

# **Asia-Pacific Economic Cooperation**

**A Blueprint for Customs Modernization: Working  
with Business for a Faster, Better Border, 1997**

**APEC Sub-Committee on Customs Procedures  
APEC Committee on Trade and Investment (CTI)**

**1997**

# **A Blueprint for APEC Customs Modernization: Working with Business for a Faster, Better Border**

**APEC Sub-Committee on Customs Procedures (SCCP)**

**October 1997**

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**This document is a “living” document with the latest version available on the SCCP Home Page (<http://www.sccp.org>) along with detailed information on each member’s progress towards implementing the Collective Action Plan.**

**Business sector input to the SCCP is invited through the Internet ([dmaxwell@cyberus.ca](mailto:dmaxwell@cyberus.ca)).**

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### **World Class Processing Time**

An October 1996 United Nations Conference on Trade and Development (UNCTAD) study found that 3 hours and 59 minutes, on average, after import entries were filed and processed by computer at the Philippine Bureau of Customs, 68.5% of them were ready for release. Four hours is the established standard for the New Zealand Customs Service, one of the world's most advanced Customs Administrations.

### **ASIA-PACIFIC ECONOMIC COOPERATION MEMBER ECONOMIES**

Australia; Brunei Darussalam; Canada; Chile; People's Republic of China; Hong Kong, China; Indonesia; Japan; Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Republic of the Philippines; Singapore; Chinese Taipei; Thailand; United States

#### **OBSERVERS**

ASEAN Secretariat; Pacific Economic Cooperation Council (PECC); South Pacific Forum

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## **Foreword**

The Customs Administrations of APEC, the most dynamic economic region in the world, are searching for faster, less costly and better ways to facilitate trade and protect borders. Because the results will affect business in the region, the APEC Sub-Committee on Customs Procedures (SCCP) is committed to providing the business community with a role in shaping the future customs environment of the Asia-Pacific region.

Our blueprint for the future seeks to describe customs simplification and harmonization in terms that have practical meaning for business trading in the Asia-Pacific region..

Our intention is to facilitate business planning by providing our view on where customs modernization is headed. Given the varying levels of development and the differing emphasis on aspects of Customs' mandates across the region, this blueprint will allow APEC Customs Administrations to modernize at their own pace, while serving as a benchmark for measuring overall progress.

**The SCCP has taken some early steps to involve business. We want to ensure that our work programme meets the needs and priorities of traders.**

The results of our preliminary discussions have been incorporated in this blueprint, which will serve as a "living document" to be updated periodically to reflect the evolving trade environment.

Both Customs and business will benefit from working together to expedite the cross border flow of low-risk shipments and travellers, while controlling high-risk movements.

Recently, one business organization remarked that a SCCP member's efforts to automate its customs processes had led to their goods being cleared in hours rather than days.

Business representatives who wish to become involved in APEC's customs modernization activities, or who have advice, questions or comments, are encouraged to refer to the *Draft Guidelines for SCCP and Business Strategic Partnerships* presented in the [appendix](#) and to contact any of the SCCP members listed at the back of this document.

We look forward to continuing and expanding our partnership relationship with the business community.

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## Introduction

Founded in 1989, the Asia-Pacific Economic Cooperation (APEC) forum promises to have a significant and positive impact on the future of international trade. In 1994, APEC Leaders pledged to achieve the goal of free and open trade and investment in the Asia-Pacific region no later than the year 2010 for industrialized economies and 2020 for developing economies. This pledge, known as the Bogor Declaration, includes clear goals for the simplification and harmonization of customs procedures.

### SCCP Guiding Principles (FACTS)

(February 1995, Fukuoka, Japan)

**Facilitation:** While ensuring proper enforcement of Customs laws and regulations, APEC Customs Administrations should strive to improve facilitation of Customs clearance procedures.

**Accountability:** Customs Administrations should be accountable for their actions through a transparent and easily accessible process of Administration and/or judicial review.

**Consistency:** Customs laws, regulations, administrative guidelines and procedures should be applied in a uniform manner within each economy.

**Transparency:** Customs laws, regulations, administrative guidelines and procedures should be publicly available in a prompt and easily accessible manner.

**Simplification:** Customs laws, regulations, administrative guidelines and procedures should be simplified to the extent possible so that Customs clearance can proceed without undue burden.

Members of the APEC Sub-Committee on Customs Procedures (SCCP), backed by the full support and commitment of their governments, strive to realize these goals by building a consensus towards a vision which is collectively shared, yet can be implemented on an individual member basis.

