

**Access to Microfinance & Improved Implementation of Policy  
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*Customs Risk Assessment and Selective Inspections  
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## **1.0 EXECUTIVE SUMMARY**

During the Executive Study Tour of the United States Customs Service the Director General of Jordan Customs, Dr. Khalid Al-Wazani had an opportunity to review the current risk management methodology used by US Customs. He expressed interest in this process and requested that his managers be briefed on the methodology and that they be provided information on how such a process can be initiated.

Currently Jordan Customs uses the selectivity module of ASYCUDA and risk areas are identified and targeted through criteria input into ASYCUDA to generate inspections. Although there is use of criteria and targeted inspections, there is no national strategy to identify sensitive trade areas and review those areas for compliance. This workshop is intended to provide the information needed to develop a national plan and provides recommendations on how to initiate such a plan.

The workshop focused on the Kyoto Convention guidelines on risk management with the initial discussion covering Part 6 of Chapter 6 of the General Annex which part addresses the risk management environment. This portion provides Jordan Customs with a background on the international standards for risk management in Customs. A well developed UNCTAD Power Point presentation on ASYCUDA and risk management in Customs was also presented during the workshop to provide a visual re-enforcement of how the process works within the Customs environment.

Jordan Customs Risk Management Manager Eng. Damen Al-Fawaz provided the participants of the workshop information about the current risk assessment environment. After his presentation I shared the experiences of US Customs and how we developed our risk management process and developed the Trade Compliance and Enforcement Plan. As I was involved in this process from its formation, I could provide an informed account of the work involved in crafting the strategic and operational plans. The presentation included the background and history of selective processing from manual review to the use of automated tools.

The second day of the workshop focused on my recommendations for implementing the Risk Management Process in Jordan and a discussion with Jordanian Customs Managers on the merits of Risk Management and what approach would benefit Jordan Customs.

The materials that were used in this presentation included several articles by Steven W. Baker Esq. a private sector attorney who wrote several informative and easy to understand articles covering the main aspects of the US Customs Trade Compliance Plan. I had reviewed the articles for Mr. Baker as part of my work with US Customs in our mutual effort to initiate trade outreach. Mr. Baker gave permission to use his articles during the workshop and to have them translated as needed.

Additionally I provided Jordan import statistics for 1999 by country and HS chapter. This information is intended to show Customs managers the importance of understanding the total trade environment of Jordan and to begin the work of data analysis to create a better understanding of the trade environment. To properly develop a national strategic plan, Customs will need to do a significant amount of data

analysis on the data currently resident in ASYCUDA. This type of analysis will provide them with the knowledge about their major traders, major commodities, revenue producers, violators, and sensitive trade sectors. To help develop this expertise the AMIR Program will fund training for several officers on how to download ASYCUDA data into an off-the-shelf database and write queries to review various sectors of the trade.

Once this level of information is available, Customs will be in a better position to determine national priorities based on major traders or commodities that are the major contributors to the national revenue or of interest to the national economy and concentrate on those areas to make certain that the greatest revenue producers or sensitive industry sectors are compliant with all Customs laws and regulations.

The recommendations presented at the workshop outlined how such a process can be initiated, the analysis required to understand the totality of the trade environment, the decision process, and how to develop the basic Trade Compliance Plan. If after the data analysis portion is complete, Jordan Customs wishes to consider a pilot Trade Compliance Plan, the AMIR Program will work with Customs to help develop such a plan.

To help understand the process, certain portions of published statistical data provided by US Customs to Congress was part of the workshop presentation. The material presented concerned areas of non-compliance and the estimated revenue collection gap that was determined through statistical sampling of declarations filed. Together with the statistical data, a copy of the US Customs Trade Compliance Process Plan for 1999 was provided for review.

It is not intended that the concerns of Jordan Customs mirror those of US Customs but that the material can provide a certain degree of understanding about the process. Jordan Customs must determine their own national priorities and areas where they wish to concentrate their resources. It is for this reason that the workshop covered international standards defined by Kyoto Convention guidelines. However, since Dr. Khalid Al-Wazani had requested that US Customs experience be shared with his managers, a portion of the workshop was dedicated to providing that information.

