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**MINUTES OF THE 125<sup>TH</sup>/126<sup>TH</sup> SESSIONS**  
**OF THE CUSTOMS CO-OPERATION COUNCIL**  
**(Brussels, 11 - 13 June 2015)**

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## **MINUTES**

### **OPENING OF THE SESSIONS**

1. The 125<sup>th</sup>/126<sup>th</sup> Sessions of the Council were held at WCO Headquarters in Brussels from 11 to 13 June 2015. The list of participants is reproduced at Annex I.
2. The CHAIRPERSON welcomed the participants and declared the proceedings open. The Council began by observing a moment's silence in memory of Customs officers all over the world who had lost their lives during the previous year.
3. The Chairperson said that he was looking forward to three days of constructive and fruitful discussions aimed at improving the global Customs vision, meeting the many challenges and sharing best practices, in order to continue the progress towards more effective and efficient Customs.

### **1. ADOPTION OF THE AGENDA**

4. The Agenda set out in Doc. SC0141 was adopted unchanged.

### **2. APPROVAL OF THE MINUTES OF THE 123<sup>RD</sup>/124<sup>TH</sup> SESSIONS OF THE COUNCIL**

5. The Minutes of the 123<sup>rd</sup>/124<sup>th</sup> Sessions of the Council, contained in Doc. SC0140, were approved.

### **3. COMMENTS BY THE CHAIRPERSON**

6. The CHAIRPERSON said that, at the Policy Commission's December 2014 session, he had drawn Members' attention to four topics which appeared to him to be of particular significance, and which therefore warranted a more important place in the work of the Organization. These four topics were e-Customs, performance measurement, Customs' role in dealing with security issues, and strategic planning at the regional and national levels. He wished to say a few words about three of these four topics, in terms of the issues they raised and the progress made since December 2014, which the Policy Commission had discussed over the previous few days.
7. Regarding e-Customs, there was no doubt that while the digital revolution had brought many changes to people's lives, it had also transformed Customs' working methods and organizational structures. The WCO was currently working on a multitude of projects that were linked to the digital revolution, including for example the Single Window, the Data Model, Globally Networked Customs, postal EDI and "Iris". Nevertheless, the Chairperson felt that a strategic vision that would give the membership a global picture of all the possibilities offered by information technology was lacking. He had therefore invited the Policy Commission to reflect on the possibility of developing a new package which would bring together all of the IT-related components of the different pillars of the WCO Strategic Plan, as well as incorporating Customs best practices in this field and a monitoring function to pick up on international developments within Customs, and among its partners, in the fast-changing area of information technology. The monitoring component would be a particularly useful part

of this global strategy, in terms of helping to ensure that Customs' practices did not lag behind those of other agencies. The aim was to help administrations to remodel the Customs function in the light of the new technological environment. The pooling of knowledge and expertise in the area of information technology would also offer valuable insights into IT-related training and capacity building requirements, for example.

8. Turning to performance measurement, the Chairperson remarked that Customs performance measurement was currently being addressed, in part, by other organizations, in particular the World Bank in the "Trading across borders" part of its "Doing Business" report, and the WTO where trade facilitation was concerned. In December 2014, the Policy Commission had agreed that it would be worthwhile for the WCO to establish performance indicators to enable Customs administrations to measure their performance vis-à-vis best practices. The Secretariat had subsequently prepared a document on this subject, which included a set of 20 criteria for achieving excellence in Customs, based on the four pillars of the Strategic Plan. The idea was that these indicators would be used by Customs administrations for self-assessment purposes. At its most recent session, the Policy Commission had held a very enlightening discussion about the way forward with this initiative, and the clear conclusion had been that most Members would welcome a performance measurement instrument of this kind, but only as a self-assessment tool. Administrations could use the outcomes during discussions with their governments, and in order to prepare a roadmap for achieving excellence. The next stage in this important project was how to enrich the indicators, and how to arrive at averages for the various indicators, against which administrations could measure their performance.
9. Finally, on the subject of security, the Chairperson said that the terrorist threat continued to grow; as a result, Customs administrations were being called upon to play an increasing role in addressing security concerns. He had seen at first hand, when representing the WCO at the Interpol General Assembly in November 2014, that there were very close links between Customs and Police at the international level. However, he felt that at the national level, the Customs/Police relationship was not as strong as it should be in some cases, and it was worth reflecting on how to achieve better coordination with a view to greater effectiveness. On that basis, he was particularly pleased that Coordinated Border Management (CBM) had been selected as the WCO theme for 2015. Also, during its current Sessions the Council would be invited to endorse a Secretariat document detailing a new WCO initiative to assist Member Customs administrations with the security aspects of their work.
10. The Chairperson concluded his opening remarks by expressing the hope that the Organization would place particular emphasis on the topics he had mentioned.

#### **4. REPORT OF THE SECRETARY GENERAL**

11. In his oral report, the Secretary General provided an overview of the Organization and its Secretariat, before focusing on the progress made with implementation of the Strategic Plan and the way forward.
12. He began by presenting the Organization's current profile. There were now 180 Members, following the accession of Palestine in March 2015. Since the previous Council Sessions, there had been one additional accession to the Harmonized System Convention, five to the Revised Kyoto Convention (with two more expected shortly) and two to the Istanbul Convention, bringing the number of Contracting Parties to 151, 99 and 67 respectively. The number of Members having accepted the amendment to the Convention establishing a Customs Co-operation Council now stood at 71, one more than last year.
13. The Secretariat currently had 170 staff of 61 different nationalities, and included 43 Technical Officers and 38 Technical Attachés, the latter generously seconded by Members at their own expense and without whom the Organization could not operate. The Secretary General also expressed his gratitude to Members having sent Technical Attachés to the WCO's regional structures. Thanks to financing from Japan, the Secretariat was currently hosting eight Professional Associates who, at the end of their stay, would have gained solid professional experience and a thorough understanding of the Organization.
14. Turning to the Organization's finances, the Secretary General stated that strict management towards a balanced budget was being maintained, having resulted in a surplus of 126,000 euro for financial year 2013/2014 and bringing the WCO's reserves to 8.6 million euro (equivalent to 50 % of the operating budget). WCO officials' salaries had increased in line with the recommendation of the Co-ordinating Committee on Remuneration (CCR). A budgetary feasibility clause was now being introduced in the Staff Manual to take account of the financial situation of Members and the Organization when applying the CCR recommendations in the future.
15. The Finance Committee's recommendation was for a 1.7 % increase in the general operating expenses to 16.7 million euro, with the creation of four new budget posts (two in the Enforcement Sub-Directorate, one donor management post and one translator post, the latter making it possible to reduce the amount of work outsourced and thus improve the quality while generating savings). Members' statutory contributions were being increased by 1.5 % to finance 15.7 million euro of the WCO's general budget. The gap of one million euro would be bridged by the sale of WCO Publications, the proceeds from events, management fees, and continued strict financial management.
16. The Secretary General expressed his gratitude for the 12 million euro in voluntary contributions which supplemented the WCO's budget. He also thanked Members for their readiness to make human resources available - during financial year 2014/2015, national experts from 45 Members had been mobilized in support of WCO missions.
17. Finally, the Secretary General thanked the Members which hosted the different offices (Regional Offices for Capacity Building, Regional Training Centres, Regional Intelligence Liaison Offices) making up the regional structure on which the WCO was based.

18. He recalled that the WCO published an Annual Report to promote the Organization, which described developments in terms of the WCO profile, progress made with respect to its key activities and its Members' profile. The worldwide Customs community currently comprised 840,000 Customs officers in total, only 13 % of Directors General were female, 60 % of Customs administrations collected more than 25 % of the national tax revenue (not only Customs revenue, but also VAT and excise duties), 28 % of them were part of a revenue authority and, finally, 60 % of Members had developed their own IT system.
19. The Secretary General then stated that six regional meetings of Directors General had taken place in 2014/2015 and that he had been able to attend all of them. Such meetings helped to identify needs, priorities and future direction, and the regions' contribution was crucial when drawing up the WCO agenda.
20. The Secretary General went on to highlight the various activities aimed at raising the profile of Customs and the WCO, especially through his meetings with Presidents, Prime Ministers and Ministers, as well as with Heads of international and regional organizations. He had also taken part in several major conferences, including the Revenue Conference (held in Brussels at the end of June/beginning of July 2014), the PICARD Conference (held in Puebla (Mexico) in September 2014), and the IT Conference and Exhibition (held in the Bahamas in May 2015), during which he had addressed the issue of connectivity through the use of IT. Such meetings and conferences raised the profile of Customs and the WCO, as did the Publications and tools developed by the Organization.
21. The Secretary General recalled that the WCO's strategy and vision were built on four pillars : Trade Facilitation and Security, supported by the Economic Competitiveness Package (ECP); Fair and Efficient Revenue Collection, based on the Revenue Package; Protection of Society, supported by the Compliance and Enforcement Package (CEP); and Institutional and Human Resource Development, supported by the Organizational Development Package (ODP).
22. Before addressing each of these pillars in turn, the Secretary General pointed out that a modest recovery in trade was currently being witnessed. He nevertheless wondered whether this was a cyclical or structural trend and said that, in some emerging economies, the driving force of the economy was no longer exportation but rather domestic markets, and this was having an impact on international trade. At the same time, some countries were leveraging regional integration and connectivity to boost competitiveness. The examples of the European Union and the Eurasian Economic Union illustrated this trend, and other discussions were currently underway on Mega Regional Trade Agreements, the Pacific Alliance and the Continental Free Trade Area in Africa. The Secretary General also presented the Chinese initiative entitled "One Belt, One Road" which was based on WCO tools to create a linkage between several regional initiatives.
23. Another aspect of regional integration entailed expanding the markets by creating regional supply chains. After providing some statistics on intra- and inter-regional trade, the Secretary General concluded that there was significant potential for increased intra-regional trade.
24. The question then arose as to the role of Customs and the WCO in response to these trends. The Secretary General began by addressing the ECP, comprising the Revised Kyoto Convention, the Time Release Study, performance measurement, regional integration and the various different tools developed by the WCO recently,

including the Customs-Business Partnership Guidance (aimed at creating an environment conducive to business), the Small and Medium-sized Enterprise (SME) Checklist (ensuring that the procedures in place for SMEs were relevant), the Transit Handbook (whose presentation in November 2014 had been very favourably received), the Coordinated Border Management (CBM) and Single Window (SW) Compendiums and, finally, the IT Guidance for Executives.

25. Turning to the WTO Agreement on Trade Facilitation (TFA), the Secretary General said that the Protocol enabling WTO Members to ratify the Agreement had been adopted on 27 November 2014 and the Agreement would enter into force once two-thirds of WTO Members (currently 108 out of 161) had approved it. The Secretary General recalled that he had met with the Director-General of the WTO, who had assured him that the WTO considered the WCO to be a key partner for implementation of the TFA and that he wished to make use of the WCO's tools and its extensive expertise to that end. The WCO was indeed able to lend its support to harmonized implementation of the TFA, especially through the TFA Implementation Guidance (available in English, French and Spanish) and through the establishment of the Working Group on TFA, aimed at analysing the TFA and WCO tools, at promoting the latter, at facilitating cooperation with trade ministries and other border agencies, and at promoting Customs' role in the National Committees on Trade Facilitation (NCTFs). In this connection, he pointed out that Customs played a leading role in 22 of the 25 NCTFs currently in existence. The Working Group on TFA, which was also open to the private sector, had held its Third Meeting in early 2015. He concluded by announcing that the WCO was developing a Handbook on the establishment of NCTFs.
26. The Secretary General then turned to the Mercator Programme, aimed at assisting governments worldwide to implement the TFA expeditiously and in a harmonized manner by using core WCO tools and instruments. This Programme consisted of an overall track based on regional and national workshops and on promotion of WCO standards for trade facilitation, and of a tailor-made track incorporating the capacity building cycle (needs assessment, planning, delivery, monitoring). He also reported on progress with delivery of this Programme and thanked China, Japan, the Republic of Korea and the United Kingdom for their financial commitment, as well as the regional banks and donors (Asian Development Bank, Islamic Development Bank, Inter-American Development Bank, European Union).
27. The Secretary General highlighted the SAFE Framework of Standards, which supported the pursuit of economic competitiveness through supply chain security. The 2015 version of the SAFE with its Pillar 3 on cooperation with other government agencies and its provisions on Advance Cargo Information (ACI), together with a proposed way forward for the next review cycle, were being proposed for adoption by the Council. With regard to Customs-Business Partnership, he presented progress in respect of the AEO Programme, mutual recognition and data quality. He also informed Members about the work that had started concerning Customs brokers, based on the Policy Commission's recommendation, and concluded with the new format of the Private Sector Consultative Group (PSCG) which was a helpful tool in the execution of the WCO's work.
28. The issue of e-commerce and its impact on revenue collection was another focus of the WCO and its Members, whether in terms of Business-to-Business (B2B) or Business-to-Customer (B2C) relationships. The Organization had a particular interest in online shopping and international delivery, in post/express delivery services and, finally, in the economic contribution generated by this segment of trade. The Secretary General recalled that Customs' role in this domain was to facilitate e-commerce while

at the same time addressing the risks. In particular, the Organization was carrying out work on the revenue collection system and *de minimis* with the OECD, on advance electronic information with the UPU to address the issues of Customs revenue and illicit trade. He thanked New Zealand for its work on this issue and the recommendations it had made.

29. Natural disaster relief operations were another area where Customs played a leading part and where the WCO's role included acting as a coordinator. The 2011 adoption by the Council of the Resolution on the role of Customs in natural disaster relief, recent collaboration with the UN Office for the Coordination of Humanitarian Affairs (OCHA) in response to the catastrophes in Vanuatu in March 2015 and in Nepal in April 2015, and coordination with the relevant authorities to expedite procedures to combat the Ebola Virus Disease in West Africa all served to illustrate this role.
30. The Secretary General then presented the Revenue Package tools relating to diagnostic and infrastructure, advance rulings, origin irregularities, transfer pricing and valuation control, revenue risks and informal trade (including case studies), and the WCO guidance to assist Members to end inspection contracts. He informed Members that the Working Group on Revenue Compliance and Fraud would hold its Second Meeting in December 2015 and that the issue of cooperation with taxation authorities would be addressed on that occasion.
31. Turning to the Compliance and Enforcement Package (CEP), he pointed out that the WCO had identified and developed a substantial technological infrastructure in this connection, including the CEN and all its applications, as well as technology networks, such as IPM and other tools, which formed the foundation for enforcement activities. In addition, the WCO coordinated many international enforcement operations and this proved useful not only in terms of capacity building but also for identifying shortcomings. Finally, he explained that one area that was currently to the fore was border security, especially the issue of foreign terrorist fighters posing a threat to their countries of return, smuggling of weapons (whether weapons of mass destruction or small arms and light weapons) and illicit trade (whose profits were used to fund terrorism).
32. In response to this, the WCO had reviewed its Security Programme in order to develop a technical assistance track and a policy track (dealing with foreign terrorist fighters, Advance Passenger Information and Passenger Name Records, Programme Global Shield, the Strategic Trade Controls Enforcement (STCE) Project, small arms and light weapons and terrorist financing).
33. The Secretary General concluded his review of the CEP by describing the actions undertaken in terms of cooperation with international organizations such as the UNODC, the FCTC Secretariat, INTERPOL, UNESCO, the International Consortium on Combating Wildlife Crime, and the EU Office for the Harmonisation in the Internal Market (OHIM).
34. In 2014, the WCO had also launched an information/news aggregator called "Iris", making it possible to receive alerts, conduct searches by country or by type of event, and produce statistics. Using this data, it was planned to establish the Information and Intelligence Centre (I2C) to enhance communication and coordination and to increase situational awareness and knowledge.

35. The Secretary General then focused on the last of the four Packages, the Organizational Development Package (ODP) launched in response to Customs' need for skilled staff and strong institutions and to ensure that Customs could perform its duties properly. Special emphasis was placed on five areas : (i) strategic planning and evaluation; (ii) human resource development (for which the WCO had developed the tool on Customs professionalism, as well as training material); (iii) stakeholder engagement and the related Orientation Package, drafted to explain the importance of Customs to policy-makers; (iv) integrity, for which the Handbook for Customs officers was under preparation in response to the G20's request; and (v) capacity building/technical assistance support.
36. In order to achieve excellence in Customs, the WCO had identified 20 high-level indicators. That tool, aimed at enabling Customs and their appropriate ministers to develop a business case for policy-makers, encompassed the four pillars of the WCO vision (Trade Facilitation and Security and the ECP; Fair and Effective Revenue Collection and the Revenue Package; Protection of Society and the CEP; and finally Institutional and Human Resource Development and the ODP). The relevant WCO Committees would soon be asked to develop sub-indicators, making it possible to measure the trade compliance environment in greater detail. The Secretary General also mentioned the Time Release Study (TRS) which identified frequent causes of delay and measures that could reduce the time required for release of goods (such as risk management, the AEO Programme, pre-arrival information or automation of stakeholders and interface). He stressed that Coordinated Border Management was enhanced by TRS.
37. In drawing to a close, the Secretary General referred to upcoming events scheduled until the end of 2015, including the Conference on Regional Integration, to be held in Brussels the following week; the Knowledge Academy, also to be held at WCO Headquarters; the Third Global Dog Forum, in Argentina later in June 2015; the PICARD Conference in Baku (Azerbaijan) in early September 2015; and, finally, the Technology and Innovation Forum in Rotterdam (Netherlands) in October 2015.
38. He concluded his presentation by inviting Members to share their Coordinated Border Management practices, reminding them that this was the WCO's theme for 2015.
39. The CHAIRPERSON thanked the Secretary General for his presentation on the WCO's activities and the progress achieved, commenting that he was impressed by the diversity, scope and significance of the work.
40. The Delegate of MEXICO said that in order to deal with the challenges posed to Customs by the increase in international trade, it was necessary to conduct a strategic analysis of the players in, and the nature of global value chains, recognize the issues related to IT, and acknowledge the need to combat organized crime. The delegate expressed full agreement with the WCO's Strategic Plan, and highlighted the importance of the work on integrity. He said that Mexico had presented an initiative to the G20 Anti-Corruption Group with a view to fighting corruption in Customs, and urged all Members to make the necessary efforts in this respect. As Vice-Chair for the Americas/Caribbean region, Mexico had worked with Members to establish a Strategic Plan for the region, which would be aligned on the objectives in the WCO's Strategic Plan. The regional Strategic Plan identified the need to accelerate capacity building within the region, and in this connection it was important that the ROCB receive dynamic support so that it could serve all 31 Members of the Americas/Caribbean region.

41. The delegate added that Mexico would Chair the WCO's TFA Working Group in 2016, and stressed the importance of adopting a flexible approach to the Agenda, which left room for discussions about the Members' different needs rather than imposing a set Agenda. Mexico also welcomed the completion of Phase II of the Revenue Package, but looked forward to further initiatives in the area of revenue collection, which remained a priority for many Member administrations. On the important topic of security, the delegate stressed the importance of implementing proven tools such as risk management and API/PNR. Finally, he announced that his country would be hosting the third WCO AEO Conference in May 2016, and invited all delegates to attend.
42. The Delegate of MALAYSIA said that there was a need for all Customs administrations to focus on the four topics identified by the Chairperson, namely e-Customs, performance measurement, security initiatives to combat terrorism, and strategic planning. He welcomed the work done by the Secretary General to elevate the status of the WCO and place it on a par with other international organizations, and stressed the importance of communication among Members. A collective effort by all Customs administrations was crucial to ensure the smooth implementation of the WTO TFA; the WCO's RKC and ECP had an important role to play in this respect, as did the Mercator Programme in terms of identifying and connecting donors and recipients. Malaysia urged WCO Members that were Contracting Parties to the RKC to provide assistance to non-Contracting Party Members if possible, and hoped that Members would help each other with the implementation of the TFA, especially at the regional level. As Vice-Chair for the Asia/Pacific region, Malaysia had been very active in supporting WCO capacity building efforts through the RTC in Malaysia, and had also made efforts to help Members fulfill their training needs through its technical cooperation programme, which was fully funded by the Malaysian Government. In May 2015, for example, Malaysia had conducted a drugs identification and enforcement course for ASEAN and Pacific Island Member countries. The delegate concluded his intervention by reaffirming his country's commitment to support WCO activities in the region, especially in relation to the implementation of the WTO TFA.
43. The Delegate of the RUSSIAN FEDERATION said that his Administration had identified certain new realities which had not been referred to in the Secretary General's comprehensive report. The first issue he wished to raise concerned organizational structure and Member involvement. Over the 30 years since the WCO's six-region structure had been established, the number of Members had increased from 96 to 180 (i.e. by almost 50%), and the regions were very different in size, with the biggest region, Europe, having 51 Members plus the European Union, whereas the smallest region (North of Africa, Near and Middle East) had only 18. There had also been significant changes within the Europe region over those 30 years, with the European Union almost doubling in size and now holding a decisive majority (28 Member States plus the European Union) within the region. In order to improve Member involvement, the Russian Federation believed that the WCO should consider creating a new, Eurasian region.
44. The delegate added that in the new, TFA-influenced environment, it was no longer sufficient for the WCO to develop tools and follow events. The Organization should perhaps be more proactive, taking steps to re-establish its leading role in Customs matters by adopting a more practical approach, focusing on the establishment of transparent trade lanes in which goods were tracked from the point of production to the point of consumption. Another challenge was how to accommodate the need for capacity building and the widespread introduction of modern technology in the day-to-day work of Customs. Thanks to modern technology it was now possible to do

more work, with fewer people, in less time, but a balance needed to be struck between the use of technology, staff numbers and staff quality. He hoped that the matters he had raised could be discussed in the WCO's various bodies in the near future.

45. The Delegate of SWAZILAND said that as Chair of the TFA Working Group, his Administration thanked the WCO for embracing the WTO TFA Agenda in its entirety, and welcomed the fruitful cooperation between the WCO and the WTO. The Dublin Resolution, the establishment of the TFA Working Group and the launch of the Mercator Programme were all indicative of the WCO's commitment to assist Members in implementing the TFA. Swaziland had made strides with its implementation of the TFA, the first major step being the establishment of an all-inclusive National Steering Committee on Trade Facilitation, which was co-chaired by the Swaziland Revenue Authority and was working with UNCTAD and the International Trade Centre (ITC) to categorize Swaziland's commitments. The Committee also served as a governance structure for a number of initiatives, including Coordinated Border Management (CBM), migration to ASYCUDA World and the implementation of the Investor Roadmap. The delegate thanked Finnish Customs for facilitating a highly beneficial study tour to Finland, which had acquainted Government officials with the concept of CBM. He urged other Member administrations to commit to the Trade Facilitation agenda and lead the way in order to avoid the creation of too many parallel structures, leading to duplication, wastage of limited resources and - in many cases - no meaningful progress. Another key success factor was linkage with other national initiatives that had already garnered support. The delegate urged Members to establish National Committees, which were crucial to the successful implementation of the TFA, and which required sustainability plans, end-goals, and a champion; support for these endeavours should be sought via the Mercator Programme.
46. The Delegate of SWEDEN also referred to the implementation of the TFA and the vital role of Customs capacity building in that context, remarking on the ability of Customs modernization to boost international trade and economic output. The OECD had estimated that the TFA could reduce worldwide trade costs by between 12.5 % and 17.5 %, with the greatest benefits to be felt by developing countries. In terms of political will, there was a window of opportunity and political leaders were looking to the WCO, with its key tools and instruments for capacity building (such as the Columbus Programme) and its network of technical experts, to help secure the effective and sustainable implementation of the TFA. The establishment of the Mercator Programme and the TFA Working Group were positive steps towards assuming that responsibility. The WCO was reliant on donors in order to ensure that it had the capacity to expand its engagement. The Swedish International Development Cooperation Agency (SIDA) had renewed its support to WCO Customs modernization and reform in Sub-Saharan Africa until 2018, and the Swedish Ministry of Foreign Affairs and the Secretariat were currently finalizing the details of a new financial contribution to the WCO, which would support the Organization's overall capacity building agenda rather than being earmarked for a specific programme.
47. The Delegate of COTE d'IVOIRE expressed his appreciation of the technical assistance his Administration had received from the WCO for trade facilitation and Customs modernization in particular, notably in connection with the implementation of the EU's PACIR Programme. He also thanked the West and Central Africa ROCB for the technical support it had provided for the implementation of the PACIR Programme, especially with regard to the project to interconnect the Customs IT systems of Côte d'Ivoire, Burkina Faso, Mali and Senegal. Finally, he took the opportunity to thank the development partners involved, including the EU, the World Bank, the IMF,

the Swedish Government, the Japanese International Cooperation Agency and UNCTAD.