Recognizing the critical role of business, APEC Leaders established the APEC Business Advisory Council (ABAC) as their permanent business consultative group. The 1996 ABAC Report included several recommendations on customs which SCCP members are addressing, although on an extended timetable more in keeping with their capabilities and overall agenda.

“ For business in the Asia-Pacific region, the promise of reduced border restrictions represents the biggest benefit of APEC in the short term.”

*1996 ABAC Report to Economic Leaders*

This viewpoint is in keeping with the growing realization that economic growth is a function of interdependent sourcing, marketing and investment. Many economies have come to realize that a key factor of economic growth and enhanced trade and investment is the removal of barriers and the creation of a virtually seamless flow of people, goods and services. To truly reap the benefits that APEC promises, Customs Administrations need to work with business to develop a faster, better border — one that balances goals of enforcement and public protection with goals of facilitation and competitiveness.

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## **Operating Environment**

SCCP members realize that certainty and speed in clearing goods through borders will lower costs to business. A progressive Customs Administration will have a beneficial impact on an economy's growth, development and prosperity. We understand that decisions to invest in new enterprises are influenced by factors such as domestic labour and capital costs; and an important consideration is the ease in which goods are cleared through customs.

For traders to benefit fully from a certain, transparent and hassle-free trading environment, they must be assured that any changes which take place are based solidly on the twin pillars of integrity and credibility. An operating environment where the costs of doing business are cut substantially can only be achieved if business can trust those in authority. For APEC Customs Administrations, integrity is enhanced and credibility conferred by the fact that SCCP members enjoy the full support and commitment of their governments. This is particularly important because areas such as agriculture, health controls, quotas and tariff rates, which are outside our jurisdiction [and immigration control in some APEC economies] , require consultation and cooperation with other Ministries.

### **What it takes to effect an average international trade transaction today**

- 27-30 different parties
- 40 documents
- 200 data elements (30 of which are repeated at least 30 times)
- re-keying of 60-70% of all data at least once

*1996 ABAC Report to Economic Leaders*

Modernizing customs processes, however, is not easily or quickly accomplished. Over the last quarter century, rapid advancements in transportation, communications and technology have changed the trade environment in profound ways. Governments are requiring their Customs Administrations to undertake more complex roles and accommodate increasing volumes of workload. In most cases, the need for improved performance is made more difficult by frozen or decreased resources.

**Today's environment has rendered many methods and systems obsolete, requiring Customs to adapt quickly to avoid harming their national economies.** The pressures on business to compete for a share of the global market have placed greater demands on business, service providers and Customs. The move by business to multi-sourcing, the adoption of concurrent engineering practices and just-in-time inventory require fast and certain clearance at the border. The challenge facing Customs Administrations is to construct an environment that fosters investment and trade, while at the same time dealing effectively with the growing contraband problem. Customs must move to provide a seamless importing process, one that truly meets the needs of business in the coming millennium and deals with the paradox that, as trade liberalization progresses, trade complexity increases.

**The political will is there .....**

### **1996 APEC Economic Leaders' Declaration**

Recognized Customs progress in facilitating the conduct of business in and between APEC economies, increasing competitiveness and reducing transaction costs. Directed APEC Ministers to intensify work in 1997 on:

- *simplification of customs clearance procedures;*
- *effective implementation of intellectual property rights commitments;*
- *harmonization of customs valuation; and*
- *enhancing the environment for investments.*

### **1997 APEC SME Ministers' Declaration**

- Agreed that the harmonization and streamlining of customs procedures will facilitate the conduct of business and reduce transaction costs for small and medium enterprises (SMEs).
- Supported the SCCP Collective Action Plan.
- Agreed to convey to Leaders the importance of customs in improving the trade and investment environment for SMEs.

### **1996 ABAC Recommendations**

Recommended the complete implementation of all customs facilitation, harmonization and standardization measures by 2000, according to the following intermediate milestones:

- *adhere to the Harmonized System and the WTO Customs Valuation Agreement by the end of 1997;*

- *standardize and simplify customs documents and procedures by 1997;*
- *implement fully an APEC-wide electronic customs processing system by 2000;*
- *facilitate business travel through an APEC Business Visa and Business Immigration Lanes; and*
- *provide technical training to economies that require assistance, ensuring that adequate resources are devoted to such programs.*

### **1997 APEC Finance Ministers' Declaration**

- Welcomed the substantial achievements of the SCCP towards trade facilitation.
- Invited the SCCP to explore new areas (i.e. risk management, common data elements).
- Recognized the scope for enhancing mutual cooperation, not only in trade facilitation and technical cooperation, but also in commercial fraud and the illicit trade in drugs and firearms.