The two-day session ended with a discussion about the approach to the process and the next steps to be taken. All the materials that were covered in this session are part of the Annexes to this report.

## **2.0 Discussion based on International Guidelines of Annex 6 Customs Control, Part 6 – Risk Management in Customs Commercial Transactions**

Risk management has become an essential business process for both the public and private sector. Many Customs Services have undertaken some form of risk management because they have found themselves with limited resources to process every commercial transaction with the same level of scrutiny. There is also a business need to expedite the declaration and release process so that the goods will enter the commerce as quickly as possible. Most business communities have undertaken efforts together with Customs authorities to promote expedited release of their merchandise so that it can enter quickly into the production process. With expedited release procedures, the commercial sector does not need to keep a costly inventory at their premises. However, this type of business practice requires that the goods are processed and released from Customs on a timely and predictable schedule.

In many countries major importers and industry sectors have worked with Customs to identify some sort of methodology that Customs can use to maintain a level of comfort on the compliance of the goods before them. A well-developed risk management process can promote expedited release of compliant goods. Jordan Customs has an interest in and hopes to work toward initiating such a process.

There is always an element of risk in facilitating the movement of goods and persons. However the extent of the controls should be in proportion to the assessed level of risk. Many Customs administrations have determined risk factors based on their national priorities and in-depth analysis of the trade data.

In managing risk a balance must be struck between costs and benefits. It is not cost effective both for Customs and the national economy to treat all risks equally. It is expensive for importers to have their goods detained or examined and this cost is always passed to the domestic consumer. This factor also impedes investment and economic opportunity. Importers require a great degree in predictability both in revenue to be paid and release times. It is the best method for pricing their goods or predicting production times. Even domestic producers import raw materials and capital goods. A good risk management system based on compliance data and close contact with importers makes good economic sense.

The risk management process requires that a risk context be established to identify national priorities, and within those priorities there should be a process of risk identification, risk analysis and assessment. This process should incorporate a methodology to address the risk and to monitor and review the course of action by periodically measuring compliance.

### **Establish the Customs priorities**

There is a need to develop a strategic national plan that will address major issues such as valuation, classification, public health, social issues, and trade agreements. This is done by studying and analyzing national trade data. Who are the major importers and what do they import or export? Which importers are the major revenue producers, what is their compliance history, where do they import, and what are their business

practices. Are there small importers that import goods that may be of national concern? How will the issues be addressed? Many Customs authorities have developed a compliance measurement methodology to identify a baseline and work from that baseline to develop a plan to raise the level over a multi year period with annual goals. After a period of time those goals may need to be adjusted. It may be that they were unrealistic or that the plan to improve compliance was deficient and needs to be adjusted.

Operational plans should be developed as to how to attain specific goals. This part will require training both the workforce and the trade community. Those trade sectors that have been determined, as needing additional scrutiny will require additional resources. There will be a greater need to work with them to develop their level of knowledge of Customs laws. The workforce must be educated to understand that not all declarations require the same level of scrutiny. Small unique shipments that may not occur again should be processed as quickly as possible on the best available information and not take up the time and effort of the workforce which should concentrate on major importers and trade areas and their compliance level. This is a major culture change since small unique shipments always seem to be more time consuming than large repeat commercial shipments. But in most cases those shipments do not represent any recurring revenue loss risk or overall threat to the national economy. They are one-time occurrences. They should be treated as such.

Tactical plans are usually local plans to deal with certain aspects of the trade or specific importers that may require greater resources. The local workforce is most familiar with the specific portion of the trade that files declarations through their port and should address any problems or issues directly with the trade. They can develop their own plan within the scope of the national plan to address compliance at their port. They can determine which movements require greater controls.