48. The Delegate of THAILAND announced that his country would deposit its instrument of accession to the Revised Kyoto Convention during the Council Sessions.
49. The Delegate of KOREA said that, through its CCF contributions, his country had supported an array of capacity building projects since 2011, including the WCO Global AEO Conference, the Virtual Customs Orientation Academy, the Project Map Database, WTO TFA implementation workshops, a Spanish language fund and the Executive Programme on Customs and Business Administration (EPCBA). The CCF Korea had begun with an annual amount of 700,000 euro, but this had increased to 1 million euro in 2014 and 1.6 million in 2015. This increase showed the high value that Korea attached to the successful implementation of WCO programmes, and Korea would continue to identify and support needed projects, in close collaboration with the Secretariat. The additional financial resources allocated this year would, inter alia, support the AEO Programme, TFA implementation, an Arabic language fund, a Revenue Package seminar and the EPCBA.
50. The Delegate of COSTA RICA urged the WCO to study and clarify the relationship between Customs valuation and transfer pricing, and the latter's effect on business competitiveness. He remarked that although Technical Committee on Customs Valuation (TCCV) Commentary 23.1, which attempted to clarify this relationship, was useful, further analysis was needed in order to obtain greater clarity in this field, for the benefit of Customs administrations, tax authorities and trade operators. The delegate went on to refer to Costa Rica's promotion of the AEO Programme, and the first encounter at national level between logistics operators, exporters and importers of all kinds, which had taken place with the support of the WCO Secretariat. Costa Rica's AEO Programme was now well-established, with eight certified companies involved, and the Administration was pursuing mutual agreements with various trade partners.
51. The Delegate of the UNITED KINGDOM joined previous speakers in expressing his Administration's support for the Mercator Programme, and for the WCO's important role in implementing the TFA. The United Kingdom had agreed to provide 3 million pounds, over three years, to fund a capacity building partnership with the WCO to support Members in fulfilling their TFA obligations. Full implementation of the TFA was estimated to be worth 100 billion dollars annually to the global economy, and as pointed out by the Delegate of Sweden, developing countries were set to benefit the most. The United Kingdom was therefore keen to promote TFA implementation, and the Mercator Programme, which brought the relevant WCO tools and instruments together in a single, comprehensive package, was the ideal vehicle for this purpose. The United Kingdom encouraged other Members to support the Programme and, even more importantly, to engage with the WCO's Capacity Building Directorate if they considered that they might benefit from the support provided under the Programme.
52. The Delegate of CHINA said that China Customs, recognizing the importance of regional integration for economic and trade growth, had hosted the "Silk Road : One Belt, One Road" Forum in May 2015 to promote regional integration. The theme of the Forum had been connectivity and win-win development, and this was in line with the WCO theme for 2015, namely CBM. The Forum had proposed that Customs administrations strengthen mutual recognition or conclude mutual assistance agreements in the areas of enforcement and information-sharing, with a focus on policy communication, clearance and facilitation, security, technological innovations, capacity

building and international cooperation. The Forum had released three outcome documents, including the Forum Initiative and the Xi'an Statement on strengthening Customs connectivity around the Silk Belt and Road, with the support of WCO instruments and tools. China Customs appreciated the support provided by the WCO, and would work closely with the Organization and with Members to ensure follow-up of the Forum and make the best use of the CCF China to support capacity building and technical assistance. China Customs also intended to contribute further to CBM and to international Customs cooperation.

53. The Delegate of SUDAN highlighted the crucial importance of trade facilitation and CBM. Sudan had set up a National Committee on Trade Facilitation, with the assistance of the WCO. Security was another priority area for Sudan Customs, which was facing many problems in combating terrorism and arms smuggling. Sudan thanked the Secretariat for all the capacity building activities carried out in the region, adding that further assistance was required. The delegate considered that the WCO should prioritize security issues, including efforts to combat drug smuggling, where information exchange systems should be established.
54. The Delegate of MOROCCO referred to e-Customs, and the far-reaching changes in the area of IT which had consequences at all levels, particularly for Customs. In addition to the various tools and instruments already made available, the WCO should adopt a medium and long-term strategic vision, to help Member administrations remain up-to-date, and capable of fulfilling their proper role in an interconnected world. This would involve foreseeing the future impact of modern technologies on administrations' procedures, human resources, etc., and making the best possible use of those technologies to enhance Customs procedures, controls and revenue collection, and be more responsive to the changing needs of Business. It was important that Customs make optimal use of all its resources, particularly its human resources as the Delegate of the Russian Federation had mentioned, and at the same time that it be more vigilant in the face of the risks presented by modern technologies. In the latter connection, in order to avoid the exploitation of Customs IT for criminal purposes, administrations needed to strengthen their data systems and protect their data effectively. He urged the WCO to invest its energies wholeheartedly in this project, by engaging in a high-level process of reflecting on all aspects of e-Customs in the broadest sense.
55. The Delegate of BENIN began by expressing his appreciation of all the activities carried out over the past year for the benefit of the membership, and in particular for the Members in West and Central Africa. He welcomed the choice of CBM as the WCO theme for 2015, given the challenges currently faced by all countries where security was concerned. He also welcomed the adoption of the new pillar in the SAFE Framework of Standards, bearing in mind the difficulties experienced by many administrations in managing the vital relationship with Business. Performance measurement, which enabled Customs to self-evaluate rather than being evaluated by others, also needed to be encouraged, and technical support was required so that administrations could take ownership of the new tool that was being developed. He expressed his gratitude for the Mercator Programme and his appreciation of Phase II of the Revenue Package, adding that having initiated a reform process, Benin had enhanced its Single Window and completed the migration to ASYCUDA World; other ongoing initiatives included a value certification programme based on an inclusive, integrated approach, and a quality assurance programme which should lead to ISO certification for the Customs Administration within the next few months.

56. The Delegate of GHANA expressed his appreciation of the WCO's commitment to assisting Members with the termination of preshipment inspection (PSI) contracts, and welcomed the news that a document on best practices and guidelines in this respect was to be issued shortly. With the assurance of the WCO's support and the personal commitment of the Secretary General to support administrations in this endeavour, Ghana Customs was more confident of its success.
57. The Delegate of the EUROPEAN UNION confirmed the EU's strong interest in the successful implementation of the strategic orientations identified by the WCO, and urged the Organization not to deviate from the three priorities that had been established, namely security (including the SAFE Framework), trade facilitation and implementation of the TFA (to which the EU had pledged 400 million euro), and capacity building, which was relevant both to the TFA and to the collection of revenue. He expressed support for the work being done to support the achievement of these priority goals, in the areas of performance measurement, e-Customs, CBM and connectivity.
58. The Delegate of GUINEA recalled that, in 2014, the Secretary General had encouraged Members to submit their best practices in order to assist other Members, and he requested an update on the number of best practices communicated and the prospect of their being disseminated in order to assist other administrations with their strategic planning. In particular, he was interested in learning about Ghana's experience of terminating contracts with preshipment inspection companies. He also requested clarification concerning the total number of Customs officers in the world, as the figure which appeared in the WCO's 2013/2014 Annual Report appeared to have been repeated in the 2014/2015 Annual Report.
59. The Delegate of JAPAN announced that, on 1 June 2015, his country had notified the WTO of its acceptance of the TFA Protocol, thus becoming one of the first seven WTO Members to do so. Also, for the forthcoming year Japan would increase its financial contribution to the WCO, through the CCF Japan, to 4 million euro (an increase of 50 %), and would continue to provide support for trade facilitation with both financial and human resources. Securing peace and ensuring the safety of citizens was one of the fundamental missions of Customs, as a pivotal border agency, and Japan welcomed the WCO initiative of enhancing security programmes. Under a new national security initiative, which was described in detail in the June 2015 edition of the WCO News, Japan Customs had been authorized to request that all airline companies submit PNR data electronically via the appropriate systems. To date, 96 % of airlines had expressed their intention to prepare for the provision of electronic PNR data to Customs, although regrettably some EU-based airlines were unable to respond to this request. This would result in a security loophole which would threaten citizens' security and well-being, and Japan invited Customs administrations to make a collective effort to block that loophole. The WCO should continue to work on security issues, and Japan Customs would offer its full support to such initiatives.
60. The Delegate of the ISLAMIC REPUBLIC OF IRAN said that the WCO was a good forum for sharing best practices and experiences in order to enhance the position of Customs among other national and international agencies. In addition to implementing the WCO's traditional instruments such as the Harmonized System, Iran Customs now complied with most of the provisions of the RKC, including pre-arrival declaration, risk management, post-clearance audit, Single Window, the AEO programme and consultation with Business. That being said, he considered that the diversity and ever-increasing number of WCO instruments and tools could create confusion, and in some cases could decrease their quality or lead to their being

neglected over time, as had happened in the case of the Unique Consignment Reference (UCR) number. It was necessary to combine and refine these tools, choosing those options which were most feasible and dealing with issues such as identification codes and their relationship to the HS. He requested that the Information Management Sub-Committee (IMSC) pay further attention to this issue. On another matter, he mentioned that, among stakeholders, the transport sector in particular had a very close relationship with Customs, so in e-commerce there might be some commonality of functions with the IMO, IRU or terminal operators' conventions. He requested that the Secretariat or the RKC Management Committee address this issue, particularly in the Guidelines to Specific Annex A.

61. The Delegate of BANGLADESH expressed his appreciation of the Orientation Session organized for new Directors General, which he had found to be highly informative. He also drew attention to the Conference on Financing for Development which was scheduled to take place in July 2015 in Addis Ababa, Ethiopia; domestic resource mobilization would be a key issue at the Conference, which would be of particular interest to Customs departments in least-developed countries such as Bangladesh, as they were called upon to contribute significantly to their national Exchequers. He added that Bangladesh had developed a Strategic Plan based on the WCO's Columbus Programme, and was looking forward to receiving further support from the WCO, particularly under the Mercator Programme, in order to build national capacity to implement the TFA.
62. The Observer for the GLOBAL EXPRESS ASSOCIATION (GEA) said that the WCO's excellent work on trade facilitation was extremely important to the express industry, and was delighted to see the RKC welcome its 100<sup>th</sup> Contracting Party during the Council Sessions. It had taken 16 years for the RKC to amass such an extensive membership, and he hoped that the TFA, which needed 108 signatories to enter into force, would progress much more quickly. GEA had produced an economic study on the express industry and the relationship of Customs capabilities to trade development, a copy of which had been distributed to all delegates on CD-ROM. The role of Customs in disaster relief was also an issue of importance for GEA, as the express industry was an active partner in delivering relief consignments; on various occasions, the industry had experienced operational difficulties which hindered, to a greater or lesser extent, the delivery of such consignments, and GEA strongly encouraged Members to implement simplified procedures when required.
63. The CHAIRPERSON invited the Secretary General to respond to these remarks, and noted that a great many speakers, before moving on to the specific points they wished to raise, had thanked the Secretary General for his comprehensive report and commended the excellent work done by the Secretariat under his leadership during the previous 12 months.
64. The SECRETARY GENERAL thanked delegates for their words of appreciation and encouragement before addressing, in turn, the specific points raised during their interventions.
65. He said that he greatly appreciated Mexico's initiatives with regard to Customs integrity, including its raising of this issue in the G20 context, as well as the establishment, under Mexico's leadership, of a regional strategic plan for the Americas/Caribbean region. The AEO Global Conference to be organized by Mexico was illustrative of the great progress that had been made with the AEO Programme in the region. He took the opportunity to express the Organization's gratitude to Argentina for its work in hosting the Americas/Caribbean ROCB - a responsibility which

was now being passed to Uruguay. He then expressed his appreciation to Malaysia, not only for hosting a Regional Training Centre, but also for the Malaysian technical cooperation programme, which was in line with WCO programmes and served to promote WCO tools.

66. Turning to the first of the points raised by the Russian Federation, the Secretary General noted that the Secretariat had been tasked with the development of a background paper on the WCO's regional structure. On the second point, he said that issues surrounding the global supply chain were of key importance to the Customs community, and agreed on the need to focus on supply chain transparency and predictability. In fact, the Permanent Technical Committee had decided to review the Integrated Supply Chain Management Guidelines in order to ensure that WCO tools addressed the secured trade lanes imperative. Finally, he agreed with the Russian Federation that, in terms of capacity building, it was important to ensure that considerations related to staff quality and quantity were taken into account in the development and use of new technologies; the objective was that new technologies should support Customs staff in their work.
67. Recalling that the Delegate of Swaziland had made some important points about its experience of establishing a National Committee on Trade Facilitation, the Secretary General said that case studies from Sri Lanka and Nigeria had been included in the outcomes of a Secretariat survey on this subject, but written information from Swaziland (and indeed other Members) would be useful, to enrich WCO tools and establish new guidance for Members.
68. The Secretary General went on to thank Sweden for its continued support, and looked forward to the finalization of the agreement between the WCO and Sweden on the new arrangements for the latter's donor funding. Moving on to the intervention by the Delegate of Côte d'Ivoire concerning its interconnectivity project, which had recently been expanded to include neighbouring countries, the Secretary General informed the Council that there would be a presentation on this successful initiative at the WCO Conference on Regional Integration which was to take place immediately after the Council Sessions. He was also very pleased to note the steady increases in the CCF Korea since its inception in 2011, and notably in 2015, adding that this Fund covered a wide range of capacity building and technical assistance initiatives.
69. Regarding the Delegate of Costa Rica's reference to the issue of transfer pricing, the Secretary General recalled that, in March 2015, a regional workshop on this topic had been organized in Mexico, in conjunction with the OECD, and said that the Technical Committee on Customs Valuation was continuing its work on the issue of transfer pricing and Customs valuation.
70. The Delegate of China had underlined the importance of regional integration, and it was pleasing that the Silk Road initiative was closely linked to WCO programmes and tools. Also, the support for regional integration provided by the CCF China was greatly appreciated. The United Kingdom's provision of funding for the WCO's Mercator Programme was most welcome, and it was hoped that other Members would follow suit in providing both financial and human resource support to WCO capacity building programmes. Still on the subject of voluntary contributions, he noted that the Delegate of the European Union had referred to the EU's 400 million euro TFA-related fund, and he looked forward to this fund being utilized for the benefit of WCO Members.
71. Referring to other specific issues raised by Members during their interventions, the Secretary General said that Sudan's concerns about security issues and CBM,

linked primarily to illicit trade and drug smuggling, were important and were shared by all administrations. Regarding the Delegate of Morocco's remarks about the digital revolution and how Customs could strategically address this issue in relation to interconnectivity and human resources, he remarked that the WCO's IT-related activities would henceforth address the human resources aspect. Where cybercrime was concerned, the Enforcement Committee would continue working on this issue, and an Electronic Crime Working Group would be established to see how Customs could address this specific risk. The Delegate of Benin had outlined the areas in which his Administration had received assistance from the WCO; as he had highlighted the usefulness of performance measurement, he would doubtless welcome the forthcoming technical guide to self-assessment using the 20 high-level indicators which had been developed.

72. Regarding the Delegate of Ghana's reference to preshipment inspection contracts, the Secretary General said the WCO's approach was that the termination of outsourced service contracts should be supported by technical assistance, capacity building and political advocacy. The Delegate of Guinea had also referred to the termination of preshipment inspection contracts in the context of the collection of best practices. The WCO's new guide on this subject contained case studies from Ecuador, Kenya and Nigeria, and it was hoped that more case studies would be received for incorporation in other WCO guidance, as this was a very useful form of knowledge support. The Secretary General acknowledged that the reference in the Annual Report to the total number of Customs officers worldwide had not changed since the previous year, and explained that this was a round number, which despite minor fluctuations had remained the same, i.e. at 840,000.
73. The Secretary General welcomed Japan's announcement regarding its ratification of the TFA. He appreciated the 50 % increase in the financial support offered by Japan, as well as Japan's willingness to assist through the establishment of a virtual working group on the security-related issue of API/PNR. The Delegate of the Islamic Republic of Iran had expressed concern about how to keep WCO tools updated, and had noted that the focus of the work on UCR and product identification codes had shifted somewhat. In this connection, the Secretary General explained that the WCO's work was guided by the needs and priorities of its Members, which were now focusing on trader identification numbers, closely linked to the AEO Programme and mutual recognition agreements. The most up-to-date and relevant WCO tools available were clearly identified within all four WCO Packages. On the points raised by the Delegate of Bangladesh, he said that, following his visit to Bangladesh in 2010, when he had met with the Prime Minister and the Minister of Finance, a diagnostic study had been conducted in 2011; in 2012 Bangladesh had acceded to the RKC, and in 2015 its Customs Administration had drawn up a strategic plan. Bangladesh's evolution was a showcase for Customs reform and harmonization, and the WCO would continue to support the efforts of this Administration.
74. The Secretary General concluded his response to the many interventions by expressing his appreciation of the study circulated by GEA, which highlighted Customs' contribution to economic development. In the area of natural disaster relief, CBM and good cooperation were crucial. Following the recent, devastating earthquake in Nepal, many routes opened by neighbouring countries had facilitated the flow of goods. In the wake of major natural disasters, the WCO immediately contacted the United Nations and other agencies. The Secretary General paid tribute to the professionalism of the Customs community in the aftermath of natural disasters, but agreed that Customs should take the lead in coordinating the efforts of other government agencies at the border, and of the private sector where required.

75. The CHAIRPERSON concluded this Agenda item by thanking the Secretary General for his interesting and wide-ranging presentation about the achievements of the previous 12 months and the way forward for the future.

## **5. POLICY MATTERS**

76. The CHAIRPERSON invited participants to consult the Reports of the Policy Commission's 72<sup>nd</sup> and 73<sup>rd</sup> Sessions (Docs. SP0506 and SP0526), which had taken place in December 2014 and June 2015 respectively. Although the 72<sup>nd</sup> Session, in December 2014, had been concerned primarily with matters which were examined further at the 73<sup>rd</sup> Session and were therefore reflected in Doc. SP0526, he drew the Council's attention to the fact that in December 2014 the Policy Commission had examined Council Decision No. 232 relating to the emoluments of the Secretary General and Deputy Secretary General and had agreed that the Decision required updating without, however, modifying the method used to the emoluments. The amended Decision was set out in Annex IV to the Report on the Policy Commission's 72<sup>nd</sup> Session and was being submitted for Council approval at the present Sessions. The Chairperson also drew attention to the revised Terms of Reference for the Private Sector Consultative Group which had been approved by the Policy Commission and were set out at Annex III to the Report on the 72<sup>nd</sup> Session (Doc. SP0506).
77. The Council took note.
78. The CHAIRPERSON then invited participants to consult the Report of the Policy Commission's 73<sup>rd</sup> Session (Doc. SP0526), which had taken place earlier in the week. With the assistance of the Secretary General and the senior management of the Secretariat, he presented to the Council, item-by-item, the key outcomes of that session as reported in Doc. SP0526. He informed the Council that for the "A" items before the Policy Commission, which had been for information or had required endorsement only, there had been no presentations and no discussion.

<b>"A" ITEMS</b>
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**(a) Aviation security**

79. At the invitation of the Chairperson, the Council took note of :
- the report of the 9<sup>th</sup> Meeting of the Technical Expert Group on Air Cargo Security (TEGACS);
  - the WCO-ICAO Joint Action Plan;
  - the Phase I report of the WCO-ICAO Joint Working Group on Advance Cargo Information (JWG ACI), which had been endorsed by the WCO TEGACS and the ICAO Working Group on Air Cargo Security (WGACS) and Aviation Security Panel (AVSECP);
  - the first WCO-ICAO Joint Training Workshop;
  - the developments on a WCO-ICAO Joint Authorized Economic Operator/Regulated Agent pilot;

- the work initiated on updating the WCO-ICAO Joint Brochure;
- the developments on the proposed amendment of Annex 9 (Travellers and air cargo facilitation) to the Chicago Convention; and
- the outcomes of the 7<sup>th</sup> Meeting of the ICAO WGACS.

**(b) Revenue Package Action Plan - Progress Report**

80. At the invitation of the Chairperson, the Council took note of the activities reported by the Secretariat in respect of the Revenue Package Action Plan, and noted the new and updated materials prepared by the Secretariat under the Phase II Action Plan.

**(c) Economic Competitiveness Package Action Plan - Progress Report**

81. At the invitation of the Chairperson, the Council took note of the progress made with the implementation of the Economic Competitiveness Package (ECP) Action Plan.

**(d) Compliance and Enforcement Package - Progress Report and new Action Plan**

82. At the invitation of the Chairperson, the Council took note of the activities reported by the Secretariat and endorsed the 2015/2016 Compliance and Enforcement Package Action Plan.

**(e) Globally Networked Customs - Progress Report**

83. At the invitation of the Chairperson, the Council took note of :
- the progress and developments of Globally Networked Customs (GNC);
  - the continuation of the “light-touch” approach in managing GNC at the Permanent Technical Committee;
  - the ongoing efforts of the Secretariat to develop practical guidance materials for supporting exchange of information; and
  - the WCO cooperation with the OECD on the topic of exchange of information.

**(f) Customs Brokers - Progress Report**

84. At the invitation of the Chairperson, the Council :
- took note of the ongoing work concerning Customs brokers; and
  - encouraged Members to share working experiences and best practices in respect of Customs brokers, particularly by responding to the Secretariat’s survey on the subject.

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85. The CHAIRPERSON then invited the Council to turn its attention to the more substantive items from the Policy Commission's Agenda (known as "B" items).

<b>"B" ITEMS</b>
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**(g) WTO Agreement on Trade Facilitation**

86. The CHAIRPERSON recalled that, in December 2013, the Policy Commission had adopted a Resolution confirming the Customs community's commitment to ensuring the successful implementation of the WTO Trade Facilitation Agreement (TFA) as a means of boosting international trade, thereby stimulating economic growth.
87. The SECRETARY GENERAL said that, during his oral report to the Council, he had given a detailed description of the status of this question; therefore, at this stage he merely wished to indicate that, at its session a few days previously, the Policy Commission had taken note of the intersessional developments, including progress in respect of the delivery of the Mercator Programme; urged Members to promote and use the Implementation Guidance for the TFA, and also to contribute to developing tools and sharing experiences for inclusion in the Guidance; urged Members to promote the Mercator Programme and make experts available to assist with the implementation of the Programme; emphasized the importance of using the TFA Working Group to promote WCO tools, to engage with other relevant organizations and also to work with national agencies; and reaffirmed its commitment to implement the TFA and urged administrations to take a lead in the National Committees on Trade Facilitation (NCTF). In the latter connection, he indicated that the WCO would develop guidance material on the establishment of the NCTF.
88. The Delegate of TRINIDAD AND TOBAGO said that his country had established a National Committee on Trade Facilitation, comprised of both Government and private sector representatives. The Committee's meetings were co-chaired by the Ministry of Trade and the Comptroller of Customs and Excise. Regarding the implementation of the WTO TFA, to date Trinidad and Tobago had notified 8 Category A provisions, 29 Category B provisions and 8 Category C provisions.
89. The Delegate of GEORGIA expressed his appreciation of the Mercator Programme, adding that his country had established a joint working group which had proved to be a useful tool for measuring compliance with the WTO TFA provisions. A few provisions had been identified for notification under the different Categories.
90. At the invitation of the Chairperson, the Council joined the Policy Commission in :
- taking note of the intersessional developments, including progress in respect of the Mercator Programme;
  - urging Members to promote and use the Implementation Guidance for the TFA, and also to contribute to developing tools and sharing experiences for inclusion in the Guidance;
  - urging Members to support and promote the Mercator Programme and to make experts available to assist with the implementation of the Programme;

- emphasizing the importance of using the TFA Working Group to promote WCO tools, to engage with other relevant organizations and also to work with national agencies; and
- reaffirming its commitment to implement the TFA, and urging administrations to take a lead in the National Committees on Trade Facilitation.

