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# Building an Authorized Economic Operator Program

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## Introductions

- Name?
- Number of Years in Customs?
- Current Position?
- Previous Positions?
- Why are you here today?
- Tell me what you want from this workshop?

## Our Approach for this training

- We want to build on any previous training, including the development of Yemen Customs Risk Management Strategy
- We will look at the history leading to the WCO SAFE Standards AEO program
- We will look at a Middle East Customs AEO Program
- Together we will build a project plan for Yemen Customs AEO program

## Our Agenda for this Week

- Day 1 – The AEO Models
- Day 2 – The AEO Program Development as a Project
- Day 3 – Building the AEO Project Components
- Day 4 – Defining the Milestones for the AEO Project
- Day 5 – Reporting to Customs Management on Project.

# Customs Challenges

- Collect revenue
- Protect society by ensuring compliance with Customs laws
- Facilitate the flow of legitimate goods
- Ensure trade chain security
- Do all this with the same or fewer resources

## Foundation – Three Rules

- For business – where the cost of compliance is lower than the cost of non-compliance, good businesses will be compliant
- For government – Voluntary compliance is more effective and economical than involuntary compliance
- For government and business – you can't enforce or comply with regulations if you don't know the regulations

## The Role of Business

- “There is a growing realization that this degree of change can only be achieved with the active participation of legitimate business. This partnership... provides for greater efficiency and more effective controls which are based on knowledge of commercial operations.”

WCO Risk Management Guide

# Review of Terms

- Risk
- Risk Management
- Shared Responsibility
- Due Diligence
- Border Trade Information Systems
- WCO SAFE Standards
- Authorized Economic Operator
- Cargo Selectivity

## Defining Risk

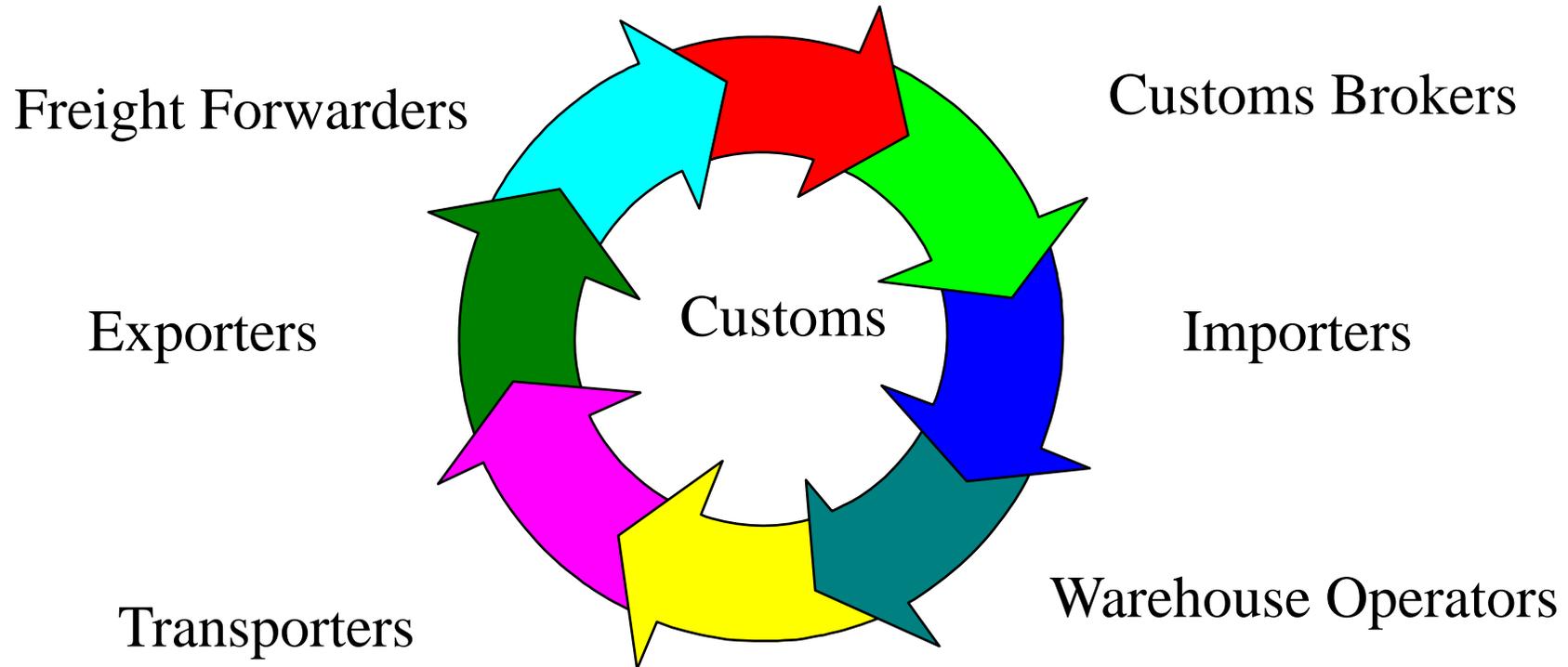
- The combination of the probability of an event and its consequences. (ISO definition)
- The chance of something happening that will impact on objectives
- It is measured in terms of likelihood and consequences
- To Customs, risk is the potential for non-compliance with Customs laws. (WCO definition)

# Risk Management Transfer Treatments

- Surety, bank guarantees
- Management by account
- Periodic declarations
- Internal Controls – importer, broker, exporter, etc.
- **Authorized Economic Operator with full circle due diligence**

# Full circle due diligence

## International Trade Community



# Shared Responsibility



## Informed Compliance

- It's easier to figure out who the bad guys are when you've weeded out the good guys
- Voluntary compliance makes Customs job easier
- Legitimate traders want to know the rules and comply
- Highly compliant traders can be rewarded
- Non-compliant traders who want to comply should be helped to improve

# Yemen Customs Risk Management Strategy

- See hand out
- This is one of our guiding documents.