### **Addressing Risk through Profiling, Selectivity and Targeting**

Risk profiling is the means by which Customs puts risk management into practice. It replaces random examination of documents and goods with a planned and targeted working method, making maximum use of Customs resources. Once risk areas are defined such as specific trade sectors, or traders, or trade agreements, those areas can be selected through selective processing based on the risk indicator to determine the level of compliance. Based on previous history a risk profile can be developed, updated as needed and an action plan undertaken to minimize the risk. This can be maintained in either a paper or electronic mode. This document will also provide a record and allow Customs officers to evaluate the effectiveness of the risk profile and the remedial action. The nature of risk is dynamic. It changes as the nature of the business changes. Regular review procedures should be in place and feedback received from the workforce as to the effectiveness of the profile/criteria record.

### **Compliance Measurement**

Many Customs administrations have instituted a baseline measurement system to establish the level of compliance throughout the trade. Compliance measurement is a phrase used when statistically valid random sampling techniques are in place to

determine the degree to which traders, carriers, imported goods, etc., conform to Customs rules and procedures. When properly designed, compliance measurement provide objective and statistically valid results. Compliance measurement can be used as a diagnostic tool to identify areas of non-compliance within the trade. Compliance measurement should be used together with risk assessment, profiling and targeting procedures. Used correctly compliance measurement and targeting can provide the necessary balance to focus resources effectively in areas of concern to Customs. Initial results of compliance measurement can provide important information to enhance the risk assessment process. It can also provide Customs a basis to assess its own performance for revenue protection and to help develop and improve efficiency and effectiveness to improve compliance. It can help Customs managers determine trade trends and need for resources.

One such method is to analyze the total number of tariff lines for each 4 or 6 digit HS and to identify a statistically accurate sampling and place a random statistical indicator against each 4 or 6 digit line. When the line is generated for red line review - the whole process should be reviewed for accuracy and information as to whether or not any violations occurred and that information input into the system. At the end of a three/six/nine/twelve month period this information can be analyzed for a baseline measure of overall compliance. Once the data is available it can be sorted and analyzed to develop an overall compliance improvement plan for those areas that are deficient.

The same type of measures can be used in trade sectors, for carriers, for warehouses, free zones and any other portion of the trade. If ASYCUDA does not currently support such a process, the program manager can discuss the possibility of adding this significant capability to the program with the ASYCUDA programmers or develop a manual methodology that would provide a similar result.

### **Priority Focus**

Using the risk management program, Customs can identify the priority areas to focus their resource. One approach is to consider that in some countries 10% of the traders account for over 80% of the imports and exports. By focusing on the top 5-10% of these highest volume traders or commodities, Customs can ensure that those that have the most significant impact on the national economy are being reviewed most effectively and that their level of compliance does not fall below the determined acceptable level.

The areas of compliance measurement may include:

Documentary issues-such as proper classification and valuation by traders

Procedural issues-such as the goods declaration process, transit, free zone

Revenue Issues-timely and accurate payments, securities

Transport Issues-accurate quantity reporting, accurate description of goods on transport documents, accurate container quantities and identification numbers

Specific Concerns- compliance by tariff number or range of tariff numbers, public health and safety issues, intellectual property rights, compliance with trade

agreements, correct country of origin reporting, high revenue commodities, and selected traders

### **The Measurement Process**

Customs gathers data from many sources both internal and external through manual and automated means. With the data (import and export records) and systemic analysis of large traders or commodities Customs can make reasonable, informed conclusions about the compliance rates of many entities. The compliance rates can be determined for each step of the transaction process for imports-from the manifest to the goods declaration to the collections of duties and taxes. The automated system should be able to support compliance review through a scientific approach for accurate data collection, analysis and projections. Compliance rates can also be effectively measured without automation.

Customs should identify a universe of transactions and using a statistically valid sampling methodology select the specific transactions or entities for review and verification. Customs can also determine the level of compliance that is acceptable and those entities falling below that level will be identified for further review and additional remedial action.