**(h) Performance measurement - “The Achieving Excellence in Customs” Performance Measurement Framework**

91. The DIRECTOR, CAPACITY BUILDING, began by pointing out that Directors General did not need to be convinced of the importance of measuring performance; many of those present at the Sessions were currently reviewing their performance indicators, because governments were expecting their Customs administrations to assume more responsibilities, in an increasingly complex environment, with the same - or even a reduced - budget. This compelled Directors General to adopt a more strategic approach to their business environment and plan a lot more carefully, in order to carry out their tasks in a smarter and more cost-effective way. Performance measurement was an important tool in this respect. As the Chairperson had mentioned when opening the Sessions, several other agencies had introduced Customs-related performance measurement instruments, such as the “Doing Business” report and the “Logistics Performance Index”, both produced by the World Bank.
92. The Director recalled that, in December 2014, the Policy Commission had held break-out discussions on this important topic with the aim of establishing what Customs heads wanted WCO performance indicators to offer them. One of the outcomes of the discussions was that Customs heads would like to be able to measure, at the national level, how well they were implementing international Customs instruments and standards, and what they would need to do in order to reach their desired level of implementation. Policy Commission delegates had also agreed that they would like a tool that they could use in their discussions with policy-makers, to show them what needed to be done and convince them of the importance of investing in Customs reform and modernization. Performance indicators would also be useful, again at the national level, for discussions with other agencies and with the private sector. At the same time, the Policy Commission had recognized the enormous differences between the WCO’s 180 Member administrations in terms of their size, the budget available to them, the level of compliance in their economies, and so on; it was important that any WCO performance measurement tool should take account of those differences.
93. The Director went on to say that, following the December 2014 Policy Commission session, the Secretariat had developed a first draft of the “Achieving Excellence in Customs” (AEC) Performance Measurement Framework, consisting of 20 high-level indicators, aligned with the WCO Strategic Plan, which had been brought before the various WCO technical Committees for their comments and had been discussed at all six WCO regional meetings. Based on the feedback received, a second draft of the Framework had been prepared for submission to the Policy Committee at its most recent session. The Policy Commission had agreed that the next stage should be to develop a second layer of indicators, in order to arrive at a deeper and more comprehensive set of indicators for measuring compliance with international Customs tools and standards.
94. In order to optimize the usefulness of the Framework, the intention was to build maturity models for some of the indicators, consisting of four to five pillars that would indicate in a very detailed manner how an administration could progress from a very

basic risk management system, for example, to a very sophisticated one. This would allow Customs heads to pinpoint where they stood on each indicator. Alongside its work on the development of the second layer, the Secretariat would also prepare a technical guidance paper on how to complete the Framework, as well as a paper on trade compliance which would help Member administrations assess the level of compliance in their national economies.

95. The Director explained that the Policy Commission had been asked how it would like the Framework, once developed, to be used, and specifically : (i) whether it should be used nationally for self-assessment purposes; (ii) whether the data from national self-assessments should be collected and used to produce an aggregated data set against which administrations could measure themselves; and (iii), whether the national data should be published. The consensus within the Policy Commission had been that Members should be requested to provide the Secretariat with their data, which would be used to build an aggregated data set against which administrations could conduct their self-assessment. Other options, including publication of the data, could perhaps be considered at a later date. The Policy Commission had also provided some advice on how the Secretariat should build the second layer of indicators, pointing out in particular that account should be taken of the indicators already being used by Customs heads, and of the cost and effort involved in collecting data.
96. The Director concluded his presentation by indicating that, in addition to its work on the “Achieving Excellence in Customs” Framework, the Secretariat had also been assisting the IMF with the preparation of its Revenue Administration - Fiscal Information Toolkit (RA-FIT), and some delegations in the Policy Commission had asked the Secretariat to continue to support that initiative.
97. The CHAIRPERSON said that the Policy Commission had recognized the usefulness of the draft performance indicators to the membership, for self-assessment as well as for the establishment of national Customs roadmaps and the formulation of national strategic plans. As the Director, Capacity Building, had pointed out, the self-assessment data would not be published; moreover, there would be no ranking of Customs administrations.
98. The Delegate of GEORGIA said that it was very important to have objectively verifiable criteria for measuring Customs performance. The key expression here was “objectively verifiable”, and while the opportunity to use a self-assessment tool would be welcomed by Customs, it had to be accepted that governments might prefer to base their assessments on the existing ranking exercises conducted by other international organizations, such as “Doing Business”, the “Logistics Performance Index” and the “Corruption Perception Index”, which were independent of Customs. In his view, it would therefore be preferable to use this performance measuring tool in a different way, through an outsourcing platform where administrations’ performance could be measured by independent experts. The peer review process conducted under the aegis of the OECD Forum on Tax Administration was an example of an interesting approach which had proved its worth.
99. The Delegate of the RUSSIAN FEDERATION said it was very important that the Customs community create its own instruments for assessing its work, because the various ranking systems operated by other institutions, such as “Doing Business” for example, were run by people who had no direct experience of Customs work and did not take account of the particular needs and achievements of individual Customs administrations, the improvements they had made, or the technological and other difficulties they had to contend with. These ranking systems were limited in their scope

and schematic in nature. Therefore Customs administrations needed their own performance measurement system, developed by the WCO, to produce a professional rating that would be used not for political or publicity purposes, but to enable the Customs community to see how different administrations were operating, identify best practices, and decide what the short, medium and long-term goals should be and how to implement the many valuable instruments being developed by the Secretariat. He strongly supported the work being done on this issue.

100. The Delegate of BANGLADESH said that the “Achieving Excellence in Customs” concept was very much in tune with current thinking in his country; under a recently introduced annual performance agreement regime, he had been required to sign a performance contract with the Cabinet Secretary, representing the Prime Minister. The Revenue Administration in general, and Customs in particular, was now undergoing a great deal of scrutiny by the Ministry of Finance and also by Parliament, to ensure that the investments being made in Customs modernization were yielding results and therefore represented value for money. He believed that the new WCO performance measurement initiative would be very helpful, and he also looked forward to benefiting from the results of the work being done in cooperation with the IMF on the RA-FIT.
101. The Delegate of SWEDEN congratulated the Director and his staff on the work done in the area of performance measurement, and welcomed the fact that the first-layer performance indicators were now available to help Member administrations focus on results, present their progress and make their work more accessible to national policy- and decision-makers. Sweden wished to emphasize that collecting data and measuring results was not an end in itself - the first step should be to decide what results should be measured, and set the correct parameters for doing so. It would then be a matter of collecting only such information as was needed for the specific purposes identified. Sweden agreed that, faced with limited resources and high expectations, administrations would benefit greatly from a performance measurement framework to help them focus on their goals and the best means of achieving them. Such a tool would also help the Secretariat to analyse its own work in progress, as well as helping the Members to better understand and follow the Secretariat’s achievements.
102. The Delegate of GERMANY also welcomed this initiative, emphasizing the importance of adding the detailed, second-layer indicators to the more abstract first layer. German Customs had already established its own performance measurement indicators, but even so it was looking forward to the completion of the “Achieving Excellence in Customs” Framework, and was keen to contribute to it.
103. The Delegate of COTE D’IVOIRE joined previous speakers in congratulating the Director of Capacity Building and his team for their work on this topic, which was important for his Administration and for the African Members in general. He informed the Council of the actions undertaken by his Administration in order to ensure that its performance would not be judged from a revenue collection perspective alone, but also in terms of the efforts made in the area of trade facilitation. Those efforts included, for example : innovations in the clearance system which enabled an econometric model to be used for the selection of declarations in the different channels; a reduction in controls on arrival and an increase in post-clearance controls, based on a procedural guide; and the intensification of Customs/private sector partnership through the establishment of an Observatory tasked with combating red tape in all its forms and speeding up clearance. Similar projects which were currently underway included the conduct and publication of a Time Release Study and the introduction of an AEO programme. The delegate urged the WCO to continue to provide technical assistance

to the membership, but also - and above all - to provide political support in order to help convince national authorities to espouse the Customs community's shared vision of Customs in the 21<sup>st</sup> Century. A WCO tool for measuring the performance of Customs administrations would enable political leaders to appreciate the other aspects of Customs activity, rather than focusing solely on revenue-related objectives.

104. The Delegate of CUBA said he agreed with previous speakers that the new "Achieving Excellence in Customs" Framework was a very important tool. Cuban Customs had been working on performance indicators in the context of its strategic plan, but when it became aware of the WCO's new initiative in this field it had changed direction and assessed what was really needed in order to implement performance measurement within the Administration. The preparation of a second layer of indicators was a very positive development, which would further assist administrations to determine whether they were adopting the correct approach, not only in comparison with other administrations, but also in the area of trade facilitation, for example.
105. The Delegate of MOROCCO said that the discussions held on this subject at the December 2014 Policy Commission session had revealed the difficulties inherent in finding the correct approach to this issue. The specificities of the various administrations, and the different contexts in which they operated, had made it difficult to arrive at a solution, but he was pleased to note that, despite these early problems, the Organization now had a set of indicators that were simple and well-focused, but covered all the areas of concern to a Customs administration.
106. Where the preparation of the second-layer indicators was concerned, he wished to put forward a few comments and proposals. In essence, he considered that there was a need for a more in-depth approach for the second-layer indicators. Thus, where trade facilitation was concerned, what was significant with regard to the RKC, for example, was not whether a Member had ratified this instrument, but how its provisions were being implemented in practice. Similarly, while it was interesting to know whether or not a time release study had been conducted, it was also important to know the results of such a study. Regarding partnership and connectivity, to take a final example, the first-layer indicator based on the number of consultations held with other agencies was of some interest, but it would be more interesting to know to what extent there was true coordination between the various agencies operating at the border. The aim should be to arrive at even more precise and relevant indicators which would enable administrations to assess their strengths and weaknesses, and measure their progress.
107. The Delegate of ARGENTINA expressed an interest in peer group review, which had been mentioned by the Delegate of Georgia; specifically, it would be useful to have an indicator for analysing the international transparency of Customs administrations in terms of how many exchange-of-information agreements they had entered into, and the actual number of information exchanges undertaken. This would make it possible to measure an administration's trade transparency, and its capacity and willingness to exchange information.
108. The Delegate of EGYPT said that the World Bank's "Doing Business" report did not always reflect the efforts made by Customs administrations, and he would like to have a true assessment that reflected Customs performance, it being noted that all 20 indicators were relevant and should be used. What was needed was well-targeted indicators, defined by Customs administrations on the basis of an agreement between them. It was up to Customs to define what was meant by, for example, time release studies, given the need to take account of the specificities of

each administration. It was important for Customs administrations to move forward by measuring their performance and correcting any malfunctions identified.

109. The Observer for the GLOBAL EXPRESS ASSOCIATION (GEA) said that GEA and its members were working on a daily basis with Customs administrations in 220 countries and territories, and for that reason they attached great importance to performance measurement. Trade and Customs each had their own perspective on performance measurement, and it was essential that each side understand the requirements of the other. The notion of maturity levels was of great importance. The Observer agreed with previous speakers that collecting data should not be a goal in itself - what mattered was how the data collected would be used. Therefore, performance measurement had to be part of a strategic development plan which reflected where an administration stood at a particular time, and what level it wanted to reach at a specified point in the future. Benchmarking and validation of performance were critical in this context, and Business would have a role to play in this respect. GEA, for its part, was already collecting a great deal of data on a daily basis, all over the world, and would be prepared to support any further development of the performance measurement indicators, as well as related management activities.
110. The Observer for the AGADIR TECHNICAL UNIT (ATU), which managed the Agadir Agreement (signed by Morocco, Tunisia, Jordan and Egypt) creating a free trade area for the Arabic Mediterranean countries, briefly described the Agreement and welcomed the recent signing of a Memorandum of Understanding with the WCO. He highlighted the importance of performance measurement, and - in a context where other agencies were assessing and ranking Customs - welcomed the philosophy underlying the "Achieving Excellence in Customs" Framework. The results of an internal self-assessment would be of great interest to a Customs administration, and perhaps to policy-makers in the country concerned, and the aggregation of self-assessment data offered opportunities also; however, he suggested that it would be even more helpful if a set of precise, objective criteria for measuring the performance of a Customs administration could be agreed upon within the Customs community, and then passed on to the ranking agencies for their use.
111. Responding to these comments, the DIRECTOR, CAPACITY BUILDING, thanked delegates for their feedback and support. The comments by several delegates about the purpose of performance measurement and how to use the data collected would certainly be taken into consideration; the Secretariat itself would use the data received from administrations for both strategic planning and capacity building purposes. Regarding the second-layer indicators, he confirmed that the intention was to drill down into the key areas, with the aim of giving administrations a clear sense of where they stood with regard to the implementation of WCO instruments and - based on the maturity model - how to attain a higher level. Finally, he said that the Secretariat would continue to cooperate with other international organizations on aspects of performance measurement, and would indeed encourage them to use the indicators arising out of the "Achieving Excellence in Customs" Framework.
112. In conclusion, the Council :
- took note of the progress in respect of the "Achieving Excellence in Customs (AEC)" Performance Measurement Framework;
  - endorsed the 20 indicators that would make up the first level of the Framework;

- instructed the Secretariat to continue working on the AEC Framework, including the possible aggregation of the collected data; and
- agreed that the AEC data would not be published, and would not lead to a ranking of countries.

**(i) Impact of e-commerce on revenue collection**

113. The DEPUTY SECRETARY GENERAL said that the growth of online shopping, facilitated by improved Internet access, had led to a significant and global increase in cross-border purchases of goods and services. This channel of trade, commonly known as e-commerce, was expected to continue to grow exponentially in the future. It certainly presented unique opportunities for economic and social development, particularly for micro, small and medium-sized enterprises, as it provided an easily accessible and wider platform for overseas trade.
114. However, as with every opportunity, e-commerce also presented significant challenges to Customs. Thus, in terms of trade facilitation and security, the exponential increase in volumes of e-commerce posed a great challenge for Customs in terms of speeding up clearance times and facilitating legitimate trade. Moreover, in the case of business-to-consumer and consumer-to-consumer transactions, which were very frequent in e-commerce, there was also the challenge of receiving very limited - or indeed no - information on traders, individual customers and the supply chain.
115. Another set of challenges related to fair and efficient revenue collection. Many Members had seen a significant increase in the volumes of low-value goods on which duties and taxes were not collected due to the application of *de minimis* regulations. The splitting of shipments, under-invoicing and misdeclaration were among the main concerns in this area, and the potential distortionary impact on domestic manufacturers and retailers, due to a non-level playing field, was also noteworthy.
116. A third and final set of challenges related to the protection of society and the criminal exploitation of e-commerce, which could be used for drug trafficking and for the illicit trade in counterfeit goods, protected wildlife, weapons and explosives. Customs needed to be well-equipped and adopt new methods in order to mitigate these emerging risks.
117. The Deputy Secretary General recalled that the first discussions on the impact of e-commerce on revenue collection had taken place at the December 2014 Policy Commission session, based on a paper produced by New Zealand. In March 2015, the PTC had discussed this topic further. While noting Customs' concerns related to revenue leakage from low-value consignments, the PTC had also shared Members' experiences, working models and potential solutions. The Enforcement Committee had also discussed this topic in March 2015, but from a very different angle. A dedicated break-out session entitled "The Dark Side of E-Commerce" had focused not only on risks associated with revenue loss, but also on criminal activities and money laundering.
118. The Deputy Secretary General indicated that the WCO had been working closely with the OECD on this issue, to provide the Customs perspective and develop a harmonized approach towards the more efficient collection of Customs duties. The ongoing work with the OECD had explored two main alternative models - the vendor collection approach and the intermediary collection approach. Under the vendor

collection model, the obligation to collect and remit duties and taxes on the import of low-value consignments would fall on the non-resident vendor. Therefore, non-resident vendors would be required to register in the importing country and remit duties and taxes to that country. Under the intermediary collection approach, intermediaries would be required to remit duties and taxes on imported consignments to the destination country.

119. Joint work was also being carried out with the UPU. The main topics under discussion included the promotion of advance electronic exchange of information; improving the electronic interface between postal services and Customs; data quality; risk analysis; etc. A joint working group had been set up under the WCO-UPU Contact Committee to carry out further work in this area.
120. The Deputy Secretary General then informed the Council that, at the Policy Commission session held a few days earlier, a number of delegates had expressed their support for the work currently underway on this important emerging topic, and shared their national experiences. While recognizing the exponential growth in e-commerce and its contribution to global trade and economic development, delegates had agreed that Customs needed to be fully aware and be equipped with the necessary tools to respond to new challenges, including security and fiscal risks, particularly undervaluation and split consignments or payments. There had also been suggestions that the ongoing work be expanded to cover the whole spectrum of e-commerce, rather than being limited to low-value consignments, and that the relationship between e-commerce and transfer pricing be looked at.
121. In conclusion the Policy Commission had, in particular : proposed that the impact and applicability of alternative models of revenue collection for low-value, cross-border e-commerce be further explored; encouraged the Secretariat to pursue its cooperation in the area of e-commerce with the OECD, UPU and other relevant stakeholders, including the private sector; and requested the RKC Management Committee to address the issue of *de minimis*.
122. The Delegate of BRAZIL agreed that e-commerce was a priority, high-level topic for the Customs community. Brazil was in the process of revising its legislation in this area, and Brazilian Customs was therefore following the discussions in the WCO and in the OECD very closely. He agreed that the ongoing partnerships with the OECD and with the UPU should be reinforced in this respect, but at the same time he felt strongly that e-commerce should remain on the WCO's own agenda, particularly bearing in mind that not all WCO Members were members of OECD or had contacts with the UPU. The full development of the alternative models of revenue collection which were now under discussion would undoubtedly have a huge impact on Customs' business, and on its relationship with the private sector. Thus, he welcomed the various developments to date, but was expecting there to be further discussions on this topic within the WCO itself, as part of its current agenda.
123. The Delegate of NEW ZEALAND said that her Administration supported the work of the WCO and others to streamline the collection of GST on low-value goods. International collaboration was needed to identify and implement solutions. New Zealand Customs was exploring ways to streamline its processing of low-value imports and there was pressure from retailers to reduce *de minimis*.
124. With regard to the OECD options for collecting GST/VAT, New Zealand Customs supported vendor collection using offshore supplier registration (OSR) as one of a range of collection mechanisms. While private senders of parcels and some suppliers

probably would not register, OSR would reduce the proportion of goods subject to the existing manual processes. If OSR was to reduce administrative and compliance costs rather than increase them, a number of common features would need to be internationally agreed. Suppliers would need a single, internationally-recognized means by which their goods could be efficiently identified, if double taxation was to be avoided and pre-paid goods still fast-tracked. The high-level design of the scheme and information requirements should be common - New Zealand would have enforcement difficulties if the rules of its scheme differed from those required by larger markets.

125. New Zealand Customs also supported the OECD's intermediary collection option. In effect, the intermediary model already applied to couriered parcels entering New Zealand, although under the OECD option tax liability would be formally transferred to the courier company. In order to advance the courier/postal option, it would be helpful if the WCO could give priority to the provision of advance electronic data on mail parcels, including an adequate goods description and the recipient's electronic address. This was necessary in order for postal authorities to become efficient intermediaries in revenue collection. Collection by intermediaries would be dependent upon the cooperation of third parties, and for that reason New Zealand would like the WCO to actively encourage the development of an international agreement on the design and implementation of offshore supplier registration. The delegate concluded by suggesting that a wider perspective was required when considering options for tax collection. Potential savings from reduced information or handling requirements would not materialize if that information or handling was still required for other border management purposes.
126. The Delegate of CHINA said that e-commerce, a new mode of trade that had grown rapidly in the 21<sup>st</sup> Century, brought great convenience to consumers, together with huge opportunities to micro, small and medium-sized enterprises. At the same time, e-commerce brought risks and challenges to Customs, in respect of fraud for example, but also opportunities for the development of Customs work. Customs had a responsibility to facilitate trade whilst maintaining good controls, and it was important to send a positive signal to Business that Customs was willing to facilitate e-commerce. Against that background, she considered that the Enforcement Committee's Agenda item on this subject should perhaps have been entitled "Opportunities and challenges of e-commerce", as she considered the reference to the "dark side" of e-commerce to be somewhat inappropriate.
127. The delegate then informed the Council of China Customs' recent activities in this area, with particular reference to cooperation with other relevant international organizations. Thus, in May 2015, China Customs had sponsored a Joint WCO-UPU Customs-Post Workshop, held in Guangzhou, which had been attended by over 100 participants representing Customs and the postal services, who had held discussions and shared experiences on how to improve their abilities to use electronic information and enhance their cooperation. Moreover, China Customs had chaired the APEC Sub-Committee on Customs Procedures in 2014, and under China's initiative the Sub-Committee had adopted e-commerce as part of its collective action plan. Following that development, China Customs would host another seminar on e-commerce in September 2015. She concluded by indicating that China Customs would be happy to provide further information on what it was doing in this area, and looked forward to working with other Members to ensure the healthy development of this new mode of trade.
128. The Delegate of MAURITIUS said that, although e-commerce offered increased opportunities for the expansion of international trade, it also posed many problems and

challenges where revenue collection was concerned. Concerns around VAT collection were now being addressed by the OECD, but - aside from a few discussions - little attention had been paid to the implications of e-commerce for Customs. He requested that the WCO interact not only with the OECD, but also with the United Nations, in framing international best practices where revenue collection in the context of e-commerce was concerned.

129. The Delegate of the DOMINICAN REPUBLIC said that although there were, of course, some very positive aspects to e-commerce, at the same time it caused problems for Customs administrations worldwide. In the Dominican Republic, this form of trade was becoming a source of unfair competition, and he believed that this would also be the case elsewhere in the world. Therefore, he welcomed the decision to start a discussion at the WCO about this rapidly increasing type of trade.
130. The Delegate of CHILE thanked New Zealand Customs for putting this very topical issue forward for discussion in the WCO. In Chile, e-commerce had increased by around 30 % a year over the previous four years. This had brought new challenges to Customs, not only in terms of revenue collection but also in dealing with new types of Customs fraud, related to fake medicines and health foods, for example. Consumers often did not understand Customs legislation, and when ordering goods over the Internet they were not aware that there would be Customs formalities to be completed. He was pleased that there was to be an exchange of information on this subject at the WCO, and hoped that solutions would be found which could be adopted by Customs administrations worldwide.
131. The Delegate of SPAIN thanked the Deputy Secretary General, on her own behalf and on behalf of the European Union, for the work carried out on this subject. E-commerce, which had become a concern for many EU Member States, was a horizontal issue which needed to be dealt with in conjunction with other organizations; for that reason, she was pleased to note that the WCO was working with the UPU and OECD on this matter. Customs administrations needed to strike a balance between facilitation and control, and where control was concerned, it was important to take account of the different types of fraud associated with e-commerce, and with small parcels in particular. On the subject of low-value consignments, she said there could be no single solution which would be suitable for all Customs administrations, regardless of their economic situations. The countries of the European Union were looking at the OECD proposals, including in particular the possibility of introducing a registration system for sellers, under which revenue would be collected not on a case-by-case basis but for a series of transactions. Another possibility would be to have third party services collect Customs and tax revenue.
132. The question of *de minimis* values also merited careful study. *De minimis* had cost EU Members around 120 million euro since 2013, and unfair competition also had to be taken into account in this context, especially for economies with a high proportion of SME trade. With all of these points in mind, it was essential to achieve a level playing field, and the European Union was ready to study the possibility of doing away with *de minimis*, provided this could be done without generating a large amount of extra work for the fiscal authorities and for SMEs. To sum up, she said that the EU Member States were pleased with the work done to date on the issues of e-commerce and *de minimis* values, and looked forward to further developments.
133. The Delegate of KOREA began by expressing his agreement with the comments made by the Delegate of Spain regarding *de minimis* values. He added that with the digital economy growing rapidly, e-commerce was emerging as a new business model.

This represented an opportunity for a new source of economic growth in the world economy, but at the same time there would be emerging risks for Customs enforcement. A more balanced approach was needed on how to set the level of the *de minimis* threshold; lowering the threshold would help to address various adverse effects related to e-commerce, such as tax leakages, the sale of drugs and counterfeit goods, and the smuggling of restricted goods, but it would have a negative impact on trade facilitation as it would impose new burdens on importers. The delegate said that he expected the WCO, through its various Committees and in consultation with other international organizations such as the OECD and the UPU, to provide the membership with a more elaborate and balanced outcome for this issue, bearing in mind the different taxation systems in each Member country, as well as feasibility and administrative costs.

