for the trader. For this purpose, Customs administrations are encouraged to apply the WCO Recommendation concerning the electronic transmission and authentication of Customs and other relevant regulatory information.

6.8. Capacity building

Customs administrations requesting assistance in developing or acquiring the requisite automated systems will have to have the political will to implement the Framework Standards.

6.9. Data privacy and data protection

The exchange of data either among Customs administrations or with the private sector as requested by Customs should be initiated only after consultation between the government entities concerned about the necessary data privacy and data protection. Data privacy and data protection legislation is enacted in order to protect the individual's right to privacy, trade confidentiality and to allow individuals to have access to their personal data held to verify its accuracy.

In this respect, national legislation must contain provisions that specify that any data collected and or transmitted by Customs must be treated confidentially and securely and be sufficiently protected, and it must grant certain rights to natural or legal persons to whom the information pertains.

Similarly, data protection and confidentiality are addressed in existing WCO tools such as the Johannesburg Convention and the Model Bilateral Agreement.

**Standard 7
Targeting and
Communication**

Customs administrations should provide for joint targeting and screening, the use of standardized sets of targeting criteria, and compatible communication and/or information exchange mechanisms; these elements will assist in the future development of a system of mutual recognition of controls.

7.1. WCO Global Information and Intelligence Strategy

Chapter IV of the WCO Global Information and Intelligence Strategy has provisions for Standardized Risk Assessments (SRAs). SRAs are an important part of intelligence work and they produce risk-indicator products for Customs officers for the purpose of targeting and screening goods and conveyances.

7.2. WCO Standardized Risk Assessments (SRAs) document

The Standardized Risk Assessment document introduces five risk indicator clusters for Customs administrations. These specific clusters - The mode of transport; Revenue protection; Drugs and precursors; Security; and Other prohibitions and restrictions - set out standardized targeting criteria. The clusters are further divided into several risk indicator chapters which are updated regularly.

7.3. WCO General High-Risk Indicator document

The WCO General High-Risk Indicator document contains indicators which set out standardized sets of targeting criteria for Customs administrations to detect Customs infringements in a general manner. Headings for the document are : Details of the carriers manifest; Identification of high-risk country; Commodity and transportation factors that may indicate high-risk conditions; Known high-risk commodities used for concealment purposes; List of dangerous goods that may be potentially used in a terrorist attack; and Factors which may reflect high-risk, such as container, importer/exporter and shipper. These sets of indicators are also updated regularly.

7.4. WCO Handbook for Customs Officers on Risk Indicators - Factors for Intellectual Property Infringement

The Handbook contains a list of factors indicating a high risk for piracy and counterfeiting. These 17 risk indicators are intended to be a standardized set of targeting criteria and to be used by front-line Customs officers to help them determine which shipments present a high risk of potential IPR violations.

7.5. Legal considerations

Joint targeting and screening are activities that can be carried out by Customs administrations to increase their effectiveness in ensuring the security of shipments and in combating transborder organized crime. Rules and conditions for such joint efforts are normally established between Customs administrations. WCO tools such as the Johannesburg Convention and the Model Bilateral Agreement contain provisions that support such international or bilateral co-operation.

WORLD CUSTOMS ORGANIZATION

**Standard 8
Performance
Measures**

The Customs administration should maintain statistical reports that contain performance measures including, but not limited to, the number of shipments reviewed, the subset of high-risk shipments, examinations of high-risk shipments conducted, examinations of high-risk shipments by Non-Intrusive Inspection (NII) technology, examinations of high-risk shipments by NII and physical means, examinations of high-risk shipments by physical means only, Customs clearance times and positive and negative results. Those reports should be consolidated by the WCO.

Collection of data

Customs administrations will collect and apply data to performance measures to evaluate the impact and effectiveness of their adherence to the Framework Standards. For this purpose, the WCO Time Release Study (TRS) is an appropriate instrument.

**Standard 9
Security
Assessments**

The Customs administration should work with other competent authorities to conduct security assessments involving the movement of goods in the international supply chain and to commit to resolving identified gaps expeditiously.

**Standard 10
Employee Integrity**

The Customs administration and other competent authorities should be encouraged to require programmes to prevent lapses in employee integrity and to identify and combat breaches in integrity.