**TOP**

## **Laying the Foundation**

SCCP members have agreed to adopt or abide by a number of key international customs conventions and agreements, thereby ensuring that all 18 Customs Administrations are following the same set of international customs guidelines and rules. Implementation of this action plan, which involves considerable work on the part of the implementing Customs Administrations, will result in greater transparency and certainty for traders in the region.

Under Japan's chair in 1995, the SCCP established a vision, a strategic direction and a nine-point Collective Action Plan (CAP). In 1996, under the Philippines, the SCCP developed a comprehensive implementation and technical assistance framework to ensure that all members could meet the established target dates and the expectations of business. In 1997, under the chair of Canada, three new items emerged and have been added to the CAP.

**Implementation of this ambitious work programme involves significant investments of time and money for SCCP members, business and service intermediaries such as customs brokers and carriers.**

The SCCP has a solid work programme, a technical assistance framework to support implementation and funding to put the foundation in place. The SCCP's comprehensive technical assistance framework is based on experienced members pooling their resources and expertise, with additional financial support provided by APEC's Trade and Investment Liberalization and Facilitation (TILF) Fund.

Given the target dates and the scope of several of the CAP elements, a staged, multi-year approach to technical assistance has been adopted. This approach consists of various phases ranging from information gathering and needs analysis to in-depth workshops, training modules and case studies to ensure that all major issues (i.e. legal, organizational, procedural, system, personnel) are addressed by implementing members in an expeditious, efficient and coordinated manner.

The objectives of the twelve CAP elements are outlined in Table 1. Table 2 identifies the technical assistance coordinator(s) for each element along with the target implementation dates. Detailed information on each SCCP member's progress towards implementing the CAP will be regularly updated and made publicly available on the SCCP Home Page.

**TABLE 1**  
**SCCP COLLECTIVE ACTION PLAN OBJECTIVES**

[ Note: Business associations and enterprises are invited to participate in work related to the above. For more information, please consult the SCCP Home Page, the draft guidelines presented in the [Appendix](#), or contact the SCCP Chair or a local SCCP member.]

- 1. Harmonization of Tariff Structure with the HS Convention**  
To ensure consistency of application, certainty and a level playing field for business through the HS Convention, the standard international harmonized system for the classification of goods.
- 2. Transparency of Customs Procedures, including Information on Customs Laws, Regulations, Administrative Guidelines, Procedures and Rulings**  
To ensure traders have all the pertinent information for business decisions through the provision of accurate, consistent and user-friendly information.
- 3. Simplification and Harmonization on the Basis of the Kyoto Convention**  
To improve efficiency in customs clearance and the delivery of goods in order to benefit importers, exporters and manufacturers through simplified customs procedures and best practices.
- 4. Adoption and Support for the UN/EDIFACT**  
To use the standard UN electronic messaging format for automated systems, the United Nations/Electronic Data Interchange for Administration, Commerce and Transport, to promote an electronic highway for business.
- 5. Adoption of the Principles of the WTO Valuation Agreement**  
To facilitate administration of the World Trade Organization's Valuation Agreement on standard procedures for valuing goods.
- 6. Adoption of the Principles of the WTO Intellectual Property (TRIPS) Agreement**  
To implement border enforcement procedures for protecting intellectual property rights.
- 7. Introduction of Clear Appeals Provision**  
To provide business with an opportunity to challenge potentially erroneous or inequitable Customs decisions through mechanisms for transparent, independent and timely appeals.



## 8. Introduction of an Advance Classification Ruling System

To establish simplified procedures for providing classification information prior to importation, thus bringing certainty and predictability to international trading and helping traders to make sound business decisions based on legally binding advice.

## 9. Provisions for Temporary Importation, e.g. acceding to the A.T.A. Carnet Convention or the Istanbul Convention

To help business move goods such as commercial samples, professional equipment, tools of trade and exhibition material across borders with a high degree of certainty as to how these goods will be treated by Customs by having standard procedures for admitting goods on a temporary basis.