134. The delegate then informed the Council of Korea's recent policy on this issue, explaining that Korea had taken a more positive policy direction for this new business model, by gradually increasing the level of the *de minimis* threshold. Recently, Korea had seen a huge increase in the total value of goods entering the country through e-commerce trade, as well as in the number of transactions. The Korean Government offered tax benefits and expedited clearance for low-value e-commerce goods. At the same time, however, the clearance and delivery of the goods were more strictly controlled, in order to prevent the entry of illegal goods. Also, since 2014, Korea required the shipping address for express consignments, in order to separate goods for common use and prevent the illegal entry of harmful goods. The delegate hoped that Korea's recent experience would contribute to the WCO's further work in this area.
135. The Delegate of ECUADOR thanked the Secretariat for taking up this very important issue, and said that e-commerce in Ecuador had developed on the basis of goods being sent to the country by family members living abroad. There had been a huge increase in this phenomenon. He was in complete agreement with the Delegate of Spain regarding the need to maintain a balance between facilitation and control. E-commerce should not be regarded as a form of unfair competition, and therefore should not have an impact on trade policy in different countries.
136. The Delegate of MEXICO joined previous speakers in thanking the Deputy Secretary General for his presentation, and expressed his agreement with the points already raised during the discussion. E-commerce was a global, and growing, phenomenon, and it was clear that Customs administrations needed to work together to regulate this type of trade, not only in order to prevent the movement of illicit goods, but also to strengthen controls so as to ensure the appropriate collection of revenue. In this connection, he suggested that the WCO look into the possibility of developing and coordinating a single electronic platform enabling Members to ascertain the tariff heading of goods in different countries, and allowing Customs in the country of destination to find out whether or not the taxes had been paid at the beginning of the transaction.
137. The Delegate of ZAMBIA congratulated the Deputy Secretary General and the New Zealand Administration for their ground-breaking work on the impact of e-commerce on revenue collection. He said that Zambia had implemented the underlying infrastructure to support the use of e-commerce in terms of both domestic taxes and Customs services, by introducing Web-based systems (Taxonline and ASYCUDA World, respectively). E-commerce had the potential to transform revenue collection, and indeed all aspects of Customs operations. The penetration of ICT platforms, including mobile phones, in developing countries was another platform that could be leveraged on in order to provide effective solutions for collecting

revenue and supporting trade facilitation, including for small and medium-sized cross-border traders. He requested that in continuing with this innovative work, the WCO take account of the ways in which “mobile commerce” could be used to address the particular trade facilitation needs of small-scale cross-border traders.

138. The Delegate of the MALDIVES welcomed this very important work aimed at dealing with the emerging new opportunity represented by e-commerce and other electronic facilities. He emphasized the need for advance information and electronic manifest information on e-commerce goods, as this would assist with risk profiling and risk management.
139. The Delegate of COLOMBIA agreed that this was a very important discussion. In Colombia, as in other countries, Customs played an important role in combating the threats presented by e-commerce, in relation to sanitary and phytosanitary risks for example, and problems with weapons or currency; at the same time, Customs also had to collect the appropriate revenue. In Colombia, intermediaries in postal traffic were responsible for collecting duties and remitting them to the national authorities. There had been cases of fraud in connection with the collection of duties, and Colombian Customs intended to provide the Secretariat with details of its experience of detecting such fraud.
140. The Delegate of INDONESIA said that, in his country, e-commerce was credited with enabling customers to obtain goods more cheaply, enabling traders to sell their goods more easily, and promoting the development of SMEs. From the Customs standpoint, however, e-commerce was associated with the loss of potential revenue, greater opportunities for fraud, and potential harm to domestic SMEs as a result of unfair competition. He therefore asked the Organization to make a careful study of this topic, with particular reference to the *de minimis* aspect.
141. The Delegate of PORTUGAL said that her Administration certainly shared the same concerns as previous speakers with regard to e-commerce, where the volume of trade meant that Customs administrations had to be very effective. Sophisticated techniques specific to this sector were needed, in order to achieve trade facilitation while implementing the necessary control measures. Good coordination with the work of other relevant agencies was also essential in order to combat fraud, especially in relation to counterfeit medicines, and Portuguese Customs had built up excellent cooperation with the national health authorities in that respect. Customs was, of course, attempting to achieve better revenue collection where e-commerce was concerned, but ensuring public safety and security was a very important aspect also.
142. The Observer for the GLOBAL EXPRESS ASSOCIATION (GEA) said that e-commerce was a very important part of the express industry’s business, and the industry was grateful for, and was cooperating with, the work that the WCO was doing, along with the OECD, to identify new and efficient ways to collect duties. Risk assessment was important in many areas of trade, and e-commerce was no exception. Regarding the discussions on *de minimis*, he said that even in the case of shipments that fell below the threshold, Customs still received advance data from the express industry for the purposes of risk assessment, so it was not as if those shipments passed completely “under the radar”. GEA would encourage the WCO to cooperate with the UPU on matters such as liability for duties and for data accuracy - the express industry and its partners were held accountable for the data they provided, whereas postal operators (or postal authorities as they were often called) were exempt from this. This point should be taken into account.

143. The Observer remarked that *de minimis* had not been created as a generous gesture on the part of governments; as some delegates had pointed out, it was a matter of measuring the amount of the duties collected against the cost and effort involved in collecting them. GEA looked forward to the discussions on the *de minimis* issue in the RKC Management Committee, and would provide an impact assessment.
144. The Observer for the INTERNATIONAL CHAMBER OF COMMERCE (ICC) said that the ICC, as the world's largest business organization, recognized that *de minimis* was a sensitive topic, but believed that many of the objections to increasing *de minimis* levels were due to a lack of understanding of the broader, positive impact on the global economy of higher *de minimis* levels, as shown by numerous economic studies. This was particularly true of markets for fast-moving consumer goods and e-commerce, led by small and medium-sized companies which were the backbone of the global economy. Low-value shipments that currently required traditional clearance were the largest single reason for bottlenecks at the border, and prevented higher-risk shipments from being subjected to additional oversight.
145. He added that there was considerable focus on the monetary aspect, i.e. the potential loss of VAT or GST, but the benefits of higher *de minimis* levels tended to be overlooked. It was important to note that raising *de minimis* levels would not compromise security, as carriers and forwarders would still provide manifests and the key data elements necessary for security screening, and licensable or controlled goods would not be exempt from non-tariff requirements. Higher *de minimis* levels freed up Customs administrations to focus on higher-risk shipments and improved Customs efficiency, as well as providing equal benefit to small, medium and large companies. The ICC recommended that balanced discussions on *de minimis* be held, covering all of the important aspects including both benefits and challenges, it being noted that the benefits could outweigh the loss of revenue. For countries that had concerns about the loss of VAT or GST, there were certain solutions involving higher *de minimis* levels that would improve the flow of goods across borders without losing that revenue.
146. The Observer for the WORLD BANK said that his Organization had a strong interest in, and focus on, the developing countries, and wished to encourage the WCO to pay special attention to the aspects of e-commerce that affected those countries; in particular, those countries were often heavily revenue-focused. The issue of informal traders was very important given that, in certain African countries, up to 70 % of trade was conducted informally. It was also important to bear in mind the need to work with other agencies, as e-commerce was not an issue for Customs alone - fake medicines, which were a major problem in developing countries, were a good example of this.
147. Responding to the comments, the DEPUTY SECRETARY GENERAL said that this emerging topic clearly presented a great many opportunities in terms of economic development, but it raised many challenges also. The objective was to achieve a good balance between facilitation and security, and here - as several speakers had pointed out - , the use of modern technologies and advance electronic data was key. Another way to move forward on this issue would be to identify best practices - and also to share experiences, which a number of speakers had offered to do. He confirmed that this topic would remain on the WCO's agenda irrespective of developments in other Organizations, although work would be done in cooperation with partner organizations such as the UPU, OECD and the United Nations (which one speaker had mentioned), as well as the private sector.
148. On the analysis of the *de minimis* provisions to be undertaken by the RKC Management Committee, he noted that speakers were not expecting the

Management Committee to determine whether *de minimis* was a good or bad thing; it was simply a matter of gaining a full understanding of the scope of the existing provisions, and gauging the possibility of making exceptions in order to cater for specific situations that needed to be addressed. On the important topic of the need for education and awareness-raising, he noted a significant point raised during the discussion, namely that e-commerce consumers were often unaware of the fiscal legislation, and therefore might be breaking the law without realizing that they were doing so. Finally, as a number of delegates had mentioned, this topic had a very strong CBM dimension, with many agencies apart from Customs, including the health and tax authorities, being involved.

149. In conclusion, the Council :

- thanked the Deputy Secretary General and the Secretariat for their work on this important topic, and the New Zealand Administration for raising it as an emerging issue;
- took note of the work accomplished during the intersession concerning e-commerce, from both a facilitation and an enforcement perspective;
- proposed that the impact and applicability in the Customs environment of alternate models of revenue collection for low-value cross-border e-commerce be further explored;
- encouraged the Secretariat to pursue its cooperation with the OECD, UPU and other relevant stakeholders, including the private sector, in order to develop potential solutions to effectively meet the challenges emanating from the growth in e-commerce;
- requested the RKC Management Committee to address the issue of *de minimis* thresholds, and in particular the scope of Transitional Standard 4.13 in the RKC General Annex, and wherever possible, to identify exceptions/exclusions; and
- called upon Members to share working experiences and practices in this field.

**(j) Customs-Business Partnership Guidance**

150. The DIRECTOR, COMPLIANCE AND FACILITATION, presented the work on the development of the Customs-Business Partnership Guidance, including its Advanced Pillar. He explained that having received the Council's endorsement for this approach at its 121<sup>st</sup>/122<sup>nd</sup> Sessions in June 2013, the Secretariat and the private sector together had developed the Customs-Business Partnership Guidance to assist Members that were yet to begin the process of engagement with Business, or were at different stages of developing that engagement. The Guidance, which had been endorsed by the Policy Commission in December 2014, also supported Members in their implementation of the relevant provisions of the WTO Trade Facilitation Agreement, including in particular Articles 2 (Consultation), 7.7 (Authorized Operators), 12.1 (Promoting voluntary compliance) and 23.2 (National Committees on Trade Facilitation) of the Agreement.

151. In June 2014, the Policy Commission and the Council had suggested that the Customs-Business Partnership Guidance be further developed through a tiered approach. In accordance with this instruction, the Secretariat, with the support of Members and the private sector, had developed the Advanced Pillar of the

Customs-Business Partnership, for Members which already had well-developed partnership arrangements with Business, but wished to advance the cooperation even further. The draft Advanced Pillar, which was aimed at deepening the existing relationships by leveraging a myriad of new opportunities to meet emerging challenges, had been discussed and approved by the Policy Commission earlier in the week, and was now being presented to the Council for its consideration.

152. The Director went on to explain that the Advanced Pillar was based primarily on some of the evolving concepts being explored and/or implemented by Members. These models included, for example, co-creation; centres of excellence and expertise; extended partnership with other Government agencies; joint integrity and border process observatories; the secondment of officials from Customs to the private sector and vice-versa; bi-directional education/training; and cooperation at the regional, plurilateral and multilateral levels. It was anticipated that the Advanced Pillar would serve as guidance to Customs administrations in advancing their engagement/partnership with Business, depending on their respective economic situations, political imperatives, operational resources and individual requirements. The Director concluded his presentation by inviting the Council to consider and endorse the draft Advanced Pillar, and if appropriate provide further guidance for promoting the Customs-Business relationship at the national, regional and international levels.
153. The Delegate of VIETNAM expressed his high appreciation of the work done with regard to the Customs-Business (C2B) Partnership Guidance. Recently, with help from the WCO through the NORAD project, Vietnam had started to implement a C2B programme, and had welcomed the clear direction on how to develop a Customs-Business partnership. Vietnam Customs had devised a strategy, carried out consultations, and signed MOUs with business associations. Today, there were new initiatives underway with regard to Customs-Business partnership, such as the creation of centres of expertise and the secondment of Customs officials to businesses, and the delegate hoped that these initiatives would soon be implemented so that the WCO's Guidance could be further upgraded. Vietnam fully supported the endorsement of the draft Advanced Pillar.
154. The Observer for the INTERNATIONAL CHAMBER OF COMMERCE (ICC) applauded the WCO Secretariat for its hard work in developing these guidelines, which would be of interest to many countries, including those that had already taken positive steps in this direction and had Customs-Business cooperation mechanisms in place. The ICC appreciated its strategic relationship with the WCO, aimed at bringing Customs and the private sector together at the national level, and this practical new tool would provide guidance on best practices and lessons learned. The Observer added that the new Guide would be particularly helpful with respect to the implementation of the TFA and the work of the new National Trade Facilitation Committees. The ICC had more than 6 million formal members and over 30 million affiliate members around the world, most of which were small and medium-sized companies, and the ICC was committed to bringing them into the discussions on Customs-Business partnership.
155. In conclusion, the Council :
- welcomed and endorsed the “Advanced Pillar” of the Customs-Business Partnership Guidance, which was reproduced in Doc. SP0521, noting that this was a living document which hopefully would be further enriched by the inclusion of more examples of experiences and best practices submitted by Members;

- acknowledged the importance of the Customs-Business Partnership Guidance in the implementation of the relevant provisions of the WTO TFA, noting the need to promote it for its practical use in establishing mutually beneficial, regular consultation/engagement/ partnership mechanisms; and
- thanked Members and the private sector for their contributions to the development of the Customs-Business Partnership Guidance, including the Advanced Pillar.

**(k) Composition of the Private Sector Consultative Group**

156. The CHAIRPERSON informed the Council that, in December 2014, the Policy Commission had approved revised Terms of Reference (ToR) for the Private Sector Consultative Group (PSCG), under which the size of the PSCG would decrease from the current 30 to 21 members. He invited the Secretary General to present the new ToR and, in particular, the composition of the newly constituted Group.
157. The SECRETARY GENERAL recalled that the PSCG had initially been established to support the smooth implementation of the SAFE Framework of Standards. Now that the SAFE Framework had reached its Tenth Anniversary and was well-embedded in the private sector, it was time for the PSCG to enter a new phase and take on a new focus. The reduction in the number of members in the Group reflected a desire to provide for more in-depth dialogue between Customs and Business. Where the composition of the Group was concerned, the new ToR identified five guiding principles, namely : there should be representation from all six WCO regions; there should be a diversity of business sectors represented; there should be a mix of companies and associations; there should be a transitional phase during which the PSCG would consist of a mixture of existing and new members; and finally, there should be a rotation of PSCG members, making it possible to keep abreast of private sector developments.
158. The Secretariat had consulted extensively with the current PSCG members to identify those which were interested in continuing, and also to find new members. In the case of two WCO regions for which the PSCG had not put forward any proposals, he had asked the relevant regional meetings for advice. In addition, reference had been made to the WCO IPR Rights Holders Group for the selection of a pharmaceutical company to join the Group. Based on all these consultations, the membership of the new PSCG had been arrived at. The 21 members were : American Association of Exporters and Importers (AAEI); Business Alliance for Secure Commerce (BASC); Caterpillar; Confédération Générale des Entreprises du Maroc (CGEM); De La Rue; East African Business Council (EABC); Fonterra; GlaxoSmithKline (GSK); Global Express Association (GEA); Groupe AJAVON; Haier Group; International Air Transport Association (IATA); International Chamber of Commerce (ICC); International Federation of Customs Brokers Associations (IFCBA); International Federation of Freight Forwarders Associations (FIATA); International Road Transport Union (IRU); Microsoft; Opora; Procomex; SabMiller; Tata.
159. Turning to the way forward, the Secretary General said that, henceforth, meetings of the PTC, the SAFE Working Group and the TFA Working Group would be held close together, insofar as possible, to allow not only Member administrations, but also the private sector, to engage fully with these WCO bodies. He expected the PSCG to select a new Chairperson at its next meeting, to be held in October 2015 alongside the Autumn series of PTC and TFA Working Group meetings. The

Secretariat would participate throughout this first meeting of the “new-look” PSCG and in subsequent meetings, and would provide input for the Group’s Agenda-setting. In the run-up to the October meeting, a transitional team which included the outgoing PSCG Chairperson and Co-ordinator would ensure a smooth transition to the new PSCG. The Policy Commission had thanked all those who had participated in the PSCG, and expressed the hope that those current PSCG members which would not be part of the newly constituted Group would maintain contact with the WCO, and would consider rejoining the Group in the future under the rotation system that would be put in place.

160. The Secretary General concluded his remarks on this subject by expressing the hope that the PSCG would continue to be a good showcase of the Customs community’s willingness to have constructive dialogue, consultation and cooperation with Business.

161. The Council took note of the new Terms of Reference (reproduced in Annex III to the Policy Commission’s December 2014 Report (Doc. SP0506)), composition and future arrangements of the PSCG, and wished the new Group every success in its work. On behalf of the Council, the CHAIRPERSON also thanked the outgoing members of the Group for their participation, and invited them to continue to maintain close contacts with the Organization.

**(I) Security initiative**

162. The DIRECTOR, COMPLIANCE AND FACILITATION, said that in recent times the world had witnessed an unprecedented amount of violent extremism, and no country or region was immune to this phenomenon. Although counter-terrorism had traditionally been seen as a matter for the military, intelligence services and the police, the complexity of the modern-day counter-terrorism landscape, and the opportunities available to extremists and criminals, had caused past operating models to be called into question at the national level. This had, in many instances, led to an ever-closer involvement of all relevant government agencies, through a whole-of-government approach. The critical role of the border in the context of a country’s territorial sovereignty meant that Customs administrations were increasingly being asked to assume a greater role in the national security domain.

163. As a result of these developments at the national level, the WCO had been asked to explore, from the international perspective, the role of Customs in countering violent extremism. This topic had been discussed in detail at the Enforcement Committee’s 34<sup>th</sup> Session in March 2015, where it had been concluded that, although the Customs role was often considered to be of a supportive nature, Customs had a critical contribution to make because of its place at the border and the tools it was using, particularly in the context of supply chain security. In addition to discussing Members’ contribution to countering violent extremism, the Enforcement Committee had also outlined some ways in which the WCO could support its Members’ endeavours. Thus, the Committee had called for continued efforts in the field of Programme Global Shield and the Strategic Trade Controls Enforcement Project (STCE), and had welcomed plans to set up new programmes related to small arms and light weapons, passenger controls (including the utilization of PNR), and terrorist financing.

164. Another exciting new development mandated by the Enforcement Committee related to the WCO Border Security Initiative. In this connection, the Director explained that the WCO’s Strategic Plan stipulated that the Organization would participate in

three to five United Nations counter-terrorism assessment missions each year. These missions had led to a number of capacity building requests from the countries assessed. The current WCO Security Programme framework had allowed the WCO to participate in the assessment missions, but had not always been flexible enough to allow the implementation of follow-up measures. The objective of the Border Security Initiative was to help Members implement follow-up measures and comply with their various international border security responsibilities, such as those laid down by UN Security Council Resolution 1540 and other, similar instruments.

165. The Director concluded his presentation by indicating that the new approach he had outlined, which had been proposed by the Enforcement Committee and endorsed by the Policy Commission, was closely aligned on the basic principles of the WCO's Compliance and Enforcement Package (CEP). He invited the Council to endorse this new initiative.
166. After the CHAIRPERSON had thanked the Secretariat and the Enforcement Committee for their work on this important issue, the Council :
- welcomed the development of this initiative which responded to the challenges of the current environment, marked by growing concern about security at the international level; and
  - endorsed the new approach for the WCO's security-related work, as set out in Doc. SP0522.

**(m) SAFE Review**

167. The DIRECTOR, COMPLIANCE AND FACILITATION, moved on to another important topic - SAFE - which was related to security but at the same time strongly supported facilitation. He recalled that the SAFE Framework of Standards had been developed in 2005 as an innovative solution to an extreme problem of increased security threats. It laid down minimum standards that had been tested and were working well around the world. During the previous ten years, the SAFE Framework had evolved. Thus, in 2007 detailed provisions on Authorized Economic Operators (AEO) had been included. June 2010 had seen the launch of the SAFE Package, which brought together all the WCO instruments and guidelines that supported the implementation of the SAFE Framework. In 2011, the 10+2 data elements for security filing had been included. 2012 had seen the introduction of two new parts, concerning Coordinated Border Management and Trade Continuity and Resumption, respectively.
168. Now, following a three-year review process, the new SAFE Framework 2015 would help Customs administrations to leverage new opportunities and meet new challenges in international supply chain security and facilitation. During the review process, experts from Member administrations and the private sector had contributed, discussed and unanimously reached agreement in a true spirit of co-creation. One of the most significant changes in SAFE 2015 was the addition of a new, third Pillar, which provided the necessary strategic and tactical tools for comprehensive cooperation at three levels (within the government; between and among governments; and multinational). Standards for cooperation at each of these levels had been developed in order to assist Members.
169. The Director said that another important aspect of the SAFE 2015 was the provisions for "Pre-loading Advance Cargo Information" in respect of air cargo, which required an entity in the air cargo supply chain (such as the carrier, freight forwarder,

integrator, postal operator or their agent) to submit 7 + 1 data elements to the destination Customs, as early as possible so as to minimize any unnecessary disruption of normal trading practices. The destination Customs could then carry out timely risk analysis and take mitigation measures as required.

170. This Tenth Anniversary year was an opportune time to take stock of the situation in terms of lessons learned and challenges to be overcome, and to develop a roadmap to broaden and deepen the implementation of the SAFE Framework, AEO and the new Pillar 3 across the globe, in a more harmonized manner. Work on the next review cycle would start soon. Potential areas for the next cycle might include enhancing the text of the new Pillar 3; a review/update of the Integrated Supply Chain Management (ISCM) Guidelines; a comprehensive review of the SAFE Data Elements, based on Members' implementation experience over the previous ten years; and potential work on the harmonization and interoperability of scanning/NII equipment for the exchange of images/information.
171. The Director concluded his presentation by indicating that the SAFE Framework of Standards 2015 had been endorsed by the Policy Commission earlier in the week. The Council was invited to consider and endorse this new edition of the SAFE Framework, and approve the revised Terms of Reference of the SAFE Working Group. The Council was also requested to provide strategic guidance on the way forward in terms of the implementation of the SAFE Framework, including its new Pillar 3, and to suggest areas for the next review cycle.
172. The Delegate of the EUROPEAN UNION said that the SAFE Framework of Standards was an exemplary instrument for setting global standards for Customs in the security area, and for international cooperation in this domain. With security challenges continuing to increase, it was important that security remain a top priority of the WCO. In this regard, the EU and its Member States endorsed the draft 2015 edition of the SAFE Framework. As SAFE was a living programme, they considered it essential that a new three-year review cycle be initiated, and welcomed the fact that both the SAFE Working Group and the PTC had already identified potential topics for the next review. The delegate thanked the Director, Compliance and Facilitation, for overseeing the work on the SAFE review, and expressed his satisfaction with the cooperation which prevailed whenever security matters were discussed within the Organization.
173. The Delegate of the UNITED STATES said that his Administration was happy to endorse the draft 2015 SAFE Framework of Standards. Ten years previously, the first Commissioner of United States Customs and Border Protection had had a vision for a more secure global trade environment, in which Customs and the private sector would work together to secure and facilitate trade. Today, that vision had been expanded, based on the changing realities facing Customs administrations. Thus, the revised SAFE Framework now included a third pillar to place greater emphasis on CBM and Single Window development. Also, the establishment of global standards for air cargo advance information data elements, and their timeframes, would help to close a gap in international air cargo security. These updates made the SAFE Framework as strong a document as it had ever been, while showing that the WCO remained a leading international organization dealing with global cargo security threats and supply chain facilitation opportunities. The WCO and its Members should be proud of this vision which had become a reality, and should commit to the continued development of the SAFE Framework in the future.