#### Some of the processes identified for compliance verification would be

- Goods declaration process
- Trader compliance
- Transit compliance
- Free zone or warehouse compliance
- Manifest and transport document compliance
- Transporter compliance

#### Factors to be considered for goods declaration compliance

- Is there evidence of documentation to support accurate goods declaration?
- Do the quantities declared match what is contained?
- Does the declared country of origin match the markings and documents?
- Does the declared description of the goods match the actual goods?

#### Typical Compliance Measurement Review with at tolerance level of 95% accuracy

- Conduct a statistically valid random sampling of goods declarations for the selected HS number
- If the resulting compliance rate is less than 95% conduct another measurement of the same HS number by the various countries of origin
- For countries of origin with less than 95% compliance rate conduct a measurement of each of the major importers

#### For Importers found to have a compliance rate of less than the tolerance level

Inform the importer and discuss the problem and determine remedial action  
Establish targets/criteria for the identified areas of non-compliance  
Conduct subsequent measurements to ensure that the importer has corrected the problem  
Conduct more review and examinations  
Issue fines or penalties if appropriate

### **Use of Compliance Measurement Results within Customs Control**

The use of statistically accurate compliance measurement results can be used in various ways

To define any revenue gap-what revenue we collected-what we should have collected  
Prevent widespread commercial fraud-determine risk in all areas  
Assess performance of major key industries  
Assess performance of major importers and exporters  
Increase commercial compliance  
Accurately measure international trade

The results of these measurements can help direct resources effectively. In determining compliance rates for individual importers, those found to have high compliance rates may have their goods examined less frequently and have predictable release times. Those with low compliance rates will have their goods examined more often with documented reasons.

Compliance review for commodities traders, and industries provide information to update the existing selectivity criteria used to target high-risk transactions as well as the overall effectiveness of an administration's risk management program. In addition they contribute significantly toward determining trends and issues relating to specific industry sectors. The result should be that focused, up to the minute analytical information is available to assist Customs officers in their daily activities and that Customs understands the trade environment in which it works.

*(For purposes of providing information to workshop participants points, phrases, and ideas are taken directly from Kyoto guidelines. The pertinent section is included in Annex A of this report. The above narrative is not intended to be understood as a totally original work).*

### 3.0 Selective Processing and Development of the Risk Management by US Customs

US Customs started automating the cargo process in the early 80's; prior to that time the process was manual with lookout lists. The first attempt was a criteria based stand-alone system that did not maintain any information about the shipments. The criteria were specific to tariff, importer number, and country of origin either as a single element or in combination. When the data elements matched a specific record, the record provided a short narrative for the inspector's action. No feedback as to results could be entered back into the system.

In the mid 80's a seller identification code was created and added and the cargo release process was integrated into the automated declaration system that allowing brokers to transmit data directly to Customs and receive a message as to the level of review. At the time of transmission and processing on-line history files for the shipment, HS, importer, shipper and country of origin were created and updated. This information could be analyzed for the purpose of developing criteria.

Analyst positions were formed at all major ports and a national office was established at the New York office. The main task of the analyst was to analyze the shipment data, gather intelligence, and create and monitor criteria performance. In the late 80's the cargo process allowed for paperless release on all shipments that did not have criteria or other action associated with the shipment. However, this system was still transaction-based and did not provide any information on overall national trade compliance.

In the early 90's there was a movement to re-design the selective process and transform it to risk management system. An office was formed within HQ and a small group of HQ and field personnel were tasked to design a trade compliance/risk management system.

Large portions of the trade were analyzed. Certain industry sectors were determined to be strategic to the economic welfare and drew greater degree of focus. Those trade sectors were first determined to be Agricultural goods, automobiles and parts, communications equipment, capital goods, critical components, textiles, footwear and steel. Twelve trade priority issues were identified for purposes of assessing compliance: classification, trade statistics, valuation, revenue, trade agreements, transshipment, anti-dumping and countervailing duties, public health and safety, intellectual property rights, embargoes and sanctions, and country of origin marking. It would be in these areas that Customs would expend resources to further the level of compliance within the trade.

The trade data was also analyzed to determine who were the major importers by value and sorted in descending order. From a total of 442,000 importers it was determined that the top 1000 importers represented 60% of the total imported value.