## 10. Harmonized APEC Data Elements

To develop a comprehensive directory supported in UN/EDIFACT which includes a simplified "core set" of data elements, largely derived from commercially available data, that would satisfy the standard data requirements of the majority of APEC trade transactions and so facilitate the exchange of information and provide a foundation for common forms and electronic commerce.

## 11. Risk Management Techniques

To focus Customs enforcement efforts on high-risk goods and travellers and facilitate the movement of low-risk shipments, through a flexible approach tailored to each APEC economy.

## 12. Guidelines on Express Consignments Clearance

To implement principles contained in *the WCO Guidelines on Express Consignment Clearance*, the international standard procedures for clearance of express goods, working in partnership with express industry associations.

**TABLE 2**  
**SCCP Collective Action Plan Implementation Schedule**

[ For each CAP item, the level of implementation will vary among Customs Administrations. For the most recent additions to the CAP (common data elements, risk management and express consignments clearance), although the implementation date is shown as the target date, some economies have already implemented the item in full or in part. All member economies will have implemented the CAP item to varying degrees by the target date.]

	HS Convention	Public Availability of Information	Kyoto Convention	UN/EDIFACT	WTO Valuation Agreement	TRIPS	Clear Appeal Provisions	Advance Classification Ruling System	Temporary Importations	Common Data Elements	Risk Management	Express Consignments Clearance
<b>Plan Coordinators</b>	Japan	HK, China Singapore	New Zealand Japan	Australia Philippines	Canada USA	USA	Canada Philippines	New Zealand Korea	USA Chinese Taipei	Canada Australia	Australia USA	USA China
<b>Target Dates</b>	1996	1998	1998*	1999	2000	2000	2000	2000	2000	1999	2002	2000
<b>Australia</b>	×	×	×	1999	×	×	×	×	×	1999	2002	2000
<b>Brunei</b>	×	×	*	1999	1998	1998	2000	2000	2000	1999	2002	2000
<b>Canada</b>	×	×	×	×	×	×	×	×	×	1999	2002	2000

Chile	×	×	*	1999	2000	2000	×	×	2000	1999	2002	2000
China	×	1998	×	1999	2005	×	2000	1999	×	1999	2002	2000
Hong Kong, China	×	×	*	1999	n/a	1997	×	n/a	×	1999	2002	2000
Indonesia	×	×	*	1997	2000	×	×	×	×	1999	2002	2000
Japan	×	×	×	1999	×	×	×	×	×	1999	2002	2000
Korea	×	×	×	1999	×	×	×	×	×	1999	2002	2000
Malaysia	×	×	*	×	1997	2000	×	×	×	1999	2002	2000
Mexico	×	×	×	1999	×	1999	×	×	1997	1999	2002	2000
New Zealand	×	×	×	1999	×	×	×	×	×	1999	2002	2000
Papua New Guinea	×	1998	*	1997	×	2000	2000	2000	2000	1999	2002	2000
Philippines	1997	×	*	1999	1997	1997	×	×	1997	1999	2002	2000
Singapore	×	×	*	1999	1997	1999	×	×	×	1999	2002	2000
Chinese Taipei	×	×	*	×	×	×	×	2000	2000	1999	2002	2000
Thailand	1997	×	*	1999	1997	×	×	×	×	1999	2002	2000
United States	×	×	×	1998	×	×	×	×	×	1999	2002	2000

Legend	
×	fully implemented
year	will be fully implemented by
n/a	not applicable
*	actual implementation date subject to progress in the WCO

### Voluntary Compliance in Modern Customs Administrations

The premise of voluntary compliance is that most citizens are honest and will comply with laws and regulations if they are well-informed, perceive they are being treated fairly and can rely on Customs Administrations' integrity. Voluntary compliance is fostered through a combination of incentives to reward good compliance, balanced with effective and responsible enforcement practices and penalties to serve as deterrents to non-compliance. Once a voluntary compliance environment is fostered, Customs Administrations may consider adopting new practices and embracing new concepts such as the following:

**Pre-Approval Release** - "Pre-approving" a range of low-risk goods eliminates the necessity

for business to provide repetitive information on their shipments. A “Smart Card” presented at time of importation could serve to identify these goods and result in expedited release.

**Pre-Arrival Release** - Through the transmission of shipment information while the goods are en route, Customs can make a decision whether to examine or release the shipment prior to its arrival.

**Business Systems Controls** - Customs can utilize business’ internal shipping and receiving systems to track importations, thus eliminating the duplication and cost of reconciling data contained in the systems of Customs Administrations with the information in business systems.