174. The Delegate of JAPAN said that his Administration joined the WCO in celebrating the Tenth Anniversary of the SAFE Framework, which was a significant platform for enhancing both security and facilitation, and he welcomed its timely revision. He described the three components of his Administration's evolution in line with SAFE over the previous ten years. The first step had been the introduction, as early as 2008, of the AEO programme. Secondly, advanced filing rules for maritime container cargo had been successfully implemented in 2014. Thirdly, in line with the revised SAFE Framework, Japan Customs planned to embark on a pilot programme to use pre-loading advance cargo information for air cargo security purposes, possibly in Autumn this year. The delegate concluded by expressing the hope that the next SAFE review cycle would be conducted from a holistic perspective, in order to make the best use of advance information, which should include postal information in addition to cargo and passenger information.
175. The Delegate of CHINA said that her Administration commended the work done in the area of the SAFE Framework. The Tenth Anniversary of the SAFE was being marked by the addition of an important new pillar, representing huge progress with this instrument which, in her view, ranked alongside the Revised Kyoto Convention as one of the WCO's most important achievements in recent years. The SAFE Framework offered administrations guidance as they endeavoured to cope with the challenges of the new era. Since the early stages, China had worked closely with other Members to ensure effective implementation of the SAFE. One example of this was the Smart and Secure Trade Lanes (SSTL) Pilot Project, in which China was working with the EU and Hong Kong, China, and which now involved some 23 participating ports in 10 countries and regions. The SSTL Pilot Project was now entering its third phase, in which it would be extended to cover rail and air transport also. China Customs would be happy to share its experiences of implementing the SAFE Framework with other Members, and looked forward to participating in the continuing development of this living document.
176. The DIRECTOR, COMPLIANCE AND FACILITATION thanked delegates for their strong support for the SAFE Framework, and for their valuable contributions to the work. As his term of office was now drawing to a close, he wished to make a few general remarks about how to achieve an optimum balance between compliance and facilitation. In his view, these two aspects were truly complementary - the higher the compliance, the better the facilitation and the more revenue collected; the more secure the supply chain, the safer the society. In essence, and to a great extent, Customs and the private sector shared the same goals, albeit from different perspectives, focusing on the establishment of a secure, efficient and resilient supply chain. He took the opportunity to encourage Members to further enhance their partnerships with the private sector. He also called on Members to make further use of WCO tools and instruments to promote trade facilitation and Customs compliance.
177. In conclusion, the Council :
- endorsed the SAFE Framework of Standards, 2015 edition;
  - endorsed the revised Terms of Reference of the SAFE Working Group;
  - took note of the Summary Report of the 14<sup>th</sup> SAFE Working Group Meeting; and
  - agreed to the suggested way forward for the next SAFE review cycle.

(n) **Strategic Plan for the years 2013/2014 to 2015/2016 : Operational Plan for 2015/2016**

178. The DEPUTY SECRETARY GENERAL recalled that the WCO Strategic Plan had been approved by the Council in 2013 for a three-year period, and was applicable from July 2013 to June 2016. The Plan was complemented by three Annual Operational Plans which included tactical activities, performance indicators and financial implications. Document SP0524, which the Policy Commission had discussed a few days previously, referred to the next and final Operational Plan to be implemented under the current Strategic Planning Cycle, covering the period 2015-2016. In order to develop the Plan, the Secretariat had applied the usual forward-looking methodology, as approved by the Council in 2012.
179. Thus, the first draft of the Plan had been presented to - and welcomed by - the Policy Commission in December 2014, and the Secretariat had been instructed to continue developing the Plan following the usual methodology. The next step in the planning cycle was the Management Team Away Day in January 2015, when the senior management had conducted a strategic analysis of the Customs Environmental Scan document prepared by the Secretariat's Research Unit, and had analysed the topic of Customs performance measurement. Next, the Audit Committee had reviewed the Plan, specifically the monitoring and reporting mechanisms, including performance indicators. In 2013, the Audit Committee had instructed that performance indicators should be relevant, challenging and specific; should include quantitative and qualitative indicators when possible and appropriate; and should describe the current situation (or baseline) and identify a concrete deliverable, expressed as a target number, date or quality. Finally, in April 2015 the Finance Committee had reviewed the financial implications of the Plan, in accordance with a methodology approved by the Committee in 2012, and had agreed that the allocations presented were a suitable reflection of the current reality, as well as noting the high-level costing of the Plan.
180. The Deputy Secretary General remarked that this cycle ensured that all relevant bodies of the WCO had the opportunity to review the Plan and make contributions in a timely manner. He added that, at the Policy Commission session held a few days previously, several delegates had thanked the Secretariat for the excellent work done on the Strategic Plan and the significant improvements that had been made. It had also been noted that the proposed Operational Plan contained deliverables by both WCO Members and the Secretariat; therefore, in order for it to be implemented successfully, a collective effort was required. The Policy Commission had concluded its discussion by recommending the updated Operational Plan for 2015/2016 to the Council for adoption.
181. The Council adopted the updated Operational Plan for 2015/2016, as set out at Annex II to these Minutes.

(o) **Audit Committee Report**

182. The CHAIRPERSON invited the Delegate of Australia to present the report of the Chairperson of the Audit Committee, on her behalf.
183. The Delegate of AUSTRALIA said that the Audit Committee Chairperson had presented to the Policy Commission her oral report on the Ninth Meeting of the Audit Committee, explaining that the Committee had reviewed the main elements related to the Audit on positioning of the WCO and the 2013 risk mapping exercise. After considering the draft Operational Plan for 2015/2016, including proposed performance

indicators in the Strategic Plan, the Audit Committee had endorsed the Plan with slightly amended performance indicators. The Audit Committee had approved the three elements of the 2014/2015 management audit activity, namely a draft WCO study on a sustainable approach to donor funding, a draft WCO Protected Disclosure Policy and a draft study on risk mitigation for the purpose of developing a continuous risk assessment plan.

184. The Delegate of Australia indicated that the Policy Commission had recommended to the Council for adoption a series of documents that were available on the Members' Web site under the section on the Audit Committee, Ninth Meeting.

185. At the invitation of the Council Chairperson, the Council adopted :

- the Report of the Audit Committee (Doc. SA0086);
- the WCO study on a sustainable approach to donor funding;
- the WCO Protected Disclosure Policy;
- the study on risk mitigation for the purpose of developing a continuous risk assessment plan;
- the 2015/2016 Audit Plan, including audit proposals for 2015/2016;
- the amended Audit Charter.

**(p) Improvement of the WCO Europe region structure**

186. The CHAIRPERSON informed the Council that, at the recent session of the Policy Commission, the Delegate of the Russian Federation had tabled two questions under "Other business", the first of which concerned the structure of the WCO Europe region. He invited the Secretary General to present the discussion which had taken place on this subject in the Policy Commission.

187. The SECRETARY GENERAL said that the current regional groupings had been introduced in the 1980s. In the light of developments since that time, Russia considered that it would be appropriate to re-examine the structure of the Europe region, and had suggested that one possible solution might be to establish a new Eurasian region. As this proposal could have implications not only for the Europe region but for the WCO membership as a whole, the Secretariat had suggested to the Policy Commission that it would be appropriate to await a more concrete proposal, in the form of a paper from the Russian Federation, before examining the issue. At the same time, however, the Secretariat could prepare a factual paper explaining the background to the establishment of the current WCO regions, dating back to the 1980s. The Policy Commission had taken note.

188. The Delegate of the RUSSIAN FEDERATION said that as the initiator of the proposal to create a new, seventh WCO region, the Russian Federation would like to clarify its proposal from the organizational, economic and geographical standpoints. Where the organizational aspect was concerned, in 1986 - when the current six-region structure had been created, the WCO had 96 Members and there were 26 Members in the Europe region. At that time, the European Union had been made up of 12 States. Now, the WCO had 180 Members, of which 51 (plus the European Union itself) were in the Europe region. So, the WCO was now almost double its previous size, and the

Europe region had exactly doubled in size. The European Union, which now numbered 28 States, had more than twice as many Members as was the case in 1986. If every Europe region Member wished to lead the region as its Vice-Chair, for a two-year term as was normal practice in the WCO, it would take 104 years for all 52 Members to have their turn.

189. Turning to economic issues, the delegate said that in recent years there had been many developments, with new regional alliances and Customs territories being created in different parts of the world. In the same way as the European Union had been given status as a WCO Member Customs territory, the Eurasian Economic Union was now in existence, and it was only fair that it should also have a place as a separate entity within the WCO. Finally, he noted that, from a geographical standpoint, the Europe region was very extensive, stretching from Lisbon to Vladivostok, and in Russia's view it would be worth envisaging the creation of regional groupings which were geographically closer. The WCO was a Member-driven Organization, and rearranging the regional structure along the lines suggested would help enhance Members' involvement in the day-to-day work of the WCO.
190. He concluded by reiterating that, for the sake of greater diversity, better management of the Organization and enhanced Member involvement, it would be appropriate to consider creating a new, seventh region which would be made up of Eurasian countries on the basis of geographical, economic, historical and cultural proximity. He agreed with the Secretary General that the Russian Federation should produce a formal proposal to be considered by the Policy Commission in December 2015 and, subject to the latter's response, by both the Policy Commission and the Council in July 2016. The Russian Federation also supported the proposal that the Secretariat prepare a factual paper, which could usefully cover the question of how the introduction of a seventh region would impact on regional representation in the Policy Commission and other WCO bodies. The Russian Federation could also give its view on this important issue in its own paper.
191. The CHAIRPERSON pointed out that this matter was being raised for information only at this stage. At the recent Policy Commission session, the Delegate of the Russian Federation had indicated that his Administration would continue to bring this matter forward for discussion in the Europe region, and if subsequently there were proposals or recommendations, they would be submitted to the Policy Commission and Council for consideration. A factual paper on the WCO's regional structure and its history would be prepared by the Secretariat, for consideration alongside such proposals or recommendations.
192. The Council took note.

**(q) Proposal regarding the election procedure**

193. At the invitation of the Chairperson, the SECRETARY GENERAL reported on the second item of “Other business” raised in the Policy Commission by the Russian Federation. He explained that, at the Commission’s December 2014 session in Recife (Brazil), the Delegate of the Russian Federation had made certain proposals regarding the procedure for elections in the WCO, and specifically for the election of the Council Chairperson and Vice-Chairpersons. These proposals were aimed at clarifying the procedure for nominations for the office of Chairperson, and the conduct of the electoral procedure itself. At that session, the Russian Federation had indicated that it would establish a virtual group, which would be open to all interested Members, to put forward proposals in this respect. At the recent session of the Policy Commission, the Delegate of the Russian Federation had reported on the virtual group’s work to date. In particular, he had indicated that the election of the Vice-Chairs would no longer form part of the proposed new Council Regulation that the group was drafting, because this was a matter for the regions.
194. The Secretary General added that, although the virtual group’s attention was focused specifically on the election of the Council Chair, the resulting draft new Council Regulation could have an impact on other elections conducted at future Council Sessions. With this in mind, the Chairperson had noted that the outcomes of the virtual group’s work, which was still ongoing, would need to be examined in the broader context of the governance issues related to, in particular, election procedures in the WCO. Therefore, the Policy Commission had agreed that, in December 2015, the Policy Commission should have before it, in addition to the contribution of the virtual group led by the Russian Federation, a factual document prepared by the Secretariat, setting out the history of elections in the WCO and explaining the relevant background to the various WCO offices and structures; the document could also indicate how other international organizations handled these matters. Based on these two inputs, the Policy Commission would consider the governance issues related to WCO elections.
195. The Delegate of the RUSSIAN FEDERATION concurred with the Secretary General’s description of the status of this question, confirming that the final draft of the proposed electoral procedure would be prepared, through the work of the virtual group, for examination at the December 2015 Policy Commission, and hopefully the resulting text would go forward to the Council at its 2016 Sessions.
196. The CHAIRPERSON invited the Council to take note of the status of this governance issue, which would be examined further by the Policy Commission at its next session on the basis of these two separate inputs, and welcomed the valuable work being carried out by the virtual group.
197. The Council took note.
198. The Council adopted as a whole the Reports on the Policy Commission’s 72<sup>nd</sup> and 73<sup>rd</sup> Sessions.

## **6. TECHNICAL MATTERS**

### **(a) Tariff and Trade Affairs**

#### **Introduction**

199. The DEPUTY SECRETARY GENERAL referred to the three main areas of responsibility of the Tariff and Trade Affairs Directorate, i.e., Nomenclature, Customs Valuation and Origin. He provided the Council with an update on the Revenue Package, which had been initiated as a response to Members' concerns over declining revenue returns in the context of the global financial crisis of 2008. The Phase I Action Plan had been initiated in 2009 and, in 2012, a series of new tools had been produced relating to tariff classification work and related infrastructure, valuation controls, post clearance audit (PCA) and preferential origin verification.
200. Phase II of the Revenue Package, endorsed by the Policy Commission in 2013, had now been concluded and was divided into two parts. Part 1 focused on implementation of the tools developed in Phase I. Over the last two years, the Secretariat had been promoting this material and assisting Members to implement it, conducting over 70 national missions. Under Part 2, a series of new tools had been developed, covering a wide range of revenue-related topics.
201. Firstly, a Diagnostic tool on Tariff Classification, Valuation and Origin, and related infrastructure with accompanying Guidelines had been produced. The Deputy Secretary General emphasized that these tools should be used to provide a route map and self-assessment mechanism, which would help Members to assess their current capacity in this area, identify weaknesses and plan the necessary steps for strengthening their infrastructures.
202. In the context of Article 3 of the WTO Trade Facilitation Agreement (TFA) on advance rulings, it had been decided to consolidate current WCO guidance on the three topics of Classification, Origin and Valuation into a single tool. The text had been aligned to the TFA as far as possible and all relevant technical committees had been consulted during this process.
203. A Diagnostic Tool on Post Clearance Audit (PCA) and Infrastructure had been developed to assist Customs managers, as well as external diagnosticians, to assess Customs' capacity to conduct efficient PCA controls and to identify needs for further strengthening these programmes.
204. In relation to Origin irregularities, other than fraud, the Deputy Secretary General said that a typology study had been conducted to identify and classify the main types of origin irregularities that Members had to deal with. In addition, a guide that provided practical solutions to Customs to tackle those irregularities had been developed. This guide was based on case studies from Australia, Japan, Kenya, Korea and Mexico. New Guidelines had also been developed in relation to origin certification, aimed at providing guidance and practical explanations for Members to design, implement and achieve robust management of origin-related procedures.
205. The Deputy Secretary General then referred to Customs valuation and transfer pricing which was a major issue for many Customs administrations and the business community. To help and promote understanding of this complex issue, the Secretariat had produced a comprehensive Guide which provided, inter alia, relevant technical background on Customs valuation and transfer pricing, a summary of the work

conducted to date, and references to good practices developed by Members. He thanked the OECD, the World Bank Group and the International Chamber of Commerce for providing valuable input for this Guide.

206. Turning to informal trade, he said that this had been identified as a key challenge, especially by developing-country Members, for whom it often represented a sizeable portion of all cross-border trade. A new document had been developed to provide guidance on this topic, including case studies provided by Mexico and Uganda.
207. He pointed out that the WCO was keen to assist countries which were planning to terminate existing private sector inspection contracts, particularly where those companies were conducting the core Customs functions of valuation and classification. A guide on this topic was now available, including case studies from Ecuador, Kenya and Nigeria which had successfully taken control of those functions following the termination of contracts.
208. Finally, two documents had been produced in order to assist Members to reduce revenue risks and identify revenue gaps. First, there was a guide on the mirror analysis technique, which involved the comparison of aggregate import and export trade statistics to identify possible irregularities such as misclassification or undervaluation. He thanked Cameroon and Ecuador for their assistance in trialling this technique. The second document had been provided by Italy, and described its successful programme to tackle widespread undervaluation of textiles.
209. Acknowledging that revenue collection remained a key priority for WCO Members and that there was more to do to further enhance the capacity of the Members in this area, the Deputy Secretary General announced that the Secretariat would present a proposal to develop Phase III of the Revenue Package to the next meeting of the Working Group on Revenue Compliance and Fraud at the end of November 2015.

**(i) Origin**

210. In relation to Origin, the DEPUTY SECRETARY GENERAL informed the Council that the main issue analysed by the Technical Committee on Rules of Origin (TCRO) at its 33<sup>rd</sup> Session on 3 February 2015 had been the draft of the consolidated WCO Guidelines on Advance Rulings for Classification, Origin and Valuation.
211. With regard to the WCO Action Plan on Preferential Rules of Origin, the work of the Secretariat had included updating of the WCO Database of Preferential Trade Agreements to include Product-Specific Rules related to each Free Trade Agreement (FTA). A total of 307 FTAs were included in the Database. The Secretariat had also continued the development of the Comparative Study on Preferential Rules of Origin, which now included NAFTA, European and ASEAN origin models, as well as modules on certification, verification, irregularities and a study on the use of "Change in Tariff Classification"-based rules.
212. The Deputy Secretary General also reported that, back-to-back with the TCRO, an Origin Workshop had been held at WCO Headquarters. The Workshop had included presentations and discussions on advance rulings, origin certification and origin irregularities.
213. The TCRO had elected Ms. N.P. Umoh from Nigeria as Chairperson. She would be assisted by Mr. T. Martediansyah from Indonesia as Vice-Chair.

214. With regard to capacity building activities in the area of rules of origin, a regional seminar had been conducted in the North of Africa, Near and Middle East region. In the same region, the Secretariat had also conducted an accreditation workshop for Arabic-speaking Origin experts.
215. At national level, Malaysia and Kenya had received training and technical assistance on rules of origin. In addition, Secretariat staff had also attended a number of workshops or conferences, either as speakers or experts.
216. The CHAIRPERSON OF THE TECHNICAL COMMITTEE ON RULES OF ORIGIN (TCRO), Mr. P. Liu, endorsed the report by the Deputy Secretary General and gave a short update on the recent work of the WTO Committee on Rules of Origin (CRO). At that Committee's session in April 2015, despite efforts to gain momentum for the negotiations on the Harmonized Work Programme (HWP) of Non-Preferential Rules of Origin through an educational exercise, Members remained divided on whether Non-Preferential Rules of Origin still mattered to international trade today and whether there was a need to continue with the HWP which had been started 20 years ago. The CRO had also started to discuss how to move forward on the implementation of the Bali Ministerial Decision on Preferential Rules of Origin for least-developed countries (LDCs) aimed at making it easier for LDCs to benefit from quota-free duty-free treatment for their exports.
217. As outgoing Chair of the TCRO, Mr. Liu congratulated Ms. Umoh and Mr. Martediansyah on their election as Chairperson and Vice-Chairperson, and wished them all the best in leading the TCRO in the future.
218. He also expressed his appreciation to Members for the trust placed in him as Chairperson of the TCRO and for all the achievements of the TCRO during the past seven years, which would not have been possible without the constant support from Members. He also thanked the two Vice-Chairs, Ms. G. Dlamini-Zwane from Swaziland and Ms. K.J.B. Kawanda from the Democratic Republic of Congo for their assistance. Finally, he expressed appreciation to the Secretariat for the good job done in supporting origin work which was going through difficult times, to the Secretary General for his guidance and commitment that the WCO should take the lead in the fast-changing world of origin, and to the Deputy Secretary General for his personal support and engagement for the WCO's origin work.
219. In his capacity as Chairperson of the WTO Committee on Customs Valuation (CCV), Mr. Liu also complimented the Chairperson of the Technical Committee on Customs Valuation (TCCV) and the TCCV itself for the way it tackled the most complex valuation issues with a view to providing practical guidance to Members. He also commended the cooperation between the TCCV and CCV and encouraged Customs representatives to attend and contribute to the CCV in Geneva, where possible.
220. The Delegate of CHINA commended the work done by the Secretariat and the Members in relation to Tariff and Trade Affairs, which were the core tasks of Customs. The traditional work of Customs was facing challenges, and she stressed that China was willing to work with the Secretariat and other Members to facilitate trade while securing revenue.
221. At the invitation of the Chairperson, the Council :
- took note of the ongoing efforts in the negotiations for the harmonization of the Non-Preferential Rules of Origin;

- took note of the work carried out by the WCO Secretariat in relation to the WCO Action Plan on Preferential Rules of Origin.

**(ii) Valuation**

222. The DEPUTY SECRETARY GENERAL summarized the work conducted by the Technical Committee on Customs Valuation (TCCV) at its 39<sup>th</sup> and 40<sup>th</sup> Sessions, held during the past year, pointing out that the Technical Committee had finalized one technical question resulting in a new Technical Committee instrument (Advisory Opinion 4.16), which was appended to the Chairperson's Report for the current Sessions.
223. Discussions had continued on other technical questions. In particular, two case studies involving the relationship between Customs valuation and transfer pricing were currently being examined by the Committee.
224. He reported that the TCCV would be chaired by Ms. Y. Gulis (United States) for a further year. She would be supported by Vice-Chairs from Chile and the Netherlands.
225. The Secretariat had continued working closely with the WTO, attending - as an observer - the two meetings of the WTO Committee on Customs Valuation held since last year's Council Sessions. In October 2014, the Secretariat had also attended an informal workshop arranged by the WTO on the use of Customs valuation databases, emphasizing that they should be used as a risk management tool and not to fix minimum values.
226. Capacity building had been provided on Customs valuation, including national missions in Tanzania, the Democratic Republic of the Congo, Bosnia and Herzegovina, Thailand and Kyrgyzstan. Two joint workshops with the OECD had also taken place, open to both Customs and tax specialists, to share experiences on Customs valuation and transfer pricing. This ongoing regional programme had provided a good platform for encouraging closer cooperation and information sharing between tax and Customs authorities.
227. Similarly, joint workshops with the WTO had proved to be a successful experience, and the synergy between the WCO and WTO had added a new dimension to these events.
228. The CHAIRPERSON OF THE TECHNICAL COMMITTEE ON CUSTOMS VALUATION, Ms. Y. Gulis, then presented the outcomes of the 39<sup>th</sup> and 40<sup>th</sup> Sessions of the TCCV and the items for decision of the Council.
229. In her remarks, she summarized the technical questions under discussion, noting that, as a Committee operating under WTO rules, it could be challenging to reach consensus on the questions raised by Members. As an example, she explained that a case raised by Singapore could not be concluded due to its complexity and it had been agreed to remove this question from the Agenda. She added that good progress had been made on one of the transfer pricing case studies; a provisional consensus had been reached on the conclusion.
230. In the discussion that followed, the Delegate of KOREA commented that the WTO Valuation Agreement, which had come into force in 1981, did not reflect the rapid changes in international trade. He proposed that, following

the OECD Programme on Base Erosion and Profit Shifting (BEPS), Customs authorities should develop joint measures to combat tax erosion and evasion.

231. The Observer for the INTERNATIONAL CHAMBER OF COMMERCE (ICC) congratulated the Secretariat on the publication of the WCO Guide to Customs Valuation and Transfer Pricing. He added that the business community supported the importance of strong communication between Customs and tax authorities in relation to the nexus between these two issues and also the need for Customs-Business cooperation. He was pleased to see business concerns and recommendations highlighted in the Guide, which was well-balanced and helpful to Business.

232. At the invitation of the Chairperson, the Council :

- approved the Reports of the 38<sup>th</sup> and 39<sup>th</sup> Sessions of the Technical Committee on Customs Valuation, contained in Docs. VT0941E1c and VT0967E1c respectively;
- took note of the draft Report of the 40<sup>th</sup> Session of the Technical Committee on Customs Valuation, contained in Doc. VT0994E1a;
- approved Advisory Opinion 4.16; and
- took note of the other valuation-related developments referred to in the Technical Committee Chairperson's written Report.

**(iii) Nomenclature and Classification**

233. The DEPUTY SECRETARY GENERAL then turned his attention to Nomenclature-related activities. He informed the Council that the Harmonized System (HS) represented the critical backbone of the international trading system and was one of the most widely used instruments of the WCO; there were currently 151 Contracting Parties, but more than 200 countries or economies actually used it as the basis for their Customs tariffs and for many other purposes.

234. With the accession of Brunei Darussalam at the previous Council Sessions (June 2014), followed by Guatemala in September 2014, the total number of Contracting Parties to the Harmonized System Convention had increased to 151. During the current Council Sessions, two more Members (Sierra Leone and Djibouti) would deposit their instruments of accession, becoming the 152<sup>nd</sup> and 153<sup>rd</sup> HS Contracting Parties. He complimented these countries on joining the HS family.

235. Currently the 2012 Edition of the HS was in application. Besides urging all Contracting Parties to implement the 2012 Edition as soon as possible, the Deputy Secretary General recalled that the implementation date for the next edition of the HS was 1 January 2017, which was just around the corner. It would seem appropriate to concentrate on the implementation of this new edition, which contained 233 sets of amendments compiled into a Recommendation that had already been approved by the Council at its Sessions in June 2014.

