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# **The Customs Challenge in the 21st Century**

## **Understanding the Necessity for Risk Based Customs Controls**

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## Evolution of Customs

- Revenue Collection
- Protection of Economic Interests
- Protection of Society
- Trade Facilitation
- Supply Chain Security



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## **21<sup>st</sup> Century Challenges**

- Collect government revenue
- Protect society
- Encourage compliance with Customs laws and requirements
- Facilitate the flow of legitimate goods
- Establish trade chain security



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## Meeting the Challenge

- Customs Administrations faced with these challenges must make the philosophical and operational transition from a traditional approach to an approach that focuses resources on those transactions that represent the highest risk.

WCO Risk Management Handbook



## Traditional Approach

- All documents are scrutinized.
- Every shipment is examined.
- Every truck or car is searched.
- Every package is inspected.
- Multiple windows, multiple officers



## Traditional Approach

- Inadequate resources
- Cursory examinations
- Delays and added costs
- Unreliable and Misleading Results
- False sense of security



## Traditional Approach

- Unreliable reporting
- Minimal analysis
- Patterns not recognized
- Inability to adjust to adjust
- No coherent strategy



## **Traditional Approach**

- Facilitation fees
- Low levels of compliance
- Non-tariff barriers
- Damage to the economy
- Procedural impact
- Reputation



## New math

- In a perfect world Resources would equal or exceed Workload.
- What happens when Workload exceeds Resources?
- Can Customs Increase its Resources?
- Can Customs Decrease its Workload?
- What other option do you have?



## **The Global Marketplace**

“The efficiency and effectiveness of Customs procedures can significantly influence the economic competitiveness of nations. In a highly competitive world environment, international trade and investment will flow toward efficient, supportive and facilitative locations. At the same time it will rapidly ebb away from locations, which are perceived by business as bureaucratic and synonymous with high costs. Customs systems and processes must not be allowed to serve or be perceived as a barrier to international trade and growth..”



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## **RKC Core Principles**

- Risk management
- Compliance measurement
- Audit based controls
- Authorized traders
- Customs to Customs cooperation
- Customs to business cooperation



## **RKC Risk Management**

- Standard 6.3 “In the application of Customs control, the Customs SHALL use risk management.”
- Standard 6.4 “The Customs SHALL use risk analysis to determine which persons and which goods, including means of transport, should be examined and the extent of the examination.”
- Standard 6.5 “The Customs SHALL adopt a compliance measurement strategy to support risk management.”



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## **The Risk Based Approach**

- Simplified transparent procedures
- Single window processing
- Analysis and Evaluation
- Automation
- Customs-Trade partnerships



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## **The Risk Based Approach**

- Fewer but more thorough examinations
- Risk elements analyzed
- Controls vary in type and intensity
- Officers receive detailed instructions
- Accurate reporting and analysis



## **The Risk Based Approach**

- Compliance is encouraged
- Compliance measurement
- Focused use of resources
- Emphasis on post release controls
- Increased efficiency and respect
- Customs-Trade Partnerships



## Practical Exercise

- A Customs Administration in transition
- The Traditional vs. Modern Approach
- Please divide into two groups
- Identify current strengths and weaknesses.
- Identify practical solutions
- Prepare a 10 minute presentation