10.1. WCO Revised Arusha Declaration

The WCO Revised Arusha Declaration is the pre-eminent source of guidance for Customs administrations to install anti-corruption systems.

10.2. Training

Security and facilitation along the global supply chain require highly trained and motivated staff in the Customs administration, as well as in all other parties involved in the supply chain. Customs have to ensure that all levels of staff are regularly provided with the necessary training to build up and maintain the skills required to perform effective and efficient Customs controls and to operate in an electronic environment.

WORLD CUSTOMS ORGANIZATION

**Standard 11
Outbound Security
Inspections**

The Customs administration should conduct outbound security inspection of high-risk containers and cargo at the reasonable request of the importing country.

11.1. Examination on request

When a Customs administration, in applying risk assessment, has reason to believe that a container or cargo destined to any of its ports of entry may represent high risk, it can request the Customs administration of the outbound country to conduct an examination of the container or cargo, preferably prior to loading (see 4.1).

11.2. Legal considerations

Among other administrative arrangements, WCO tools such as the Johannesburg Convention and the Model Bilateral Agreement make it possible for a Customs administration to request another Customs administration to carry out such an activity.

SEAL INTEGRITY PROGRAMME FOR SECURE CONTAINER SHIPMENTS

INTRODUCTION

Importance of specifying security relationships

Greater clarity and consensus about the relationships among the parties in the movement of secure containerized goods, coupled with consistent application and enforcement of those relationships, will provide multiple benefits to all of those parties. These benefits include :

➡ Improved security against acts of terrorism that exploit the global trade in goods.
➡ Reduced risk of economic hardship caused by disruptions to or closures of trade in response to terrorist acts.
➡ Improved security against theft and diversion of cargo, with consequent reductions in direct losses and indirect costs, such as insurance.
➡ Improved security against illegal transport of materials such as narcotics and weapons, and of persons.
➡ Improved security against the illegal movement of "black market" and "grey market" trade goods.
➡ Reduced risk of evasion of duties and taxes.
➡ Increased confidence in international trading systems by current and potential shippers of goods.
➡ Facilitation dividends, such as a reduced number of examinations (reduced border times) and access to simplified procedures.

RESPONSIBILITIES ALONG THE CHAIN OF CUSTODY

A. <u>Cross-cutting responsibilities</u>

There are responsibilities and principles that apply throughout the life cycle of a containerized shipment of goods. The emphasis is on the relationships among parties upon changes in the custody or possession of the container. That emphasis does not reduce and should not obscure the fundamental responsibility of the shipper for the safe and secure stuffing and sealing of the container. Each party in possession of the container has security responsibilities while cargo is entrusted to them, whether at rest at a node or while moving between nodes. Each party with data that needs to be filed with the government for Customs and security screening purposes has responsibilities. Those responsibilities include :

➔ Protecting the physical goods from tampering, theft, and damage.
➔ Providing appropriate information to government authorities in a timely and accurate manner for security screening purposes.
➔ Protecting the information related to the goods from tampering and unauthorized access. This responsibility applies equally to times before, during and after having custody of the goods.

Security seals are an integral part of the chain of custody. The proper grade and application of the security seal is addressed below. Security seals should be inspected by the receiving party at each change of custody for a cargo-laden container. Inspecting a seal requires visual check for signs of tampering, comparison of the seal's identification number with the cargo documentation, and noting the inspection in the appropriate documentation. If the seal is missing, or shows signs of tampering, or shows a different identification number than the cargo documentation, then a number of actions are necessary :

The receiving party must bring the discrepancy to the attention of the party tendering the container and the shipper. The receiving party must note the discrepancy on the cargo documentation. The receiving party should notify Customs or law enforcement agencies, in accordance with national legislation. Where no such notification requirements exist, the receiving party shall refuse custody of the container pending communication with the party tendering the container and until such discrepancies can be resolved. Once discrepancies have been resolved, the receiving party shall affix a security seal to the container and note the particulars, including the new seal number, on all pertinent cargo documentation.

Security seals may be changed on a container for legitimate reasons. Examples include inspections by an exporting Customs administration to verify compliance with export regulations; by a carrier to ensure safe blocking and bracing of the lading; by an importing Customs administration to confirm cargo declarations; and by law enforcement officials concerned with other regulatory or criminal issues.