## Key Documents and Principles

- Kyoto convention (revised)
- Arusha Declaration (revised)
- Doha Declaration on Trade Facilitation
- WCO SAFE Standards (Global Trade)
- GATT Articles V, **VIII**, X
- ICC Customs Guidelines

## WCO SAFE Standards

- Risk management is a shared responsibility with clients
- Standards application follows ISO approach to conformance
- Customs to Customs exchange of information simplifies and improves risk management

## WCO SAFE Standards

### Objectives:

- Establish standards for supply chain security & facilitation
- Enable supply chain management
- Enhance the role, functions and capabilities of Customs
- Strengthen cooperation between Customs administrations
- Strengthen Customs-Business cooperation
- Promote the seamless movement of goods through secure international trade supply chains

## WCO SAFE Authorized Economic Operators

- Change in focus to reduce pool for examination
- Increased confidence by Customs
- Shared responsibility with private sector
- Basis for international exchange of customs to customs risk management

## Informed Compliance Programs

- Customs must ensure that its procedures and requirements are transparent, that the trading community has access to them and understands them.
- **For government and business – you can't enforce or comply with regulations if you don't know the regulations**

## U.S. historical approach

- Customs Regulations on Internet
- “What every trader should know” pamphlets

# Comprehensive Integrated Tariff System

The Jordan Model for information access

- Three years in the design and build process by a USAID funded project and Jordan Customs
- Complimentary and compatible to ASYCUDA

## Why *CITS*?

- Need for increased coordination between agencies that have a border control mandate
- Need to provide trade community, foreign investors and government with all customs and associated regulatory requirements relevant to the importation, exportation or transit of goods in a “single window” of information

## What is a *CITS*?

...the single reference point for **all tariff and non-tariff measures** to be applied to goods entering, exiting or transiting Jordan, including **all governmental requirements** regarding a specific commodity.

- Accessible over the internet to the public
- Accessible to customs over the intranet
- Accessible to coordinate 60 government agencies in regulation issuance with customs tariff experts

## Broker Compliance Program

- Because of the brokers' integral role in the conduct of Customs business, a high standard of broker performance is critical to the accomplishment of the Customs mission. Accordingly, the fundamental goal of the oversight of broker performance is to promote compliance, particularly through counseling and education, and to maintain a high standard of professionalism in the brokers' conduct of Customs business.

## Approved Trader Agreement

- Traders may apply to participate in the “Approved Trader” program. Customs will review each application, and inspect the applicant’s record keeping procedures and security level. Customs will enter into a written agreement with those traders who demonstrate an acceptable level of compliance. Most programs are based only on historical compliance and target only importers.

## Increased security concerns

- Customs must ensure its access to vital information and intelligence on people and goods and to “commercial information” through key relationships with importers, exporters, customs brokers, carriers and others in order to actively contribute to national security strategies and plans by developing effective risk management strategies.

WCO Risk Management Guide

## C-TPAT Program

- The U.S. Customs and Border Protection has the Customs – Trade Partnership Against Terrorism Program that is a voluntary program to assess the supply Chain Security. It is a voluntary program and all segments of the supply chain are incorporated but it only is concerned with security.

## Jordan Customs Golden List Program

- Voluntary program with modules for the full circle of the supply chain.
- Addresses **all compliance** issues **and security**
- Companies must have historical compliance and be large enough to have statistical impact on customs
- Applies ISO 9001 principles
- Measures capacity for self regulation
- Successful applicants are subject to a compliance audit

## Jordan Customs Golden List Program (cont)

- Participants work with Jordan Customs to define benefits
- Customs identifies Golden List accredited companies on their Internet Web page
- Accreditation on the Jordan Customs Internet Web page identifies status of companies at the time of inquiry, not historical certification.
- Application process is open and transparent.

## Assigning a Treatment

- Based on your evaluation of the risk, determine the appropriate treatment and intensity
- Consider the impact on workload – can customs officers realistically do what is asked for?
- Does your administration have the technical capacity for an AEO program?
- Write an examination criterion
- That criterion must provide instructions to the examining officer
- The results of treatment must be recorded and tracked

## Compliant Traders

- Educate these importers on
  - internal security
  - employee background checks
  - quality control & record keeping
- Offer rewards
  - direct delivery
  - duty payment deferment
  - consolidated entries

## Informed Compliance & AEO Program for Yemen

- Identify technical expertise
- Identify volunteer beta test companies
- Identify program components using WCO SAFE standards
- Identify program components using Yemen laws
- Identify responsible leader in Yemen to form working group and time line.

## Writing AEO Participant Criteria

- Define within strategy.
- Objective: Determine high confidence levels
- Fewer well-designed criteria are better than many poor ones
  - They will get better results
  - They will enhance credibility
- Remember Cost of Compliance must be lower than non-compliance

## Identifying Compliant Traders by AEO

- Define criteria for AEO
  - internal security
  - employee background checks
  - quality control & record keeping
  - ability to self regulate
  - ability to check and validate supply chain

## Rewarding AEOs

“Where the cost of compliance is lower than the cost of non-compliance, good businesses will be compliant.”

- Offer rewards
  - direct delivery
  - duty payment deferment
  - consolidated entries
  - What do traders want?