The trade data was also analyzed as to the volume of annual shipments for each tariff item. Based on that information a system referred to as compliance measurement was

created. The intent was to determine an accurate statistical sample for each tariff item at the 4 digit level, generate those HS lines at random for review and perform intensive review on each selection both at the cargo exam and declaration review level. Any discrepancy was input into the system for analysis. The first year's data provided a baseline of compliance within the cargo and declaration process. The 1995 compliance level for imports was determined to be around 80%. In 1996 a five-year plan was initiated to improve compliance to 90% overall and to 95% in the strategic focus industries. The plan has annual goals and objectives. The annual plan is published and shared with the trade.

A trade outreach program was initiated and a new position of International Trade Manager created. Personnel were assigned to each focus industry to work with that sector of the trade. It was their responsibility to promote the development of trade publications and seminars to familiarize the trade with compliance, Customs initiatives, and benefits.

The compliance assessments program was developed to conduct full review of the records of major importers by accountants to make certain they were in compliance with all Customs laws. Data was made available to importers and the ports as to their level of compliance and whether it was improving. Improvement plans were discussed with the trade and benefits either provided or revoked. The account manager position was created to work with major firms to resolve issues and improve compliance. Broker compliance was initiated which used the same methodology to identify non-compliance issues and develop improvement plans.

Internal training for Customs officers was a major component to the new Trade Enforcement Plan. Many officers had to be educated as to why the Service was changing its emphasis from transaction by transaction processing to developing a national strategic compliance plan. In the past if a violation was identified it was handled locally. Each transaction was a separate issue. Customs officers made decisions as to whether to review the documents, examine the shipment, and release the goods based on the declaration before them. This had always been the methodology whether it was a manual process or an automated process. There was no overall plan to address ongoing compliance problems nationally. Customs had no information as to the nature of the major importers, major commodities, revenue produced, trade trends, or compliance issues within specific industry sectors. There was some corporate knowledge as to pattern of violations, and major revenue producers but it was not documented or available to all officers.

To implement the Risk Management Strategic plan it was necessary to establish the context using quantitative data as a foundation of decisions regarding economic impact, and available resources. This included the following:

What are the national priorities?

What is expected of Customs?

What trade areas have national strategic concern?

Who are the participants?

What do they import/export?

Through which ports and what is the volume?

Who are the major revenue producers?

Which commodities are the major revenue producers?

Has the level of risk and major risk factors been evaluated?

Once the above information was determined a long-range national trade compliance plan with annual goals and objectives to reach the determined risk tolerance level could be developed.

During the process of developing a long-term strategic plan US Customs determined that it was necessary to:

1. Set strategic priorities for compliance via annual goals with focus on those issues that have been determined as important to Customs.
2. Conduct baseline measurements to develop reliable data as to trade vulnerabilities and to assess the effectiveness of corrective action by comparing future compliance rates with the baseline and addressing areas of continued non-compliance with a focused approach.
3. Determine targeted compliance levels for specific areas and industry sectors using the baseline as the acceptability of compliance rates can vary from sector to sector and commodity range.
4. Determine appropriate remedial action for those below the targeted level depending on the nature of the non-compliance, existence on the national level, complexity of rules and regulations governing the merchandise and the demonstration of reasonable care on the part of the importer.
5. Work with the trade to develop and implement informed compliance programs to improve level of clarity in a cooperative effort through focused seminars and publications.
6. Conduct targeted compliance measurements to gauge changes in compliance rates and effectiveness of Customs compliance strategy and
7. Report to Congress and the trade on the effectiveness of the process.

#### **4.0 Jordan Customs Risk Management Environment**

Jordan Customs has established a Risk Management Unit and has computerized many of their Customs procedures to provide for the ability to analyze risk factors through analysis of automated data. This unit is tasked with defining risks within the trade process, managing criteria in ASYCUDA, providing reports to managers and working with the workforce to further the understanding of the process.