If public or private officials should remove a security seal to inspect the lading, they will install a replacement in a manner that meets the requirements specified below, and note the particulars of the action, including the new seal number, on the cargo documentation.

B. <u>Stuffing site</u>

The shipper/consignor is responsible for securely stuffing the container and for the accurate and complete description of the cargo. The shipper is also responsible for affixing the cargo security seal immediately upon the conclusion of the stuffing process, and for preparing documentation for the shipment, including the seal number.

The cargo security seal should be compliant with the definition of high-security mechanical seals in ISO Publicly Available Specification 17712. The seal should be applied to the container in a manner that avoids the vulnerability of the traditional container door handle seal location to surreptitious tampering. Among the acceptable ways to do this are alternative seal locations that prevent swivelling of an outer door locking cam or the use of equivalent tamper evident measures, such as cable seals across the door locking bars.

The land transport operator picks up the load. The transport operator receives the documentation, inspects the seal and notes the condition on the documentation, and departs with the load.

C. <u>Intermediate terminal</u>

If the container movement is via an intermediate terminal, then the land transport operator transfers custody of the container to the terminal operator. The terminal operator receives the documentation, inspects the seal and notes the condition on the documentation. Normally, the terminal operator sends an electronic notification of receipt (status report) to other private parties to the shipment. The terminal operator prepares or stages the container for its next movement, which could be by road, rail or barge. Similar verification and documentation processes take place upon pickup or departure of the container from the intermediate terminal. It is rare that public sector agencies are involved in or informed about intermodal transfers at intermediate terminals.

D. <u>Loading ocean terminal</u>

Upon arrival at the loading ocean terminal, the land transport operator transfers custody of the container to the terminal operator. The terminal operator receives the documentation and normally sends an electronic notification of receipt (status report) to other private parties to the shipment. The terminal operator prepares or stages the container for loading upon the ocean vessel.

The carrier or the ocean terminal as agent for the carrier inspects the condition of the seal, and notes it accordingly; this may be done at the ocean terminal gate or after entry to the terminal but before the container is loaded on the ship. Public agencies in the exporting nation review export documentation and undertake necessary export control and provide safety certifications. The Customs administrations that require advance information receive that information, review it, and either approve the container for loading (explicitly or tacitly) or issue "do not load" messages for containers that cannot be loaded pending further screening, including possible inspection.

For those countries that have export declaration and screening requirements, the carrier should require from the shipper documentation that the shipper has complied with the relevant requirements before loading the cargo for export. (The shipper/consignor is, however, responsible for compliance with all prevailing documentation and other pertinent export requirements.) Where applicable, the ocean carrier must file its manifest information to those importing Customs agencies that require such information. Shipments for which "do-not-load" messages have been issued should not be loaded onboard the vessel pending further screening.

E. <u>Transhipment terminal</u>

The transhipment terminal operator shall inspect the security seal between the off-loading and re-loading of the container. This requirement may be waived for transhipment terminals which have security plans that conform to the International Ship and Port Facility Security Code (ISPS Code produced by the International Maritime Organization).

F. <u>Off-loading ocean terminal</u>

The receiver/consignee usually arranges for a Customs broker to facilitate clearance of the shipment in the off-loading ocean terminal. Generally, this requires that the cargo owner provide documentation to the broker in advance of arrival.

The ocean carrier provides advance electronic cargo manifest information to the terminal operator and to the importing Customs administration as required. Customs may select containers for different levels of inspection immediately upon off-loading or later. Customs may inspect the condition of the seal and related documentation in addition to the cargo itself. If the container is to travel under Customs control to another location for clearance, then Customs at the off-loading terminal must affix a Customs seal to the container and note the documentation accordingly.

The receiver/consignee or Customs broker pays any duties and taxes due to Customs and arranges the Customs release of the shipment. Upon pickup for departure from the ocean terminal, the land transport operator inspects and notes the condition of the seal, and receives documentation from the terminal operator.

G. <u>Intermediate terminal</u>

The processes in intermediate terminals in the importing country are analogous to those in intermediate terminals in exporting countries.