236. The Deputy Secretary General highlighted the key components of the HS 2017 amendments. These referred mainly to environmental-related products such as hazardous chemicals; new technology, e.g., electric cars; and changes in consumer or trade patterns, such as the bag-in-a-box wine. Simplification had also

- been achieved in certain areas. However, what might look to be simplification could also turn into a challenge. For example, monopods, bipods and tripods had been grouped into a single heading, but since then the so-called selfie-pods or selfie-sticks had appeared in trade, and the question was whether those goods could be regarded as monopods ? The HS Committee had been asked to decide on this question at its next session.
237. Having mentioned that these amendments would enter into force on 1 January 2017, the Deputy Secretary General emphasized that during the rest of 2015 and 2016, both Members and the Secretariat should be working very hard to prepare for the implementation of the HS 2017. For Members, this would involve a wide range of activities (including translation, if they used a language other than English or French), legal procedures, IT updates, and training for Customs officers and the private sector. The Secretariat would also be busy preparing new or updated versions of HS publications, such as Correlation Tables, the Nomenclature itself, the Explanatory Notes and Classification Opinions. Technical assistance and capacity building would also be provided to Members.
238. The Secretariat had continued to provide capacity building on HS matters and it had organized 20 national seminars in Member countries and 2 regional seminars in the Asia/Pacific and the Americas/Caribbean regions, respectively. In addition, the Secretariat had met with a number of other international organizations, including a WTO meeting on the use of the HS for trade in eco-friendly products; a UNSD meeting on international trade statistics; a WHO meeting on INN products; and a meeting with the Basel Convention on the possible inclusion of certain categories of waste in the HS.
239. Presenting the work of the HS Committee, the Deputy Secretary General said that the Committee had met twice since the last Council Sessions and, as usual, had taken a number of decisions and made amendments to the Explanatory Notes and the Compendium of Classification Opinions. It had also discussed the scope of the next HS Review Cycle. The large number of decisions taken at the Committee's 55<sup>th</sup> Session included a review of the classification of pharmaceutical products in connection with the WTO Agreement on Trade in Pharmaceutical Products.
240. With regard to the election of officers, the HS Committee had re-elected Mr. R.P.D. Tharaka Seneviratne (Sri Lanka) as its Chairperson for the 56<sup>th</sup> and 57<sup>th</sup> Sessions. The Committee had re-elected Mr. S.-C. Kim (Republic of Korea) as Chairperson of the Review Sub-Committee and Ms. Gan Lu (China) had been re-elected as Chairperson of the Working Party.
241. With regard to the matters requiring the approval of the Council, the CHAIRPERSON OF THE HARMONIZED SYSTEM COMMITTEE, Mr. R.P.D. Tharaka Seneviratne, referred to his written report to the Council.
242. At the Committee's 54<sup>th</sup> and 55<sup>th</sup> Sessions, the Secretariat and certain administrations had drawn attention to some editorial errors and technical inconsistencies found in the Council Recommendation of 27 June 2014 concerning the amendment of the Nomenclature for entry into force on 1 January 2017. The Council was being invited to adopt the corrigendum amendments to the HS.
243. The HS Committee had also adopted a Draft Article 16 Recommendation concerning the legal requirements consequential upon the corrigendum amendments to the HS 2017. The Council was being invited to adopt that draft Recommendation.

244. The HS Committee, at its 55<sup>th</sup> Session, had approved certain modifications to its Terms of Reference. The Council was being invited to approve the revised Terms of Reference of the HS Committee.
245. Following the decisions taken by the HS Committee at its 54<sup>th</sup> and 55<sup>th</sup> Sessions, nine reservations had been entered by HS Contracting Parties vis-à-vis the classification of certain products. Six of these reservations would be dealt with directly by the HS Committee in accordance with Council Decision No. 298.
246. The remaining three reservations were being submitted to the Council for decision in accordance with the provisions of Article 8.2 of the HS Convention.
247. He invited the Council to take note of the other information presented in his written report.
248. The Chairperson of the HS Committee concluded by making a procedural suggestion in respect of the HS 2017, in view of the fact that some administrations were still using the HS 2007 Edition and working hard to implement the 2012 amendments. However, the HS 2017 was just around the corner; indeed, there were only 18 months to go before the entry into force of the HS 2017 amendments. He suggested that the countries that were still on HS 2007 take two steps in one go and “jump” from the HS 2007 directly to the HS 2017.
249. With regard to the reservations entered following the 54<sup>th</sup> and 55<sup>th</sup> Sessions of the HS Committee, the following Contracting Parties requested, in accordance with Article 8.3 of the HS Convention, that the classification decisions specified below be referred back to the Committee for re-examination :
- RUSSIAN FEDERATION : Classification of “the product containing more than 99.2 % sodium sulphate” in heading 28.33 (subheading 2833.11), by application of General Interpretative Rules 1 and 6;
  - RUSSIAN FEDERATION : Classification of “the product containing more than 98.5 % sodium sulphate” in heading 28.33 (subheading 2833.11), by application of General Interpretative Rules 1 and 6; and
  - MEXICO : Classification of “the “SHARP thin-film solar module, model NA-F GK”” in heading 85.41 (subheading 8541.40), by application of General Interpretative Rules 1 and 6.
250. The Delegate of TURKEY stated that the issue of the classification of sodium sulphate products had been on the Agenda of the HS Committee for some 13 years. This matter had been examined by the Committee thoroughly and to the full extent, and numerous decisions had been taken by the Committee. Unfortunately, there had been reservations entered on every single decision on the classification of sodium sulphate products. The decisions reflected the will of the HS Committee and that was quite substantial. Numerous decisions had been taken by an overwhelming majority and always with the same result during the last few years. Unfortunately, once again reservations had been entered against those decisions. This had entailed a waste of time and resources over a considerable period of time. He was afraid that this practice was leading to the perception that the decision of the HS Committee - the internal dispute settlement body established by the HS Convention - was being blocked. Turkey felt strongly that the sodium sulphate issue was damaging the reputation and credibility of the HS Committee and the HS itself.

251. With regard to the comments by the Delegate of Turkey on the classification of the sodium sulphate products that had been on the Agenda of the HS Committee for the last 13 years, the CHAIRPERSON OF THE COUNCIL expressed the view that there could be a problem of methodology. A question could perhaps be discussed for a year or two but, at a given time, a final decision had to be taken.
252. Following these interventions and at the invitation of the Chairperson, the Council :
- adopted certain corrigendum amendments to the HS following the Council Recommendation of 27 June 2014 concerning the amendment of the HS Nomenclature;
  - adopted an Article 16 Council Recommendation concerning the amendment of the Harmonized System Nomenclature (consequential upon the corrigendum amendments following the Council Recommendation of 27 June 2014);
  - approved the revised Terms of Reference of the Harmonized System Committee;
  - referred the questions of the classification of the following products back to the Harmonized System Committee for re-examination :
    - “the product containing more than 99.2 % sodium sulphate” in heading 28.33 (subheading 2833.11) (requested by the Russian Federation);
    - “the product containing more than 98.5 % sodium sulphate” in heading 28.33 (subheading 2833.11) (requested by the Russian Federation); and
    - “the “SHARP thin-film solar module, model NA-F GK”” in heading 85.41 (subheading 8541.40) (requested by Mexico);
  - approved the Reports of the 54<sup>th</sup> and 55<sup>th</sup> Sessions of the Harmonized System Committee; and
  - took note of the various other HS-related developments which had taken place since the previous Council Sessions.

**(b) Capacity Building**

253. The CHAIRPERSON introduced the topic of capacity building, stating that many countries had benefited from it and that the outcome had been impressive.
254. The DIRECTOR, CAPACITY BUILDING, opened this Item, reminding delegates that this would be his fifth and final report to the Council. It had given him immense pride and it had been a privilege to serve as Director of Capacity Building.
255. He stated that every year at the Council, Members gathered in Brussels to take important decisions on strategic direction and the adoption of new international Customs instruments and tools. The WCO also worked with its Members to ensure that they had the capability to implement those instruments and tools.

256. In February 2015 the WCO had held the Sixth Session of the Capacity Building Committee (CBC), chaired by Mr. Ernani Checcucci from Brazil. The Director reminded the delegates, that, every year, the aim was to build on the theme of the previous year. In 2014, the theme had been “Strong People for Strong Organizations : The Importance of Investing in People as the Basis for Organizational Development”. For the 2015 CBC, the theme had been developed further and focused on “Starting with the End in Mind : Quality Implementation by Focusing on Results”.
257. This topic connected very strongly with the issue of performance measurement. Members were faced with increasing responsibilities and pressures, and some only had limited resources. Results-based management (RBM) ensured that strategic planning and implementation management were guided by focusing on the desired results. This required effective performance measurement in order to effectively demonstrate the impact that activities were having on organizational performance. A CBC high-level panel session had outlined approaches on RBM and it had been decided that the WCO would prepare a Guide that would present the theory and best practices on RBM. Members had been invited to share their experiences.
258. With a view to ensuring that the WCO practised what it preached on RBM, it had been decided to introduce a new format for the annual Capacity Building Delivery Report. The new-style Report was more focused on outcomes and was linked to performance measurement. It contained information on regional, sub-regional and national activities and concentrated on trends, patterns, case studies in the different regions and on what had changed and how it impacted Customs administrations and the broader society. The Director also provided a summary of the number of WCO support missions that had been conducted in each of the WCO regions during the past year.
259. The Director then provided a brief explanation of the annual WCO capacity building needs assessment process that generated the annual delivery plan. For the 2015/2016 financial year, 757 requests for technical assistance and capacity building had been received from Members.
260. There were two important ingredients needed to ensure the delivery of those requests, namely “experts” from both the Secretariat and Members to carry out missions, and “funding”. The Director thanked Members which continued to provide their staff to support other administrations, and he also thanked the development partners for their continued and very valuable financial support.
261. Reporting back on the outcomes of the CBC earlier in the year, the Director reminded the Council of the “3P” Framework, the key enablers to successful capacity building, namely People, Partnerships and Political Will.
262. He started with the first enabler, “People”, and quoted an old Chinese proverb that stated “if you want to grow for one year, grow grain; if you want to grow for 10 years, grow trees; but if you want to grow for 100 years, grow people”. People development was central to reform and modernization. He continued by saying that often there was a strong focus on IT, on new technologies, on risk management, scanners, etc. Those things were very important, but 70 % to 80 % of the budget of all Customs administrations was spent on people though, ironically, people development often did not form part of the strategic discussion when considering reform and modernization.

263. The Director referred to the work done on gender equality, including the development of the Gender Equality Organizational Assessment Tool that enabled administrations to assess policies and practices with respect to gender equality. He believed that administrations needed to develop a diverse workforce consisting of men and women at all levels of the Customs administration. On professional development, he referred to the Executive Programme in Customs and Business Administration recently launched in Korea.
264. The Director then outlined the WCO's activities in the area of people development and spoke about the development of the WCO People Development Diagnostic Tool, a practical instrument that provided a competency-based approach and helped administrations gauge where they stood compared to international standards and good practice. That tool had recently been successfully trialled in Namibia.
265. Turning to the expansion of the Leadership and Management Development Programme (LMD) for senior management that was one of the WCO's "flagship" programmes, he said that to date over 750 senior managers had already benefited from the Programme that had been delivered in four languages. The LMD Programme survey results indicated that 97 % of attendees felt that they had benefited from attending the Programme. He added that leaders and managers were at the vanguard of reform and modernization.
266. The Director outlined the development of the WCO's Customs Learning and Knowledge Community (CLiKC!), reporting that there were now 14,000 registered users and a total of 500 hours of training. New e-learning courses on "Post-clearance audit", "Risk management"; "Coordinated border management" and the "Revised Kyoto Convention" had been developed. He also referred to the WCO Virtual Customs Orientation Academy (VCOA) that had been launched in the second quarter of 2014. In a few weeks time, the second edition of the VCOA would be launched. It was rolled out over 14 weeks and delivered by tutors from all over the world. The Director thanked the Customs administrations that made their top trainers available.
267. The Director also drew attention to the WCO Handbook of Case Studies on Customs Reform and Modernization in East and Southern Africa and the CBC's endorsement of a new Chapter 5 of the WCO Capacity Building Development Compendium on "Project Management". He mentioned that often there were very knowledgeable Customs officers who did not know how to run modernization projects. This tool combined theory and practical case studies to support national administrations in this important area.
268. In the area of "Political will", the Director informed delegates of the tools and assistance available from the WCO to generate support from decision makers for Customs reforms. The Secretariat had been working closely with the International Monetary Fund (IMF) in the development of a Customs chapter within the Revenue Administration Fiscal Information Toolkit (RA-FIT).
269. Under "Partnerships" the Director informed the Council of two important initiatives. Firstly, the revisions made to Chapter 10 on Donor Engagement of the WCO Capacity Building Development Compendium and secondly, the development of a new Annex in the WCO Orientation Package for Decision Makers, related to the WTO Trade Facilitation Agreement (TFA). Hopefully, this Annex would provide Directors General with the necessary intellectual ammunition to support them with the implementation of the TFA.

270. The Director then turned to the 14<sup>th</sup> Session of the Integrity Sub-Committee (ISC) that had taken place directly after the Sixth Session of the Capacity Building Committee. The theme of that session had been leadership and integrity. Over the past year, the Secretariat had worked very closely with some Members to support them with their anti-corruption programmes, and the previous week the Secretariat had issued the 11<sup>th</sup> edition of the Integrity Newsletter that contained information on Members' anti-corruption efforts, in particular four case studies on efforts to combat corruption - from Ecuador, France, Italy and Paraguay. He insisted on the importance of leadership to fight corruption because all resources dedicated to Customs reform and modernization programmes could flounder if leaders were not serious about integrity promotion.
271. He then presented the capacity building journey to date, with the adoption of the Capacity Building strategy in 2003, the decision in 2004 to create a Directorate for Capacity Building, the election of the first Director for Capacity Building in 2005 and the holding of the first session of the Capacity Building Committee in 2010. The journey had continued with the launch of the Leadership and Management Development Programme and new work on performance measurement in 2012, and the Organization Development Package and the focus on women in Customs leadership in 2013. In 2014, the WCO had issued the Framework of Principles and Practices on Customs Professionalism and launched new programmes such as the VCOA. He also referred to the TFA Mercator Programme and the Result-Based Management Programme. He thanked WCO Members for all their support and efforts in capacity building, indicated that they would shortly elect a new Director of Capacity Building, and invited Members to take the work accomplished to the next level.
272. The Director finished his presentation by a quote from Nelson Mandela : "After climbing a great hill, one only finds that there are many more hills to climb". This was very appropriate and Directors General had to think about where they wanted Capacity Building to go for the next five years. He thanked everyone within the Secretariat, staff and managers, as well as the WCO regional structures, as capacity building was a team effort.
273. The CHAIRPERSON OF THE CAPACITY BUILDING COMMITTEE, Mr. E. Checcucci, said that the CBC was an excellent forum for exchanging ideas and lessons learned in relation to organizational development, reform and modernization, training, human resource and change management. The Sixth Session of the CBC had been attended by over 240 participants, including many Directors General or Commissioners. Many of the participants were in charge of organizational planning, strategy, modernization and human resource management. There had also been representatives of Regional Training Centres (RTCs), Regional Offices for Capacity Building (ROCBs) and international organizations, as well as other stakeholders. The first Panel at the CBC had featured two presentations on RBM and there had also been a panel session focused on performance measurement. The Panel had shown that there was a linkage between performance measurement and performance management that encompassed workforce development. Members had been encouraged to use the Time Release Study (TRS) tool. The latter was useful to establish a baseline and should be conducted on a regular basis to measure the impact of reforms and changes. In this, it was necessary to engage all stakeholders, other government agencies, logistical operators and the private sector. Finally, the TRS also supported the reviewing and re-engineering of business processes. The Chairperson of the CBC concluded by mentioning decisions taken by the CBC relating to people development and other Agenda items.

274. The CHAIRPERSON OF THE INTEGRITY SUB-COMMITTEE, Mr. D. Dolan (United States), reported on the 14<sup>th</sup> Session of the ISC. He noted that the key areas discussed had included leadership and human resources management, the public-private dialogue and the G-20 Anti-Corruption Initiative, as well as emerging issues that included “infiltration by organized crime” and “whistle blowing” measures (protected disclosure mechanisms). He recalled that the opening speech had been given by Mr. I.V. Mazorodze, Commissioner of Customs and Excise of Swaziland, and had focused on the pillars of an effective anti-corruption strategy. These included setting the right example; legislation and control measures; and serious penalties. However, this approach ultimately relied on strong and courageous leadership, which would be especially important during the implementation of the WTO Trade Facilitation Agreement. Many interventions had been made, including a proposal to organize a joint session of the CBC and ISC on one or two cross-cutting issues (e.g. leadership, human resources management, etc.), possibly during a (half-day) session in the middle of the week of those meetings.
275. The Chairperson of the ISC referred to Mexico's leadership on the G-20 Anti-Corruption Initiative which relied on the use and value of WCO tools. This also concerned the ongoing WCO effort to create a collection of WCO strategies, tools, instruments and activities to support this work. There could be more to come as this programme evolved later this year and into 2016. He then mentioned the important Member-led development of the creation of two new WCO tools and how there had been extraordinary work done by nearly two dozen Members during the intersession, which had resulted in the “Guide to Corruption Risk Mapping” and the “Guide to Prevent Procurement Corruption in Customs”. These were new “living” documents and more Member contributions would be welcomed.
276. Finally, he reported that Ms. S. Gunnlaugsdottir of Iceland had been elected as the new Chairperson of the ISC. Mr. Dolan thanked all Members and the Secretariat for the support given to him during his tenure as Chairperson of the ISC over the past three years. In conclusion, he noted that the ISC was a healthy, proactive and highly relevant WCO body that could be expected to continue with its good work in the future.
277. The CHAIRPERSON OF THE COUNCIL thanked the Chairs of the CBC and the ISC for their presentations. He added that human resources were important and that Directors General had to pay special attention to this as, without Customs officers with a certain discipline and respectful of integrity, it was impossible to meet the challenges faced.
278. In the ensuing discussion, all delegates thanked the Director of Capacity Building for his presentation and congratulated him on the excellent work done during his term of office. They wished him all the best for the future.
279. The Delegate of BANGLADESH said that he was a new Director General and wanted to congratulate the Director of Capacity Building and his team for the work done. He indicated that he was confronted with issues of capacity building in his Administration, particularly as he headed both Customs and Tax and that was a huge challenge. He had introduced a number of concepts within his Administration. First, there were the five “Cs” : Coordination, Cooperation, Commitment, Courage and Coherence to build relationship amongst colleagues. Then the five “Fs” : Funds, Function, Functionality, Facilitation and Freedom and the five “Is” : Increase revenue, Improve office management, Impressive stakeholder relationship, ICT and Integrity.

280. The Delegate of UGANDA picked up on what the Director had said about leadership, emphasizing that leaders impacted on the success of their administrations. His Administration had benefited from many projects, in particular LMD. His Administration had invested a great deal and believed that leadership was an important factor for Customs administrations worldwide. He urged the WCO to continue to expand the LMD Programme, as well as to continue investing in its e-learning programme. His Administration would look for more support from the WCO.
281. The Chair gave the floor to the Delegate of PALESTINE, welcoming him to the WCO. The delegate indicated that he was pleased to be part of this new family. He agreed that professional development was important and, for that reason, he believed in investing in human capital to develop Customs. His country's situation was specific and it was important to pay attention to that aspect; support of the WCO was needed to build a strong Administration.
282. The Delegate of the EUROPEAN UNION briefed the Council on the Europe Region Conference held in April 2015, where it had been decided to endorse the St. Petersburg branch of the Customs Academy as a Centre of Excellence on non-intrusive inspection equipment. That Centre would be open to all WCO Members. The regional meeting had also approved the proposal from Azerbaijan to make its dog training centre an official WCO Dog Training Centre.
283. The Delegate of PARAGUAY added to the Director's comment regarding the measures taken by his Administration to fight corruption. He referred to a survey that had revealed that the perception was that Customs was the most corrupt agency; his Administration wanted to seriously change that perception which was mainly due to an excess of bureaucracy. To improve the situation, the Administration focused on quality management to improve the efficiency of the service. An administration could be overly qualified in technical matters (valuation, security, IT, risk management) but that was meaningless if there was a lack of integrity to fulfill its duties. He concluded by urging the WCO to give priority to this issue because administrations needed to prioritize integrity in order to carry out their work in order to have fair revenue collection and prevent illicit trade.
284. The Delegate of JAPAN indicated that his Administration was pleased to have contributed to the work carried out by the CBC, and reiterated Japan's commitment to continue working with all Members in this area.
285. The Delegate of GEORGIA thanked Japan and Germany for the support provided to his country and acknowledged that a great deal of work had been accomplished in the area of capacity building.
286. The Delegate of KOREA announced the launch of the Executive Programme in Customs and Business Administration (EPCBA) sponsored by the CCF Korea on 18 May 2015. Participants would spend seven weeks in Korea and the Administration wished to expand this programme so that more participants could benefit from it.
287. The Delegate of BENIN referred to the "3 Ps", emphasizing that political will was essential. He added that it was not easy for Directors General to find a balance between facilitation and revenue collection. He insisted on the importance of integrity and, being a new Director General, he wished to know more about the tools that the WCO had developed in this area.

288. The Delegate of AUSTRIA thanked the Director and his Directorate as well as the WCO management for their efforts. She wished to share an experience from her Administration related to an aspect of modern management. In May 2015, the Austrian Administration had held a seminar in Vienna for the managers of Customs training centres of the Europe region. Such seminars were useful as they enabled senior managers to learn from each other.
289. The Delegate of CHILE indicated that his Administration had benefited from a series of WCO activities and pointed out that the implementation of the TFA would present new challenges.
290. The Delegate of NORWAY stated that his Administration was pleased to hear of the emphasis on new challenges, such as performance measurement and e-commerce. However, efforts in this area needed to be coordinated to create awareness and avoid duplication. He hoped that these new challenges would be discussed within the CBC to create a new impact.
291. The Delegate of NIGERIA referred to the WACAM project and thanked the WCO as well as the ROCB for their support that would help produce a regional annual strategic plan. He thanked the Capacity Building Directorate for supporting the development of the Regional Training Centre in Abuja.
292. The Delegate of the RUSSIAN FEDERATION provided information on the Training Centre within the Russian Customs Academy in St. Petersburg which focused on non-intrusive inspection (NII) systems. That Centre could serve as a platform for Members to discuss and identify technical and technological solutions in respect of the harmonization and interoperability of scanning and NII equipment, as contained in the 2015-2017 SAFE work plan, and to initiate discussion between experts from Member administrations and industry partners to explore the way forward. He invited all Members to make use of the Centre.
293. The Delegate of CHINA recalled that China had made available its Customs Cooperation Fund for a year now and that the programme was developing in a positive manner. She thanked the WCO for all the progress made in the area of capacity building.
294. The Observer for the WORLD BANK took the floor on behalf of all non-Member organizations to thank the Director of Capacity Building for the work carried out over the last five years, which had been fruitful and highly successful. He referred, in particular, to the work done in the area of LMD and e-learning funded by the World Bank. The World Bank had reviewed its project with the WCO and it scored top marks for the way in which it was managed.
295. The Observer for the INTERNATIONAL MONETARY FUND thanked the WCO for its cooperation in the development of the Revenue Administration Fiscal Information Toolkit (RA-FIT) which allowed administrations to better understand their situation and better focus on their activities.
296. The DIRECTOR, CAPACITY BUILDING, thanked everyone for their comments. He spoke about leadership and emphasized the importance of integrity, using the expression "courageous leadership". No-one was immune to corruption; both developed and developing countries were affected by it. Not paying attention to integrity when modernizing a Customs administration could wipe out all the efforts overnight.

297. He concluded by saying that it was an immense pleasure for him to have served the Members, that the struggle to build capacity continued and that commitment had to be made even stronger.

298. In conclusion, the Council took note of :

- the Report and the Executive Summary of the Sixth Session of the Capacity Building Committee;
- the Report of the 14<sup>th</sup> Session of the Integrity Sub-Committee;
- the Guide to Corruption Risk Mapping and the Guide to Prevent Procurement Corruption in Customs, and urged Members to submit additional information and examples to further supplement these two Guides, which would remain living documents;
- the publication that would be prepared on WCO strategies, instruments, tools and activities for addressing corruption as part of the work of the G20 Anti-Corruption Working Group.