**Self-Assessment** - Business are provided with assistance, education and services to ensure they have the tools to help them determine, report on and remit the correct amount of duties and taxes, while allowing them the flexibility to correct errors and obtain refunds.

**Risk Management** - Customs’ resources are concentrated on areas of greatest risk, thereby providing faster and consistent service for low-risk shipments and decreased export/import costs for business. Targeting high-risk areas means improved service for those traders and travellers with a history of good compliance.

**Periodic Verification or Periodic Audit** - Periodic verification/audit assesses the level of compliance over an extended period of time rather than shipment-by-shipment reviews, and focuses on building compliance levels with clients. Supported by a strong client assistance programme, a periodic verification/audit approach reduces the burden of verification, facilitates access to information and treats business as complete entities.

**Electronic Funds Transfer (EFT)** - Business will have the option of paying customs duties and taxes via electronic funds transfer, thus reducing paperwork and saving time.

[TOP](#)

## **Building the Future Framework**

Implementation of the SCCP’s twelve-point plan will contribute to faster, less costly and better APEC borders by putting in place the basic elements of modern Customs administration. More needs to be done and, with the help of business, positive client-centred results should be assured.

Customs procedures today include processes for the movement of two traffic streams  $\frac{3}{4}$  commercial goods and people  $\frac{3}{4}$  supported by enforcement activities. Processes and supporting systems for handling each of these two traffic streams differ considerably. Commercial processes are typically complex and involve repeated interactions with the client. Although automation is steadily increasing related to commercial goods clearance, most transactions are on an individual basis and involve the use of paper documents. With respect to travellers, processes are mostly simple and involve clearing returning residents or visitors at the border through one-on-one interaction with a customs or immigration officer.

Clearly, new approaches are needed to operate effectively in the future. If the SCCP is to reach its objectives, Customs Administrations will need to fundamentally change the way

they operate. As current responsibilities will not lessen, Customs Administrations will need to find new methods of programme delivery which are innovative, yet flexible. While the mandate of Customs Administrations to guard the border and protect society will continue, this will be augmented by the added responsibilities associated with promoting competitiveness & facilitating international trade transactions.

A range of options must be identified and made available to meet the needs of diverse types of business while ensuring fairness and equality of treatment. Customs Administrations will have to be able to meet the requirements of importers, exporters, manufacturers, large multinational business and small business, each with quite different needs and expectations.

“Estimates place the costs of trade transactions at 7 to 10 % of the total value of world trade. Trade efficiency measures would also result in reduction of trade transaction costs by a quarter or by up to \$100 billion annually by the year 2000.”

*United Nations Conference on Trade and Development (UNCTAD)*

*October 1994*

**Applying UNCTAD’s estimate of trade transaction costs to APEC, yields potential annual savings of as much as \$46 billion.**

Implementation of the SCCP’s Collective Action Plan, along with concepts such as periodic verification, will help facilitate trade in the APEC region. Increased facilitation, however, is coupled with the need for increased cooperation among Customs Administrations, business and service intermediaries, as well as additional responsibilities. For instance, to expedite service in a voluntary compliance setting, Customs Administrations will rely to a greater extent on business to self-assess their duties and taxes. Periodic verification, on the other hand, will require that Customs have access to business’ books and records for post-entry audit purposes.

### **Benefits To Business**

- Improved customs clearance and inspection procedures generate faster, more certain and, ultimately, less costly trade transactions.
- Certainty, ease and speed of clearance make transactions more compatible with “just-in-time” inventory practices and promote business competitiveness.
- Computerization of customs procedures results in time and cost savings due to the reduced need to prepare, handle, store and deliver customs documentation.
- Improvements in communications, access to information and the transparency of customs processes and appeals increase the level of certainty and fairness.
- A good compliance track record will result in faster clearance and less intrusive verification techniques.

**Importers** will know the amount of duties and taxes owing as a result of the clear and consistent rules. More efficient clearance will produce time and cost savings and provide the

certainty required to exploit modern business practices such as “just-in-time” inventory.

**Exporters** will benefit from having similar customs rules and procedures apply across the entire APEC market, thus increasing market access opportunities, while reducing costs and complexity.

**Investors** will be encouraged to build new enterprises, knowing that offshore inputs and products will be cleared through Customs quickly.

**Customs Brokers** will have the opportunity to refocus their services from dealing with forms and complexity to using their expertise and knowledge to bring a new range of professional services to clients operating in an expanding and evolving trade market.