H. <u>Unloading site</u>

Upon receipt of the container, the consignee or deconsolidator inspects the seal and notes any discrepancy on the documentation. The consignee unloads the container and verifies the count and condition of the lading against the documentation. If there is a shortage, damage, or an overage discrepancy, it is noted for claims or insurance purposes, and the shipment and its documentation are subject to audit and review. If there is an anomaly related to narcotics, contraband, stowaways or suspicious materials, the consignee Customs or another law enforcement agency must be informed.

WORLD CUSTOMS ORGANIZATION

Customs-to-Business Partnerships
Technical Specifications to Pillar 2

World Customs Organization (WCO) Members and the private trade sectors recognize the dual importance of securing the supply chain while facilitating the flow of goods across borders. They also recognize that in working to effect improvements on one side of the equation, they derive benefits on the other as well. In this respect, attention is called to the "WCO Framework for Sector-Specific Co-operative Arrangements to Increase Supply Chain Security and Facilitate Trade", which could serve as a useful blueprint for such a system during the initial implementation phase of the WCO Framework of Standards to Secure and Facilitate Global Trade. The cornerstone of successful Customs-to-Business Partnerships relies on several critical factors, accompanied by a mutual respect for each other's roles and responsibilities in this regard. While by no means exhaustive, the following overarching themes should guide the Customs-to-Business joint efforts : Partnership, Security, Authorization, Technology, Communication and Facilitation.

**Standard 1
Partnership**

Authorized Economic Operators (AEOs) involved in the international trade supply chain will engage in a self-assessment process measured against pre-determined security standards and best practices to ensure that their internal policies and procedures provide adequate safeguards against the compromise of their shipments and containers until they are released from Customs control at destination.

A Customs-to-Business partnership programme should allow for the flexibility and customization of security plans based on the AEO's business model.

The Customs administration and AEO should jointly determine and document the appropriate partnership security measures that will be implemented and maintained by the AEO.

The jointly produced Customs-to-Business partnership document should have written and verifiable processes to ensure, as far as possible, and in accordance with the AEO's business model, that the AEO's business partners, including manufacturers, product suppliers and vendors declare their intention to comply with the security standards set forth in the Framework of Standards to Secure and Facilitate Global Trade.

Periodic reviews of the AEO's processes and security measures should be conducted (based on risk) and should be consistent with the security procedures set forth in the respective business security-related agreement.

WORLD CUSTOMS ORGANIZATION

Standard 2
Security

Authorized Economic Operators will incorporate pre-determined security best practices into their existing business practices.

The Authorized Economic Operator (AEO) will implement security measures that assure the security of buildings as well as those that monitor and control exterior and interior perimeters and access controls that prohibit unauthorized access to facilities, conveyances, loading docks and cargo areas.

Access control of facilities in the secure supply chain should incorporate managerial control over the issuance and adequate control of identification badges (employee, visitor, vendor, etc.) and other access devices, including keys, access cards, and other devices that allow for unfettered access to company property and assets.

Access control to facilities in the secure supply chain should incorporate prompt and thorough removal of a terminated employee's company-issued identification and access to premises and information systems.

Trade-sensitive data should be protected through use of necessary automated back-up capabilities, such as individually assigned password accounts that require periodic recertification, appropriate information system security training, and protection against unauthorized access to and misuse of information.

Personnel security programmes should incorporate screening of employees and prospective employees, as appropriate and as allowed for by national legislation. These programmes should include periodic background checks on employees working in security-sensitive positions, noting unusual changes in an employee's apparent social and economic situation.

In accordance with the AEO's business model, security programmes and measures should be in place to promote the integrity of a business partner's processes that are related to the transportation, handling and storage of cargo in the secure supply chain.

Procedures should be employed to ensure that all information used for cargo processing, both electronic and manual, is legible, timely, accurate, and protected against alteration, loss or introduction of erroneous data. The AEO and Customs will ensure the confidentiality of commercial and security-sensitive information. Information provided should be used solely for the purposes for which it was provided.

An AEO shipping or receiving cargo should reconcile it with the appropriate shipping documentation. The AEO shall ensure that cargo information received from business partners is reported accurately and in a timely manner. Persons delivering or receiving cargo must be identified before cargo is received or released.

The AEO should conduct specific training to assist employees in maintaining cargo integrity, recognizing potential internal threats to security and protecting access controls. The AEO should make employees aware of the procedures the company has in place to identify and report suspicious incidents.