**(c) Compliance and Facilitation**

299. The DIRECTOR, COMPLIANCE AND FACILITATION, summarized the work which had been carried out by his Directorate and the Committees it served, namely the Enforcement Committee (EC) and the Permanent Technical Committee (PTC), for the financial year 2014/2015.

**(i) Compliance/Enforcement**

300. He explained that the Compliance and Enforcement Sub-Directorate had continued focusing its efforts on the main high-risk areas as directed by the Policy Commission.

301. The Enforcement team had also continued to focus on emerging and evolving risks and, by way of example, activities and projects were underway in the field of cultural heritage to respond to current threats. Another matter which had the focus of the EC was e-commerce, addressed from the perspective of the risks associated with this form of trade.

302. The Director then drew delegates' attention to the "5Cs" concept for enforcement activities which had been well received by Members, providing increased focus of enforcement activities on Concern, Capacity, Communication, Collaboration and Consequence. This represented the new approach of the WCO in addressing Customs enforcement, paying increased attention to the completion of the enforcement cycle by going beyond the seizures and achieving the consequence phase to ensure that criminals were prosecuted and illicit networks disrupted. A large number of initiatives had been undertaken over the past 12 months and the main achievements had been reported to the 34<sup>th</sup> Session of the EC in March 2015. New tools, activities, operations and projects had also been endorsed by the EC and would be implemented over the coming financial year.

303. In the area of Environment, he mentioned that the new WCO INAMA Project, which focused on combating illegal wildlife trade, was being successfully implemented. The project was a great example of coupling effective capacity building with operational

and enforcement components. An Operation codenamed FLYAWAY was underway under the leadership of the RILO South America with support of the WCO, aimed at combating wildlife smuggling originating from South America and incorporating transit and destination countries. Work had also continued in the field of illegal trade in timber and the Green Customs Initiative had also remained in the forefront.

304. With regard to the Security Programme, the WCO Strategic Trade Controls Enforcement (STCE) Programme was well underway, and the STCE Training Curriculum was now close to completion. The training modules had been designed to provide senior officials and operational personnel with detailed materials in this important domain. Another important aspect within this project was Operation COSMO which had been successfully conducted and the final report would be presented in a global de-briefing seminar in the Autumn of 2015. Programme Global Shield (PGS) had also continued to successfully conduct its scheduled activities. For this financial year, PGS had hosted three five-day Intermediate Training Events and three ten-day Train-the-Trainer events. In addition, its operational component continued to be developed. Finally, with Members' valuable feedback, the new Small Arms and Light Weapons Strategy had been endorsed, together with similar initiatives for passenger controls, terrorist financing, and border-security-related technical assistance.
305. In the area of Drugs Enforcement, Operation WESTERLIES 3 had been conducted. The Director indicated that the Container Control Programme continued to be implemented successfully, with new port control units being created across the globe. The EC had supported the expansion of this Programme into the air cargo segment. Project AIRCOP had also continued its intensive work with the establishment of Joint Airport Interdiction Task Forces and by providing support and assistance to Members. The WCO had also continued to develop materials and support Members in the field of detector dogs training. Additionally, Operations COCAIR 5, SKYNET 2 and CATALYST would be implemented in the near future, as endorsed by the EC.
306. In the areas of Health and Safety and IPR, successful regional operational activities had been conducted, namely GOL 14, BIYELA 2, CHANNEL GATE and BALKAN GATE. In this respect, the EC had reiterated its support to the WCO Secretariat for future operational activities. The WCO also continued to provide intensive capacity building to Members, aimed at enhancing their capacity to combat counterfeiting and piracy. In terms of IPM, the Director highlighted the launch of the mobile version of IPM and its new connected feature.
307. Turning to the Revenue Programme, the final report of Operation GRYPHON, a project to combat illicit trade in tobacco had been completed. The EC had endorsed the implementation of Operation GRYPHON 2 in early 2016. The First Meeting of the new Working Group on Revenue Compliance and Fraud had been successfully held in December 2014. A new project proposed by Australian Customs would be carried out jointly with the WCO for the establishment of a Global Trade Enforcement Network (GTEN) to exchange information and expertise to combat commercial fraud. With regard to post-clearance audits, the e-learning module had been completed, as well as a diagnostic tool which had been endorsed by the EC.
308. Regarding Intelligence, Risk Management and the CEN Programme, risk indicators and a manual for air conveyances had been developed and endorsed and would be incorporated in Volume 2 of the Risk Management Compendium. The WCO Cargo Targeting System (CTS) continued to be implemented according to its plan, being deployed in five countries to date. Further deployments were planned in the coming months, as well as the development of the air cargo capabilities of the CTS,

including two pilot projects in the pipeline for 2015 that would likely lead to new deployments. The WCO nCEN application also continued its deployments and was currently present in 12 countries.

309. The Director reiterated the importance of the Compliance and Enforcement Package (CEP) and indicated that the new action plan for its implementation had been adopted.
310. In concluding the Enforcement side of the report, he highlighted other new initiatives, including the new project for COPES (Compendium of Customs Operational Practices for Enforcement and Seizures), the launch of the "Iris" Application and the project for developing the I2C (an information and intelligence centre).

**(ii) Facilitation/Procedures**

311. Turning to the activities of the Procedures and Facilitation Sub-Directorate, the Director reported on the activities carried out under the Mercator Programme, especially after the WTO had adopted the Protocol of Amendment in November 2014 when the WTO Trade Facilitation Agreement (TFA) had been placed even more in the Sub-Directorate's focus.
312. Three TFA awareness-raising workshops had been held - in Indonesia for the Asia/Pacific region (March 2015); in Hungary for the Europe region (May 2015); and in Bahrain for the North of Africa, Near and Middle East region (June 2015) - while another three were planned to take place before the end of the calendar year.
313. He further explained that a survey on National Committees on Trade Facilitation had been carried out in the intersession. The results reflected active involvement of Customs in these bodies responsible for coordinating and monitoring the accession to and implementation of the TFA. Support materials were under development to support Members in this area.
314. The WCO had also launched the Spanish version of the Implementation Guidance tool which was continuously being upgraded. He also took the opportunity to invite administrations to the Knowledge Academy and to its TFA course which was to take place the following week.
315. Apart from the TFA, to which a great deal of the Sub-Directorate's attention had been devoted over the past year, many other topics had been dealt with and new tools had been developed, some of which had already been discussed. One of these was the Customs-Business Partnership Guidance including the "Advanced Pillar" for Members which already had well-developed and mature partnership arrangements with Business, but wished to advance even further.
316. In the context of Customs-Business partnership, the Director also reported that the PTC had adopted an amendment to its Terms of Reference to allow PSCG members to take part in PTC meetings. He was confident that greater involvement of the private sector in this forum would contribute to the quality of discussions and to the PTC's outputs.
317. A number of other tools had been developed and were put forward for endorsement by the Council. For instance, in the year of Coordinated Border Management (CBM), the CBM Compendium had been developed and updated to support Members in this area.

318. In the field of Data Quality, a number of tools had been developed, including the related WCO Recommendation and the List of Acceptable and Unacceptable Terms. The Virtual Working Group on Data Quality would ensure that the results achieved to date would be further progressed. The Voluntary Compliance Framework was another tool finalized and put forward to the Council.
319. IT Guidance for Executives had been produced to support senior management with the essential awareness and knowledge necessary to undertake strategic IT management. This tool had been successfully piloted at the IT Conference in the Bahamas in May 2015. Regional integration remained high on the list of WCO priorities and a Regional Integration Conference was scheduled for the week after the Council Sessions.
320. There were a number of other topics which were high on the PTC's agenda, such as e-commerce and Customs brokers, on which a detailed survey was being carried out. The new topic on the Sub-Directorate's radar was the Future of Customs, on which the PTC had focused a great deal of its attention. A discussion had been launched at the last sessions and a virtual working group would further discuss the threats and opportunities which were already having an impact on Customs, or were likely to do so, and would explore how the roles and responsibilities of Customs would be evolving in the future.
321. The Director also mentioned some of the long-term commitments that the PTC had been following-up on in the past financial year. For instance, in the area of Natural Disaster Relief (NDR), in March 2015 the PTC had held a comprehensive session with the objective of sharing information on Customs management of relief consignments, discussing the progress made in terms of implementing the 2011 Council Resolution on NDR and the efforts made and measures taken by Members to efficiently and effectively manage relief consignments in coordination with other governmental agencies and stakeholders. The PTC had welcomed several initiatives taken by the Secretariat in the context of the Ebola Virus Disease and further encouraged Members to implement WCO tools and instruments on NDR and to increase the preparedness for emergencies through simulation exercises.
322. At the same session, the PTC had endorsed the draft outline of the report of the "proof-of-concept" phase for Globally Networked Customs. The report had been submitted to the Policy Commission. The Sub-Directorate had also worked on the updated version of the SAFE Framework of Standards - the SAFE 2015, which marked the Tenth Anniversary of this cornerstone tool of the WCO.
323. Furthermore, the PTC had agreed to amend the 2012 WCO Recommendation on the Use of Advance Passenger Information (API) and Passenger Name Record (PNR) in line with the proposal received from the UN Security Council to make more explicit the potential use of advance information received on passengers for enforcing UN travel bans. Other topics which the PTC and the Sub-Directorate had focused on in the past year included performance measurement, the Time Release Study, Integrated Supply Chain Management, etc.
324. The Director then expressed his gratitude to Mr. Francois Abouzi who had chaired the PTC for the past three years. Finally, since these were his last Council Sessions in his capacity as Director of Compliance and Facilitation, he thanked all delegates for their cooperation in achieving the WCO's goals, not only during the past financial year, but also for the support throughout the five years of his tenure, stressing that without the invaluable contributions from Member administrations and the support

from Brussels-based Customs Attachés, the delivery of all the activities would not have been possible.

325. The CHAIRPERSON OF THE PERMANENT TECHNICAL COMMITTEE, Mr. F. Abouzi (Togo), thanked delegates for their active participation in the work of the PTC under his chairmanship, adding that the Committee, which had both a technical and a strategic role and a very wide-ranging agenda, had accomplished a considerable amount of work since the previous Council Sessions.
326. By introducing different categories of Agenda items (A - Report Back on Work in Progress; B - Decision and Guidance; C - Exploration and Progress of Key Technical Issues; and D - Sharing Customs Practice and Innovation), the PTC had achieved a higher level of efficiency in the past two years, focusing its attention on key technical issues. His expectation was that the PTC would continue in the same manner in the future.
327. He also underlined the importance of continuing the discussions on the Future of Customs and e-commerce as very relevant topics, and expressed his appreciation for the involvement of the PSCG.
328. Finally, Mr. Abouzi wished every success to the newly elected PTC Chairperson, Mr. R. Van Kuik (Netherlands), and Vice-Chairperson, Mr. M. Matole (South Africa).

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329. Opening the discussion on Compliance and Facilitation matters, the Delegate of BANGLADESH thanked Director Zhu and his team for the valuable contribution made over the past five years and the positive impact that the work of the Directorate had had on his Administration. This work had directly impacted the ground-level officers and had provided support in addressing the sometimes complex situations faced by front-line Customs officers.
330. The Delegate of CHINA also expressed her Administration's gratitude to Director Zhu and his team for the very comprehensive and informative report of the work done in the previous year. She noted that remarkable progress had been made over the past five years and her Administration attached high importance to the work of the Compliance and Facilitation Directorate. Following the successful implementation of Operation SKYNET which targeted smuggling of drugs and precursor chemicals, China Customs with support of the WCO had now launched Operation SKYNET II. That Operation would be carried out during the fourth quarter of the year and she called on Members to actively participate in this initiative. In the area of Facilitation, she indicated that after China Customs' accession to the Revised Kyoto Convention in the year 2000, with the acceptance of two Chapters, a further assessment was underway with a view to accepting three more Chapters. The Secretariat would be informed of the progress in that respect.
331. The Delegate of NEPAL focused his intervention on relief consignments. After the recent devastating earthquake which had struck his country, his Administration had been actively involved in the release of relief consignments. Many challenging

situations had arisen but this experience had now placed the Nepalese Administration in a position to draft appropriate guidelines with the technical support of the WCO and other partners. He requested continued WCO support for the easy and safe release of relief consignments, and indicated that plans were underway in Nepal to change the existing legislation to enable the effective implementation of such relief procedures.

332. The Delegate of the MALDIVES thanked the Enforcement Committee and the Compliance and Facilitation Directorate in general for the excellent work carried out, and expressed his Administration's appreciation and support for the work of the WCO. He reported that Maldives Customs had embarked on the implementation of a Risk Management framework, as well as the implementation of the Container Control Programme, nCEN and the CTS. It was also exploring the possibility of implementing the API and PNR Recommendation. He drew attention to the needs identified in the field of sea freight security and indicated that the WCO and the EC could play an important role in that respect. The role of Customs with regard to this new area seemed to be unclear and, to date, the matter had been addressed by the International Maritime Organization. He requested the WCO to be involved in defining the exact role of Customs in providing security of vessels navigating international waters.
333. The Delegate of MAURITIUS said that his Administration had been a beneficiary of support from the Compliance and Facilitation Directorate in a recent investigation. He referred to the difficulties in obtaining the necessary information from other Customs administrations and the challenges in concluding mutual assistance agreements with all relevant Customs administrations. In this connection, he suggested that the WCO explore multilateral exchange of information as the OECD had done, including the possibility of approving basic documents and templates for multilateral administrative assistance.
334. The Observer for the GLOBAL EXPRESS ASSOCIATION (GEA) expressed GEA's gratitude to both Director Zhu and Director Kieck for their great service to the WCO and for maintaining an open-door policy and dialogue with the private sector.
335. The Observer for the International Federation of Freight Forwarders Associations (FIATA) echoed the gratitude expressed by GEA and wished Director Zhu all the best for the future.
336. Finally with regard to Enforcement matters, the Council :
- approved the Report of the Enforcement Committee's 33<sup>rd</sup> Session;
  - took note of the draft Report of the 34<sup>th</sup> Session, which would be submitted to that Committee for final approval at its next session; and
  - acknowledged the various compliance and enforcement-related developments mentioned in the Chairperson's written report.
337. With regard to Facilitation matters, the Council :
- approved the Report of the 205<sup>th</sup>/206<sup>th</sup> Sessions of the Permanent Technical Committee (PTC);
  - approved the Report of the 207<sup>th</sup>/208<sup>th</sup> Sessions of the PTC;

- took note of the various PTC-related developments mentioned in the written report of the PTC Chairperson;
- endorsed the revised Terms of Reference of the PTC;
- endorsed the Recommendation of the Customs Co-operation Council on the Guiding Principles for Data Quality;
- endorsed the amended Recommendation of the Customs Co-operation Council Concerning the Use of Advance Passenger Information (API) and Passenger Name Record (PNR) for Efficient and Effective Customs Control;
- endorsed the tools approved by the PTC during the past financial year; and
- took note of the updated PTC Work Programme for 2013-2016.

## **7. BUDGETARY AND FINANCIAL MATTERS**

338. The CHAIRPERSON OF THE FINANCE COMMITTEE, Mr. W. Williamson (United Kingdom), indicated that the Finance Committee had held its 96<sup>th</sup> Session on 10 November 2014 and its 97<sup>th</sup> Session from 30 March to 2 April 2015. He thanked the WCO Secretariat for the active support rendered to him, and for the preparation of all the documents for those sessions. He also thanked Finance Committee Vice-Chairperson Mr. H. Tanaka (Japan) for his support. He then informed the Council of attendance levels at the aforementioned sessions, reporting that all 19 members of the Finance Committee had been present at the 96<sup>th</sup> Session, and 18 of the 19 members had attended the 97<sup>th</sup> Session. The Reports of both sessions (Docs. SF0378 and SF0402) had been made available on the WCO Members' Web site in a timely manner.
339. The Finance Committee Chairperson reported that the accounts for financial year 2013/2014 had been independently audited. The Auditor's opinion, contained in his report, was that the financial statements faithfully portrayed the assets, financial situation and results of the Organization, in accordance with the accounting standards applicable in Belgium and the provisions of the WCO's Financial Rules. The WCO Budget Report for 2013/2014 showed total revenue (including donor funding) of 28,484,009 euro and total expenditure of 28,358,287 euro, resulting in a surplus of 125,722 euro. The Auditor had certified the budget surplus in his report, and the Finance Committee was recommending to the Council that it be added to the accumulated result, which would then increase to 8,639,539.52 euro on 30 June 2014. The Finance Committee was proposing that the Council acquit the Secretary General of his financial responsibilities for financial year 2013/2014.
340. Turning to financial year 2014/2015, the Finance Committee Chairperson said that the general operating expenses authorized for that year by Council Decision No. 338 amounted to 16,415,679 euro. The operating expenses consisted primarily of staff expenses (including items such as outsourced interpretation, translation and working expenses) and depreciation on fixed assets. The revenues consisted primarily of the Members' statutory contributions, publications sales, and revenues related to events and sponsorship. Based on the information currently available, the Secretariat considered that it would be able to remain within the total amount of the appropriations voted by the Council for 2014/2015.

341. All of the statutory contributions voted by the Council for financial year 2014/2015 (15.5 million euro) had been invoiced, and as at 2 April 2015 the collection rate of contributions and capital subscriptions stood at 97 %. As reported in the WCO Budget Report, total expenses at 30 June 2015 were forecast at 30,772,405 euro, and total revenues at 30,809,527 euro. It was expected that a surplus would be achieved in financial year 2014/2015, as a result of a good performance by the investment portfolio, careful management of the budget, and a limited application of the lapse factor in human resource management.
342. Moving on to the forthcoming financial year, i.e. 2015/2016, the Finance Committee Chairperson explained that a discussion held at the Committee's 97<sup>th</sup> Session had led to a detailed review of the proposed budget for that year; the Finance Committee had agreed on some downward revisions to items such as non-permanent staff and repairs to premises, leading to a modified proposal for the general operating expenses involving an increase of 1.7 %, which compared favourably to the 2.47 % increase initially proposed by the Secretariat.
343. Following discussions, and with a view to achieving a balanced budget for 2015/2016, the Finance Committee had agreed to propose a 1.5 % increase in Members' contributions. The Secretariat had also been requested to prepare a discussion paper on the financial reserves, given their current high level. This would be an Agenda item for the Committee's Autumn 2015 session.
344. The Finance Committee had noted that capital expenditure for 2014/2015 had been 135,000 euro lower than the amount approved, due to prudent and pragmatic legal management of the building maintenance contracts. The capital expenditure budget proposed for 2015/2016 was 720,000 euro, to allow for the appropriate modernization of the various Secretariat-driven operations and meeting activities.
345. The Finance Committee had agreed to the proposed high-level costing of the Strategic Plan for financial year 2015/2016. It had also agreed to the revised daily subsistence, kilometric and installation allowances applicable with effect from 1 January 2015.
346. The Finance Committee Chairperson added that amending supplements to the Staff Manual and the Manual for Technical Attachés had been accepted, with the aim of facilitating the management of the Secretariat's human resources.
347. He then made reference to a recently published ruling by the ILO Administrative Tribunal (ILOAT) that, by application of the current WCO Staff Rules, the Organization could not decide in an arbitrary manner not to apply a recommendation from the Co-ordinated Organisations' Committee on Remuneration (CCR) unless there was a valid reason for doing so. Making savings in the light of an economic crisis would not be regarded as a valid reason. The Tribunal had indicated that bearing in mind that any salary adjustment system had to respect the principles of stability, foreseeability and clarity, and that a valid reason had to be given for any departure from the system established, the WCO should have an appropriate budget feasibility clause to define the exceptional situations in which a derogation from a CCR recommendation by the WCO would be permitted.
348. The text of a budget feasibility clause, proposed by the Secretariat, had been examined and agreed at the Finance Committee's 97<sup>th</sup> Session. The text was based primarily on other international organizations' experience as well as their internal rules,

and should be inserted in the Staff Manual for implementation with effect from 1 July 2015.

349. Based on discussions held by the Council in June 2014, the Finance Committee had been undertaking a review of elements of staff costs; in particular, at its 96<sup>th</sup> Session it had examined the provision for the payment of Terminal Allowances (TA) to staff in budget posts at the WCO. In this connection, the Finance Committee Chairperson explained that the adequacy of the TA calculation was addressed by way of a regular study conducted by an external consultant. This study took place every five years, and the most recent study had determined that the rates of contribution by staff and by the Organization were sufficient to meet the TA liability for the foreseeable future. A new study would be carried out in 2016, to stress-test the calculation for the next five years. The investment portfolio designed to cover the Organization's TA liability was monitored on a quarterly basis, to ensure sufficiency of funds to meet the liability.
350. In the course of the aforementioned review of elements of staff costs, it had also been confirmed that the WCO was following the recommendations of the CCR with regard to the level of salary payable to staff. Moreover, the Council was invited to note that Council Decision No. 232 of June 1981 set out the salary level of the Secretary General and Deputy Secretary General, and applied the provisions of the Staff Manual to the payment of allowances (including the Terminal Allowance) and participation in insurance schemes, as the Staff Manual did not apply directly to these two posts. The Finance Committee had accepted a revised text updating Decision No. 232.
351. At its 97<sup>th</sup> Session, the Finance Committee had also considered the implementation of the Education Allowance provisions in the WCO. In this case also, the WCO followed the recommendations of the CCR. All organizations affiliated to the CCR had a basic refund rate for educational expenditure of 70 %, with the possibility of a 90 % refund rate in cases of exceptional expenditure. Following a decision recommended by the Finance Committee in 2007 and adopted by the Council, in view of the very high fees charged by international schools in the Brussels area, it had become the practice in the WCO to reimburse at the 90 % rate, subject to a ceiling which was expressed as a multiplier of the dependent child allowance. Research conducted by the Head of Administration and Personnel had shown that the effective rate of reimbursement in 2014 was 72.44 %. The Finance Committee had agreed that the current practice should be continued.
352. The Finance Committee Chairperson said he would be inviting the Council to approve the Finance Committee's endorsement of the current method of calculation of the Terminal Allowance, and the current practice of reimbursing education costs at a rate of 90 % of total admissible expenditure, subject to the ceiling mentioned above.
353. He then reported on the implementation of external audit recommendations, by way of changes to the WCO Financial Rules relating to the call for tenders procedure, and the alignment of the English and French versions of the text related to the technical procedure for "write offs". These amendments were being proposed to the Council for adoption.
354. On behalf of the Finance Committee, he thanked all the donors mentioned in the Annual Report on the WCO Customs Co-operation Fund (CCF) and alternative sources of funding for their generosity in making voluntary contributions in cash or in kind, and encouraged Members to continue to provide those resources. The Finance Committee had taken note of the Report, and of the fact that the voluntary contributions

received for financial year 2013/2014 totalled 12.4 million euro, while 8 million euro had been received for the first eight months of financial year 2014/2015. The Council was invited to note that full information on all voluntary contributions and donor funding was contained in Doc. SF0393, which had been presented to the Finance Committee in April 2015.