Trade has increased over the past 15 years, there are more trade agreements to administer and there is a need to focus on certain shipments due to product, but Customs human resources have not kept pace with needs. It is for this reason that Jordan Customs has developed procedures to focus on and attempt to manage risk. It is their intent to learn from other Customs services as to methodology used in other countries to work through this process.

Currently the unit's procedure is to collect data and information and access reports for each center in order to set criteria and analyze errors identified in the declaration process. Once identified the violators are feed back into ASYCUDA for further review. The current focus is on the importer.

The current plan is to have a comprehensive system and increase compliance by measurement of inspections, reviews and initiating importer audits. Fifteen new employees with accounting backgrounds will be hired to perform such review of importer records.

Daily the Risk Management Unit analyzes how each automated center is performing and has determined that the percentage of red line cargo inspections is significantly greater at the Amman Center than at Queen Alia airport cargo facility. During a period of one month approximately 16% of all shipments including imports were provided green line expedited release at Amman Customs Center while 40% benefited from this process at the airport cargo facility. This type of information is brought to the attention of the manager and discussed as to how to promote more expedited release and the better use of Customs resources to focus on risk rather than review each transaction. However the information is lacking any context about what it represents as overall scope of risk within the Jordan economy.

The participants at the workshop expressed a great deal of interest in the process and understood the benefits but believed that such a process needed to come down from top management. The AMIR program will fund training for several officers to learn to use automated tools for data extract and review and it is intended that when the information is presented to top managers in a well organized report that they will be able to use such data to develop a long term risk management strategy. If Jordan Customs wishes to pursue the development of a trade compliance and enforcement plan, the AMIR program is committed to providing expertise to help design such a plan.

## 5.0 Recommendations for Working Towards Establishing a Customs Trade Compliance Plan in Jordan

The discussion at the workshop focused on several prescribed steps on moving towards building an effect long-term risk management strategy. Although many of the points were covered in the previous discussions it was import to re-enforce them to the participants.

The first step is for the Jordan Customs administration to look at the Customs context and define the role of Customs, the national priorities, and the expectations of the public and private sector. This step will also require the creation of a multi- disciplined risk group, determining operating procedures, and cataloguing existing sources of data or information that can help in identifying risks and determining priorities.

The trade data resident in ASYCUDA can be analyzed to determine current trade patterns. This level of information will provide a clearer picture of who does what in the export/import environment of Jordan. Now that the Aqaba Customs center has started using ASYCUDA that trade data will be available for analysis and review. Jordan will benefit from the automated environment by being able to access at least 85% of all their commercial transactions through automated tools and review them for trade trends and compliance issues.

The second step is to analyze the information and identify industry sectors, commodity areas, or control risks such as high duty, valuation, goods subject to trade agreements, sensitive goods, etc. and to research existing databases and records on commodity and trader histories.

It would be more efficient to download ASYCUDA trade data into a structured database and sort information based on various factors. The Risk Management Unit can work closely with the ASYCUDA unit to learn how to use the data analysis tools and how to generate reports. Also the AMIR Program will fund training for several key officers on the use of database tools. It should be understood that data is a managed corporate asset and needs to be on call and immediately available. Long cycle times from request to delivery of data should be considered a mismanagement of the asset.

Initially each processing site can be separately and jointly analyzed to determine trade patterns.

- At first segregate the trade by sectors, commercial imports, exports, temporary admissions, re-exports, special duty free regimes, etc.
- Each sector can be analyzed based on major importers, commodities and countries of export/origin.
- Each specific area can be sorted in descending order as to value; revenue produced, and identified violations.

- Once the major importers are determined by value or by revenue produced there can be a finer level of detail sort to identify commodities imported and commodity/country relationships.
- The same additional review can be performed on the major commodities to identify the importers and countries of origin of those commodities. Importers and commodity violations can be included in the sorts.
- Once each trade sector and each site is separately analyzed, they can be combined to analyze certain aspects of the trade. Do the major importers also export and if so, what do they export? Is there any link between commodities entered as temporary admission and imports or exports? This could provide interesting insight into the activities of the trade.
- Any off-line information or reports should be made available for inclusion in the analysis process.