WORLD CUSTOMS ORGANIZATION

**Standard 3
Authorization**

The Customs administration, together with representatives from the trade community, will design validation processes or quality accreditation procedures that offer incentives to businesses through their status as Authorized Economic Operators. These processes will ensure that they see a benefit to their investment in good security systems and practices, including reduced risk-targeting assessments and inspections, and expedited processing of their goods.

The Customs administration should co-operate (by various means) with business partners to determine joint benefits to be derived by collective participation in the secure supply chain.

The Customs administration should be receptive to the concerns of the AEO and its authorized representatives and determine, in consultation with them, a formalized method of communication that ensures that issues are properly received, addressed and resolved.

The Customs administration should document the tangible benefits that the administration expects to provide (within its jurisdiction) to fully engaged business partners in the secure supply chain. These benefits should be measured and reported, and should keep pace with obligations as Customs phase in national programmes.

Customs administrations should agree on mutual recognition of AEO status.

The Customs administration should, where appropriate, seek or amend provisions and implement procedures to expedite the processing for consumption or export of shipments that are determined to be in a low-risk category for security concerns.

The Customs administration will derive benefits through the enhanced security of goods in the international supply chain, where improved intelligence processes, risk-assessment capabilities and better targeting of high-risk consignments will lead to optimized use of resources.

The Customs administration, as well as AEOs, will derive benefits from the use of self-assessment and verification.

Standard 4
Technology

All parties will maintain cargo and container integrity by facilitating the use of modern technology.

AEOs should conform, at a minimum, to the current requirements as set forth in various international agreements, including, but not limited to, the 1972 Customs Container Convention and the Customs Convention on International Transport of Goods under Cover of TIR Carnets (TIR Convention, 1975).

Customs administrations should encourage and facilitate, through appropriate incremental incentives, the voluntary use by AEOs of more advanced technologies beyond mechanical sealing for establishing and monitoring container and cargo integrity, as well as reporting unauthorized interference with container and cargo.

AEOs should have documented procedures that set forth their internal policy regarding the affixing and processing of cargo and containers that employ high-security seals and/or other devices that are designed to prevent tampering with cargo.

The Customs administration should have documented procedures that set forth its seal verification regime, as well as its operational procedures for addressing discrepancies.

The Customs administration and the AEO should maintain an open dialogue on areas of common concern to collectively benefit from advancements in industry standards and container integrity technologies, as well as mutual operational readiness as related to identified instances of security seal breach.

Standard 5
Communication

The Customs administration will regularly update Customs-Business partnership programmes to promote minimum security standards and supply chain security best practices.

Customs should establish, in consultation with an AEO or its representatives, procedures to be followed in the event of queries or suspected Customs offences, including providing the AEO or its agents with telephone numbers where appropriate Customs officials can be contacted in an emergency.

Customs should engage in regular consultation, at both the national and local level, with all parties involved in the international supply chain to discuss matters of mutual interest including Customs regulations, and procedures and requirements for premises and consignment security.

The AEO should be responsive to Customs co-ordination of the above-described outreach efforts and contribute to a dialogue that provides meaningful insight to ensure that the Programme remains relevant and well-grounded in minimum security standards that benefit both partners.

WORLD CUSTOMS ORGANIZATION

**Standard 6
Facilitation**

The Customs administration will work co-operatively with AEOs to maximize security and facilitation of the international trade supply chain originating in or moving through its Customs territory.

The Customs administration should seek or amend provisions and implement procedures that consolidate and streamline the submission of required information for Customs-related clearance to both facilitate trade and identify high-risk cargo for appropriate action[8].

The Customs administration should establish mechanisms to allow for business partners to comment on proposed amendments and modifications that significantly affect their role in securing the supply chain.

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[8]   The World Customs Organization (WCO) Revised Kyoto Convention offers a global model through which this can be accomplished.