355. Going back to the Finance Committee's 96<sup>th</sup> Session, held in November 2014, the Finance Committee Chairperson said that the Committee had taken note of the CCR recommendation that salary scales, and the dependants' allowance for Belgium, be increased by 1.7 % with effect from 1 January 2015. Bearing in mind the current absence of a budgetary feasibility clause, the Finance Committee had decided to accept those recommendations for 2015/2016, and was therefore proposing to the Council a 1.7 % increase in remunerations.
356. At the same session, the Finance Committee had asked the Secretariat to examine whether it was contractually feasible to provide some WCO publications free of charge, especially to small and medium-sized enterprises. Consequently, at the 97<sup>th</sup> Session in April 2015, the Secretariat had presented a study on the possibility of making online publications freely available for micro, small and medium-sized enterprises, whilst maintaining the current price structure for all other publications and customers. The direct cost of this proposal, over the entire 2017 to 2022 Harmonized System cycle, was estimated at 2,608,311 euro, and this would represent a 3.26 % annual increase in statutory contributions for WCO Members. The Finance Committee had agreed to refer this matter back to the Policy Commission for further input and guidance on how to re-orient the discussion, and had asked the Secretariat to submit to the Policy Commission, for consideration at its December 2015 session, a consolidated background paper on the financing of a change in the WCO Publications Policy, encompassing all the work carried out to date.
357. The Finance Committee Chairperson said that the fund covering accruals in the Organization's Terminal Allowance (TA) obligation continued to perform well; the market value of the portfolios at 31 December 2014 had been around 22 million euro, while at 31 December 2013 it had been 20.2 million euro. The Finance Committee had taken note of the Asset Management report, and had encouraged the Secretariat to continue to work closely with the portfolio managers in the agreed, defensive manner.
358. He concluded his report to the Council by indicating that the Finance Committee would meet in Brussels in Autumn 2015 to consider a number of matters, including the development of the new three-year WCO Strategic Plan and the possible use of the accumulated reserves, which currently stood at twice the level recommended by the Council.
359. The COUNCIL CHAIRPERSON thanked the Finance Committee Chairperson for his clear and comprehensive report, adding that the good and transparent financial management by the WCO Secretariat was much appreciated, as was the financial surplus achieved over the past three years and anticipated for the current financial year. He said that he would welcome an explanation of the rather high increase in expenditure referred to by the Finance Committee Chairperson (from 28.3 million euro in 2013/2104 to 30.7 million euro in 2014/2015), and of the relationship between Members' contributions, salaries and operating costs, and expenditure covered by donor funding. He sought assurances that the proposed 1.5 % increase in Members' contributions would cover the proposed increase in the general operating expenses, and indicated that if even more voluntary contributions were available, this would be most welcome to support capacity building activities.

360. The Delegate of the RUSSIAN FEDERATION remarked that the report by the Chairperson of the Finance Committee contained only limited information for the Members, and did not clearly show how their money had been spent and what the detailed expenses were. He considered that because Members were requested to take decisions on these matters at the Council Sessions, important financial information should be provided well in advance. At the last Europe regional meeting, it had not been possible to study this information because no report was available. Specifically, only limited information on the Customs Co-operation Fund was available to the Council, i.e. only the total amounts spent were specified and no details were provided in relation to the allocation and/or spending of the funds. The report also showed a significant increase in the Organization's cash at hand and investments, which had risen from 20 to 24 million euro, but it did not disclose where the funds were invested, and gave no details regarding the integrity of the investment process. Also, the report showed a depreciation on investments of approximate 1 million euro, and the delegate asked whether this meant that the WCO was losing money on its investments. A detailed breakdown of the WCO's investments and cash deposits should be shown in the Balance Sheet.
361. The delegate went on to say that the Finance Committee Chairperson had presented some new initiatives concerning the Terminal Allowance, but the report did not contain any details. Moreover, in the proposed expenditure for 2015/2016, a significant sum (more than 1.4 million euro) had been allocated to hiring temporary staff; it was not clear what the basis for this was, other than to cover peak periods and pay freelance translators. This information should be provided in detail. The financial report should also give details of the expatriation, dependants' and household allowances. In his view, the timing for the provision of these facts to the Council needed to be reviewed, so that Members had sufficient time to study the figures as proposed by the Finance Committee.
362. The HEAD OF ADMINISTRATION AND PERSONNEL said that he was rather mystified by this intervention, because all of the figures and facts that the delegate had requested were clearly presented in the documents available. Perhaps there was a misunderstanding regarding a few of the figures, which he was happy to clarify. He explained, firstly, that the Report of the Finance Committee session which took place in April each year was issued around three weeks after the session; this year, the Chairperson's report had been made available to Members about a month before the Council Sessions. Secondly, where donor funding was concerned, a document presented to the Finance Committee, a link to which was provided in the Finance Committee Chairperson's report to the Council, clearly specified each individual donor, the amount of each individual donation and - to the last cent - how each amount had been spent. He would be happy to go through the figures bilaterally with the delegate, if he so wished.
363. On the other matters raised, the Head of Administration and Personnel said that all of the calculations related to the Terminal Allowance were set out in the Balance Sheet, together with the corresponding amounts, and the mode of calculation of the Terminal Allowance was clearly specified in the Staff Manual. Finally, he acknowledged that some delegates might not know how to find all of the information that was available, and reiterated his willingness to assist them in order to avoid any future interventions based on misunderstandings of this kind.
364. The Delegate of SWEDEN thanked the Chairperson of the Finance Committee and the Secretariat for the excellent work undertaken during the previous year, and acknowledged the important work done by the Finance Committee in keeping the

Organization's finances sound and balanced. She supported the proposal to acquit the Secretary General of his financial responsibilities for the financial year 2013/2014, and all other proposals submitted by the Finance Committee for the approval of the Council. Turning to the WCO's Publications Policy, which was being referred back to the Policy Commission for further consideration, she said that Sweden, in common with many other Members, regarded the Publications Policy not only as a financial issue, but also as an important matter of principle. She added that offering publications online could lower the costs, thus enabling free distribution of publications to private sector operators, who used them in order to comply with the applicable national legislation.

365. Responding to the questions posed by the Council Chairperson, the CHAIRPERSON OF THE FINANCE COMMITTEE explained that the increase in total spending referred to in his report was mainly based on increased CCF donations, which led to more programmes - and operational spending on those programmes - over time. With regard to the proposed increase in Members' contributions, he said that after a substantial discussion in the Finance Committee, the appropriate level of increase in contributions to cover the WCO's expenditure had been proposed. In that context, a discussion had taken place on the current level of the available reserves, and there had been a consensus that these reserves should not be used without agreed principles being established for their possible usage. The modest increase in contributions which was being proposed had been regarded as the correct way forward, rather than using the reserves at this stage to fund an increase in the general operating expenses. A substantive and specific discussion about the reserves would take place at the Finance Committee's next session.
366. The COUNCIL CHAIRPERSON invited the Council to take note of the scale of contributions which had been distributed. In this connection, the HEAD OF ADMINISTRATION AND PERSONNEL indicated that, in accordance with Council Decision No. 289, Members would become inactive if they had not met their financial obligations to the Organization for two consecutive years. When the Council met at the end of June, as was normally the case, the scale of contributions distributed during the sessions could be assumed to be correct. This year, however, the Council was meeting earlier than usual, and there was still time for the countries identified as "inactive" on the scale to make a payment before the financial year ended on 30 June, and thus avoid becoming inactive. Any developments of this kind would mean that the amount of the contributions payable by all Members which did not pay a fixed percentage would be revised downwards slightly. The definitive information on this would be provided to delegations when they received their invitation to pay the next year's contributions, which would be issued in July.
367. The COUNCIL CHAIRPERSON thanked the Finance Committee Chairperson for his work, and for the excellent report he had delivered to the Council.
368. In conclusion, the Council :
- agreed that the budget surplus (125,722.12 euro for financial year 2013/2014) be incorporated, and that the accumulated result on 30 June 2014 be established as being 8,639,539 euro, noting also the report of the external financial auditor for the financial year 2013/2014;
  - acquitted the Secretary General of his financial responsibilities for financial year 2013/2014;

- approved the setting of the general operating expenses (GOE) for 2015/2016 at 16,695,426.98 euro (equivalent to a 1.7 % increase in the GOE);
- approved a final, updated scale of contributions which reflected a 1.5 % increase in the overall contributions for financial year 2015/2016;
- approved the Staffing Table for 2015/2016 showing the budgeted posts (which included four additional posts) and indicating the number of Technical Attachés;
- approved the proposed capital expenditure of 720,000 euro for financial year 2015/2016;
- adopted Decision No. 344 concerning the budgetary and financial provisions for 2015/2016, reproduced at Annex III hereto;
- approved the high-level costing of the Strategic Plan as agreed;
- approved the revised daily subsistence, kilometric and installation allowances with effect from 1 January 2015;
- adopted amendments to the WCO Staff Manual as proposed, with effect from 1 July 2015;
- adopted amendments to the WCO Technical Attachés Manual as proposed, with effect from 1 July 2015;
- adopted the new budgetary feasibility clause, for insertion in the WCO Staff Manual as proposed, with effect from 1 July 2015;
- approved the Finance Committee's endorsement of the current method of calculation of the Terminal Allowance, and the practice of reimbursing education costs at a rate of 90 % of total admissible expenditure, restricted by reference to a multiplier of the dependent child allowance;
- approved the revised text updating Council Decision No. 232 of June 1981 concerning the emoluments of the Secretary General and Deputy Secretary General (reproduced at Annex IV hereto as new Council Decision No. 342);
- adopted the amendments to the Financial Rules as proposed, with effect from 1 July 2015; and
- approved as a whole the Reports on the Finance Committee's 96<sup>th</sup> and 97<sup>th</sup> Sessions, as contained in Docs. SF0378 and SF0402 respectively.

## **8. NOMINATIONS AND ELECTIONS**

### **(a) Nomination of a Director, Compliance and Facilitation**

369. The CHAIRPERSON indicated that the candidates for the post were :

- Mr. Jean-François DUTHEIL (France)
- Ms. Ana HINOJOSA (United States)
- Mr. Thomas SCHMITT (Germany).

370. After indicative voting had taken place, Ms. Ana Hinojosa (United States) was nominated by acclamation for appointment as Director, Compliance and Facilitation, for a five-year term of office to begin on 1 January 2016.

371. Ms. HINOJOSA expressed her sincere gratitude for all the support she had received. She was honoured to have been part of the election process and paid tribute to the other candidates. She said that she was looking forward to working with all the Members.

### **(b) Nomination of a Director, Capacity Building**

372. The CHAIRPERSON indicated that the candidates for this post were :

- Mr. Sandeep BHATNAGAR (India)
- Mr. Ernani CHECCUCCI (Brazil).

373. After indicative voting had taken place, Mr. Ernani Checcucci (Brazil) was nominated by acclamation for appointment as Director, Capacity Building, for a five-year term of office to begin on 1 January 2016.

374. Mr. CHECCUCCI thanked the Members for their support and the confidence placed in him. He emphasized that this was the first step on a long journey, but he was motivated for the task ahead. The coming period would be an exciting one in the capacity building domain. He paid tribute to Mr. Bhatnagar and wished him well for the future.

### **(c) Nomination of a Director, Tariff and Trade Affairs**

375. The CHAIRPERSON indicated that the candidates for the post were :

- Mr. Jørn HINDSDAL (Denmark)
- Mr. Myeong-Ku LEE (Republic of Korea)
- Mr. Ping LIU (China).

376. After indicative voting had taken place, Mr. Ping Liu (China) was nominated by acclamation for appointment as Director, Tariff and Trade Affairs, for a five-year term of office to begin on 1 January 2016.

377. Mr. LIU thanked the Members and his home Administration for their trust and confidence in him. He congratulated the other candidates on the spirited campaign and said that the campaigning process had proven to be a life-enriching experience and had given him the chance to meet with - and listen to - many people. He was now looking forward to serving the membership, and to taking up the challenges and the

opportunities that lay ahead in a rapidly changing world. His vision was for Customs to make the world a better place by working together to achieve the objectives set.

**(d) Elections**

378. It was proposed that Mr. Zouhair Chorfi (Morocco) be re-elected Chairperson of the Council for 2015/2016.
379. The Council approved the above proposal by acclamation.
380. Mr. CHORFI expressed his gratitude for the trust placed in him and also for the friendship shown by delegates. He thanked the Secretary General and the Secretariat for the constructive dialogue over the past year, and expressed his commitment to continue to serve the Organization. There was a very full agenda ahead, including the topical question of e-commerce, the heightened importance of security, the strengthening of national economies, and successful implementation of the WTO TFA. He commended the WCO as an efficient and effective Organization which should be a centre of excellence for the sharing of best practice and be ready to accompany those Customs administrations which required assistance.
381. Mr Chorfi also mentioned the importance of strengthening partnerships within the WCO, but also at bilateral and regional level, to promote economic growth and enhance revenue collection and the protection of citizens. He emphasized the special nature of Customs, pointing out that few other authorities had such broad powers, covering matters of security, revenue, etc. In all this, capacity building and the strengthening of human resources were, of course, essential.
382. The CHAIRPERSON then announced that following consultations between the Members in the various regions, it was proposed that the Delegates of Bahrain, Cameroon, European Union, Malaysia, Mexico and South Africa be elected Vice-Chairs for 2015/2016.
383. The Council agreed to the above proposals which were approved by acclamation.
384. Following consultations between the Members in the various regions, it was proposed that the Council elect as new members of the Policy Commission the Delegates of Angola, Argentina, Benin, Canada, Cuba, Cyprus, Denmark, Ghana, Japan, Russian Federation, Saudi Arabia, Slovenia, Spain, Uganda, United Kingdom and United States, It was noted that they would serve alongside a number of delegates elected to the Policy Commission one year previously, namely Chile, Egypt, France, Germany, India, Korea (Republic of), Singapore and Thailand.
385. Following consultations between the Members in the various regions, it was proposed that the following Members be elected to serve on the Finance Committee for 2015/2016 : Burundi, Canada, China, Dominican Republic, France, Gambia, Germany, Ireland, Italy, Japan, Kazakhstan, Korea (Republic of), New Zealand, Paraguay, Saudi Arabia, Spain, Switzerland, United Kingdom and United States.
386. It was proposed that Mr. W. Williamson (United Kingdom) be re-elected Chairperson of the Finance Committee for 2015/2016 and that Mr. H. Tanaka (Japan) be re-elected Vice-Chairperson for that period.

387. Following consultations between the Members in the various regions, it was proposed that the following Members be elected to serve on the Audit Committee : Brazil, Chile, Gabon, India, Islamic Republic of Iran, Jordan, Norway, Russian Federation, Tanzania, Togo, Tunisia and Zimbabwe.
388. It was proposed that the Delegate of the Russian Federation serve as Audit Committee Chairperson in 2015/2016 and that the Delegate of Tunisia serve as Vice-Chairperson for that period.
389. All these proposals were approved by acclamation.

## **9. OTHER BUSINESS**

### **(a) Accession to WCO instruments, signing of Memoranda of Understanding and other Agreements**

#### **(i) Revised Kyoto Convention**

390. The Delegates of THAILAND and SIERRA LEONE deposited their country's instrument of accession to the Revised Kyoto Convention (RKC), bringing the number of Contracting Parties to 101.

#### **(ii) Harmonized System Convention**

391. The Delegates of SIERRA LEONE and DJIBOUTI deposited their country's instrument of accession to the Harmonized System Convention, bringing the number of Contracting Parties to 153.
392. The Delegate of SIERRA LEONE explained that the Revised Kyoto Convention and the Harmonized System Convention would form the basis for the tax reforms and modernization programme embarked upon by the Sierra Leone National Revenue Authority.
393. As delegates would be aware, following the outbreak of the Ebola Virus Disease (EVD) in 2014, Sierra Leone was now coming out of a very difficult situation. The WCO's statement to the Director-General of the World Health Organization that the WCO intended to keep a close eye on the EVD outbreak and monitor border-related developments in this regard, as well as the pledge of support to the global efforts to contain the deadly disease, had been appreciated and had encouraged the country and its Revenue Authority in their resolve. As had been indicated, in addition to the devastating effects of EVD on people and their communities, the indirect potential impact on global trade and travel was immense and could not be under-rated.
394. Even in the circumstances that Sierra Leone, Liberia and Guinea found themselves, the President, the Ministers and the people had not remained blind to the post-Ebola recovery period, believing that this disease - though deadly - would pass and there would be a need to rebuild the countries and, in the case of Sierra Leone, to continue with its national development programme.
395. Accession to the RKC and the HS Convention was part of the post-Ebola strategic plan, which should see Sierra Leone not only as a country striving to become donor independent, but also as a destination for investment and trade.

396. Finally, the Delegate of Sierra Leone thanked the President of the Republic of Sierra Leone and the Minister of Finance and Economic Development for their unflinching support for the Authority's reforms and modernization programme and, more specifically, in supporting the country's accession to the two Conventions. She also expressed gratitude to the WCO for the assistance rendered during the accession process. Sierra Leone looked forward to even greater cooperation for the smooth domestication and implementation of the two instruments, the signing and ratification of which marked the beginning of the reforms in earnest, as they would be anchored on solid ground.

(iii) Regional Training Centre

397. The Delegate of JORDAN signed a Memorandum of Understanding with the Secretary General for the establishment of a WCO Regional Training Centre in Amman.

(iv) Revised Cooperation Agreement between the WCO and the World Organisation for Animal Health

398. The Director General of the WORLD ORGANISATION FOR ANIMAL HEALTH (OIE) signed a revised Cooperation Agreement with the Secretary General to further enhance the cooperation between the OIE and the WCO.

399. The OIE Director General expressed his gratitude for the opportunity to address the Council on behalf of the OIE Members.

400. He explained that pathogens of animal origin were an important and growing global threat to human and animal health, food security, food safety, poverty reduction and biodiversity. In fact, 60 % of human pathogens (viruses, bacteria, parasites) were of animal origin.

401. The emergence of animal and human health risks associated with the five "Ts" (Trade, Travel, Transport, Tourism and Terrorism), all of direct interest to the WCO's activities, created an ever greater need for risk managers at international, regional and national level to address them through a multi-faceted and well-coordinated global strategy. That was why the OIE, which was the intergovernmental standard-setting body for animal health and the pre-eminent source of early warning and monitoring of animal diseases, was committed with its 180 Member countries to maintain a robust coordination with international organizations, such as the WHO, FAO, WTO and more recently the WCO.

402. The signing of this revised Agreement between the OIE and WCO demonstrated the willingness of both Organizations to reinforce their collaboration in fields of common interest, which included :

- Implementation of the WTO Agreement on Trade Facilitation, with a focus on Coordinated Border Management. Trade facilitation would become disease facilitation without appropriate cooperation between Customs and veterinary services.
- Good governance practices at borders, related to the human, physical and financial capacity of both Customs administrations and veterinary services.

- The fight against smuggling and fraud in trade in live animals, products of animal origin and counterfeit veterinary medicinal products.
- Biological threat reduction with regard to accidental or intentional pathogen release.
- Animal welfare aspects during transport (by land, sea and air) and quarantine.
- Facilitation of international competition horse movements (in particular for a specific high health, high performance horse sub-population recently defined by the OIE, the International Equestrian Federation (FEI) and the International Federation of Horseracing Authorities (IFHA)).
- Facilitation of cross-border movements in natural disaster situations.

403. The Director General expressed his confidence that the joint actions of the OIE and WCO proposed in the Cooperation Agreement, which ultimately aimed at reinforcing and empowering national veterinary services and Customs administrations, would secure and facilitate the international trade of animals and related products, for a safer world. He was personally committed to the implementation of the revised Agreement as soon and as efficiently as possible, and as a first step he called for the establishment of a joint OIE-WCO Task Force for its implementation.

404. Finally, he said that the WCO Secretary General had recently been present in Paris for the 83<sup>rd</sup> General Session of the OIE World Assembly, at which Dr. Monique Eloit had been elected as the new OIE Director General with effect from 1 January 2016. Dr. Eloit shared the same commitment to successfully collaborating with the WCO and he therefore hoped that, in a year's time, the OIE and WCO would already have joint success stories to report.

405. The SECRETARY GENERAL said that, at the OIE Assembly in May 2015, he had talked about the many challenges and issues that were common to the two Organizations, both of which had 180 Members. The renewed partnership between the WCO and OIE was a symbol of Coordinated Border Management (CBM), which was the WCO theme for 2015. He hoped that, with the signing of the revised Agreement, cooperation between Customs and veterinary services would be enhanced at national and regional level. The incoming OIE Director General, Dr. Eloit, had taken part six years previously in the first CBM workshop organized by the WCO and he was confident that cooperation between the two Organizations would be maintained and further developed.

**(b) WCO photo competition**

406. The SECRETARY GENERAL thanked the 31 administrations that had participated in the 2015 WCO photo competition, the aim of which was to reflect and thus communicate the importance of Customs officers and the impact they were having around the world. The theme of the 2015 competition was "Coordinated Border Management".

407. The Secretary General announced that the winning entry, as voted for by the Members, was the Sudanese Administration's photograph entitled "Border ahead". The picture showed goods trucks ready to cross the border between Sudan and Egypt. Since April 2015, the Askeit border post was the first and only border crossing point in Sudan benefiting from a Single Window environment, with all relevant authorities

gathered under one roof. The photograph was therefore very much in keeping with the theme of Coordinated Border Management.

**(c) Upcoming event**

408. The Delegate of AZERBAIJAN announced that the WCO PICARD Conference would be held in Baku from 8 to 10 September 2015. He encouraged all Members to attend that event.

**(d) WCO Vice-Chair**

409. The SECRETARY GENERAL emphasized the importance of the cooperation and interaction between the WCO regions and the Secretariat, and the key role of the Vice-Chairs in that respect. He said that one of the Vice-Chairs, Malawi, was now completing its term of office. Malawi, a relatively small country in the heart of the East and Southern Africa region, had represented that region effectively for two years and had ensured that the concerns and aspirations of the region had been conveyed to the Secretariat and the international community. He thanked Commissioner General Kamoto and his team for their support. The new Vice-Chair for the East and Southern Africa region was South Africa and the Secretariat looked forward to working with SARS Commissioner Moyane and his team.
410. The Delegate of MALAWI expressed his appreciation for the support given to his country during its term as Vice-Chair and wished South Africa every success as it took over that role.

**(e) Departures and tributes**

411. The SECRETARY GENERAL then paid tribute to the two outgoing Directors, Mr. Erich Kieck and Mr. Gaozhang Zhu.
412. Both Directors had been well known in the international Customs community before their election, and they had both been effective, professional and passionate in reaching out to Members and stakeholders, advancing the corporate approach in the delivery of the Organization's Strategic Plan. They had been active in developing and promoting the WCO's tools and in shaping best practices with Members, and had played an important role in the management of the Organization. They would be leaving with a wealth of experience, expertise and knowledge, as well as a substantial human network and a readiness to meet new challenges. On behalf of the Organization, the Secretary General wished Mr. Kieck and Mr. Zhu all the very best for the future.
413. Mr. KIECK congratulated the three newly elected Directors and particularly his successor, Ernani Checcucci, who would be the third Director of Capacity Building. He urged Members to give Mr. Checcucci their full support as he took capacity building to the next level. Mr. Kieck emphasized the special nature of capacity building as it was something that brought the international Customs community together. Finally, he thanked delegates for their support and encouragement over the past four and-a-half years.
414. Mr. ZHU thanked the Secretary General and Members for their kind words and wished the new Directors every success. He said that it had been an honour and pleasure to serve the WCO membership. The achievements made were attributable to Members' support, and that support would pave the way for the new Director to lead

the team to scale new peaks. He thanked the Members, the Brussels-based Attachés, the WCO management, the Compliance and Facilitation Directorate staff and his home Administration for their constant support. Finally, he expressed the hope that the Customs community as a whole would continue to move forward together to play an even greater role on the international stage.

415. The Delegate of INDIA took the floor to congratulate the Council Chairperson on his able leadership, the Secretary General on his conducting of WCO programmes and the three newly elected Directors on their election. India remained committed to working closely with all three Directorates and the WCO for the continued improvement of Customs administrations.

#### **10. DATE AND PLACE OF NEXT SESSIONS AND CALENDAR OF MEETINGS FOR 2015/2016**

416. The 127<sup>th</sup>/128<sup>th</sup> Sessions of the Council would be held in Brussels from 14 to 16 July 2016, preceded by the 75<sup>th</sup> Session of the Policy Commission from 11 to 13 July 2016. The 74<sup>th</sup> Session would take place in the Dominican Republic from 7 to 9 December 2015 at the kind invitation of the Dominican Republic's Customs Administration. The Delegate of the DOMINICAN REPUBLIC said that his Administration was very much looking forward to hosting the Policy Commission and welcoming the delegates.
417. Subject to a number of amendments to the draft that had been circulated, the Council approved the Calendar of meetings for 2015/2016, which is reproduced at Annex VI hereto.

#### **CLOSURE OF THE SESSIONS**

418. The CHAIRPERSON thanked the Secretary General for the work undertaken to ensure that the WCO was truly a centre of excellence which was useful to all the Organization's Members. He also expressed his gratitude to all those who had helped ensure the smooth running and success of the Council Sessions. Finally, he thanked delegates for their involvement and engagement, and for the climate of friendship in which the Sessions had been conducted.

Z. CHORFI,  
Chairperson.

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