Once the information is sorted and initially analyzed for trade patterns it can now be used to evaluate other aspects of the trade.

- Top importers/exporters – there is normally a logical break in the sort. It may be that the top 25 or 50 companies represent a major percent of the value or revenue produced. Certain information can now be determine such as that the 50 top importers out of a total of (x) importers represent a certain percentage of the trade and the next 100 represent another percentage to provide management with a view of current trade environment. A profile can be developed:
  - ✓ For each top importer provide a report of what specific commodities and from what countries and add any history of discrepancies or other information to that report.
  - ✓ Analyze the type of trade conducted and determine a potential risk
- Sort top commodities identified by harmonized number by value and by revenue produced. There also will be a logical break within this sort. It may be that the top 100 commodities would represent 50% of the value or revenue. A profile can be developed:
  - ✓ For each top commodity identify the importer and country of origin and add any information about deficient findings or violations.
  - ✓ Analyze each commodity as to trade complexity and assign a risk

- Identify any deficiencies or violations and link to importer and commodities to determine if risk is related to either the importer or the commodity.
- Consider sorting the trade by major industry sectors to determine value, revenue level, and previous violations by those sectors.
- Review lower level importers and commodities to determine if any require the above level of detail.
- Review the information and determine whether there is sufficient data to assess potential risk.
- Analyze the potential risk associated with the information and provide to management for evaluation.

The final step is for management to initiate an action plan and work with the risk management group to develop processes that can be best applied in the national environment.

- Based on the information provided, management will now be in a better position to determine a course of action and create a strategic risk management plan.
- Areas or industry sectors could be determined as of major interest or of greater potential risk. Certain sectors such as agriculture, telecommunications, textiles or machinery could be determined as areas of national concern.
- Import compliance or specialist teams could be created around each priority sector.
- Priority trade sectors would identify areas of concern and deal directly with importers to correct the issues.
- Additional measurement plans can be put into place to determine level of compliance in those or other industries.
- A general compliance measurement plan based on a statistical review of each subheading in the tariff could be initiated to determine level of compliance throughout the trade.
- A training plan to familiarize both Customs officers and the trade with the risk management concept would need to be developed.
- A review and monitoring plan would need to be in place. Risk changes as the trade environment changes. There is a need to continue to

review and analyze data and ascertain that the current process is still working as planned and that improvements are continually implemented.

## **6.0 Conclusion**

Jordan Customs already has many of the components of a risk management system in place. The majority of all declarations will be automated by early 2001. A Risk Analysis Unit with oversight of criteria and declaration review is already in place. There is an interest in expanding the current selectivity system to a strategic risk management environment.

It is recommended that the steps described above be considered in the context of the Jordanian Customs Service. It is also recommended that the steps be taken to review and analyze data and available information to begin formulating a Jordanian Customs Risk Management System based on the needs of Jordan and the resources available in Jordanian Customs. If the resources are not available to develop a full compliance plan covering all risk associated major trade sectors, it is possible to prototype one or more sectors and to gain experience through working with those sectors to assess risk and promote compliance.

There is a great deal of interest on the part of top managers to initiate an overall trade compliance strategy and with the recruitment of the accounting personnel it appears that the post audit process will also need a strategy to identify audit candidates based on risk factors and their importance within the trade economy of Jordan. It is wasteful to spend precious resources auditing an importer who may have occasional problem transactions and not developing an audit plan that focuses on major importers who are the top revenue producers to ascertain their level of compliance.

Although there is a major interest on the part of top managers to further develop this process this desire it must be passed to the mid level managers and the workforce. This type of communication is crucial and the workforce needs to be part of the process. The best-developed plan will not prove fruitful if the workforce does not understand the process and feels that they have not contributed to it. This workshop has provided information to many mid level managers and supervisors and they now have a better idea about the process and its benefits.

**Annex A**  
**Risk Management in Customs –**  
**Kyoto Convention General Annex Chapter 6 Part 6**

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