6. RESOLUTION OF THE CUSTOMS CO-OPERATION COUNCIL ON THE FRAMEWORK OF STANDARDS TO SECURE AND FACILITATE GLOBAL TRADE - (June 2005)

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THE CUSTOMS CO-OPERATION COUNCIL[1] ,

Recognizing that the implementation of the principles contained in the WCO Framework of Standards will be an important step in enhancing security of the international trade supply chain and lead to a greater facilitation of legitimate trade;

Noting the increased concern with respect to acts of international terrorism and organized crime and the importance and vulnerability of global trade;

Considering that Customs administrations contribute to the economic and social development of nations through the collection of revenue, and that implementing the Framework of Standards will also be equally important in this regard;

Taking into account the Resolutions of the Customs Co-operation Council on Security and Facilitation of the International Trade Supply Chain (June 2002) and Global Security and Facilitation Measures concerning the International Trade Supply Chain (June 2004), and IMO Conference Resolution No. 9 on the enhancement of security in co-operation with the WCO;

Believing in the need for Customs administrations to implement standards regarding integrated Customs procedures and in the need for co-operation between Customs administrations and business;

Noting that Members and Customs or Economic Unions may need to consider modifications to their legal or other provisions to support the implementation of the WCO Framework of Standards.

RESOLVES :

1. To adopt the Framework of Standards to Secure and Facilitate Global Trade.

2. That the Members of the Council and Customs or Economic Unions should :

    2.1. implement as soon as possible in accordance with each administration's capacity and necessary legislative authority the principles, standards and other provisions contained in the WCO Framework of Standards;

    2.2. encourage any necessary improvements in Customs capability and integrity to provide a comprehensive framework for global trade security;

    2.3. identify the required sustainable capacity building measures including the modifications to national legal and administrative rules and procedures, where appropriate, and pursue their realization to enable a comprehensive implementation of the provisions of the Framework of Standards;

    2.4. foresee the provision of technical assistance in order to encourage the implementation of the Framework of Standards;

    2.5. submit to the WCO an indicative timetable for implementation of the Framework of Standards suitable to their capacities;

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1   *Customs Co-operation Council is the official name of the World Customs Organization (WCO).*

2.6. endeavour to secure the full co-operation of business in the implementation of the Framework of Standards;

2.7. participate in periodic evaluation meetings to assess progress towards implementation;

2.8. provide to the WCO periodic reports on progress towards implementation of the Framework, to be discussed during each evaluation meeting; and

2.9. consider the use of benchmarking methods to evaluate each Member's own implementation process.

3. That Members and Customs or Economic Unions should notify the WCO of their intention to implement the Framework of Standards. The WCO will transmit this information to the Customs administrations of all Members and to those Customs or Economic Unions which have notified the WCO.

4. That those Members and Customs or Economic Unions which have notified the WCO of their intention to implement the Framework of Standards should work with each other to develop mechanisms for mutual recognition of Authorized Economic Operator validations and accreditations and Customs control results, and other mechanisms that may be needed to eliminate or reduce redundant or duplicated validation and accreditation efforts.

P. GORDHAN,
Chairperson

John Simpson,
Director General, Global Express Association

"The global express industry has enjoyed much success in recent decades in enabling companies, both large and small, to maximize the efficiency of their logistics operations and their competitiveness in export markets. This success is attributable to express operators' heavy investment in secure, integrated transport and highly-sophisticated information systems, and in large part to the efforts of Customs administrations around the world to apply increasingly modern and simplified procedures that have enabled them to facilitate the movement of legitimate trade and more effectively target suspect shipments for further inspection.

The US terrorist incident of 11 September 2001 threatened, and may still threaten, to reverse the significant gains in Customs modernization and trade facilitation. The WCO's new Framework of Standards is a step away from such a disastrous scenario. The Framework is a balanced response to the threat of terrorism, and provides both Customs and businesses with a set of standards that, if fully and properly implemented, will enhance international supply chain security without interrupting the seamless movement of goods, through increased co-operation and co-ordination between Customs administrations in importing and exporting countries and, perhaps more importantly, between Customs administrations and businesses."

Herman de Meester,
Deputy Secretary General, European Community Shipowners' Association

"The International Chamber of Shipping (ICS), the European Community Shipowners' Associations (ECSA), BIMCO, the World Shipping Council and their member associations and companies are committed to enhancing security, and support the establishment of international principles and rules that improve cargo security while facilitating international trade. We welcome the WCO's Framework of Standards to Secure and Facilitate Global Trade that brings us a step closer to realizing that objective."

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