**Carriers** will benefit from faster service, lower costs and the ability to use their equipment to its utmost capacity rather than having it delayed at Customs.

To illustrate how expectations might be met, we have developed some future-based scenarios. It should be stressed, however, that there are many paths to the future and the scenarios that follow represent only a few of the numerous possibilities. While some economies may wish to pursue options such as these, others may choose different paths towards facilitation.

Recognizing that APEC Customs Administrations are at different stages of development and have varying concerns, we will develop other scenarios in future iterations of this blueprint to showcase options reflecting the SCCP’s diverse membership and the input of business.

Scenario 1 describes how a large commercial importer can take advantage of technology such as electronic data interchange (EDI) to expedite release. EDI enables an importer or broker to transmit cargo, release or invoice information electronically to Customs and have this information processed prior to arrival so that a release or examination decision can be made in advance and applied when the goods actually arrive.

For example, it should be possible to have a seamless border where a shipment can be allowed to pass through Customs without stopping if the trader has demonstrated good compliance through periodic audit and the shipment is considered low-risk.

In the future, procedures to handle a variety of options, ranging from traditional paper-based systems to the most sophisticated technological solutions, will be available. Traders and world class Customs Administrations will settle for nothing less.

### **Scenario 1 - Large Commercial Importer (for illustrative purposes only)**

*Allied Tools International is a manufacturer of professional power tools with plants located worldwide. Its products require a large number of components which are imported from suppliers in the United States, Korea, the Philippines and Japan. Allied Tools has established a just-in-time inventory systems to minimize inventory levels and EDI links with its suppliers to expedite the processing of orders and to reduce administrative costs.*

*Whether the components arrive by truck, ship or air, Allied Tools or its broker is able to transmit the information to Customs via EDI prior to the shipment arriving. Customs processes the basic information that is provided through automated selection criteria to*

*identify any special “look-outs” or requirements. Unless it is selected to confirm compliance, when the shipment arrives it is sent immediately to the Allied Tools plant for use on the assembly line in a matter of hours. Since Allied Tools is now certain that the majority of its shipments will move unimpeded through Customs, the occasional delay for checks such as carrier compliance is acceptable. In addition, Customs has assigned a client service representative to act as a familiar contact for any problem that Allied Tools may encounter.*

*Other customs processes are also simplified for Allied Tools. The classification and valuation of imports are now standardized among the 18 APEC economies and there are fewer differences between the various rules and regulations.*

*Customs requires less information on each shipment than it used to and the main set of data that is required is the same for every shipment, regardless of its origin. Different countries may require a few distinct data elements, but that is understandable as various regulatory agencies rely on this critical trade information.*

*Allied Tools has found that their customs costs have decreased, paper burden is less of a concern and uncertainty over shipments arriving on time has been reduced. Since it has been able to consistently meet deadlines for customer orders, Allied Tools’ reputation has improved and business is expanding.*

Scenario 2 shows how a small importer can also take advantage of technology.

### **Scenario 2 - Small Importer (for illustrative purposes only)**

*Yu Lin Yee is the owner of a curio shop who imports on a regular basis, usually monthly or bi-monthly. To expedite her dealings with Customs, she logs on the Internet and accesses a virtual Customs office which has a number of icons that indicate the kinds of information and transactions available. As a first step, she clicks on the “What’s New” icon to check for any recent announcements concerning small business. Finding none, she quickly transfers to another icon to determine the tariff classification for a new product in the up-to-date Customs Tariff.*

*Now that she is sure of the right classification number and that there are no special restrictions such as quotas, she clicks on the “Forms” icon, selects the entry forms assistant and keys in her importer number. Automatically, the system completes the standard information on the template such as her company name, address, telephone and fax numbers. She then begins to fill in the requested information, moving from block to block very quickly given that the related drop-down menus have many of the choices ready to be highlighted such as a list of countries for the origin block. After completing all of the blocks and glancing at the amount of duties and taxes that were automatically calculated, Yu Lin clicks on the submit button. When an error message appears, she realizes that the internal edits have identified a miskeyed entry which she quickly rectifies.*

*After clicking on the submit button again, the system transmits her electronic entry form to Customs, which translates it into the standardized UN/EDIFACT format, and then flashes a message confirming that Customs has received the form. Later, Yu Lin can verify whether Customs has decided to release the shipment or examine it to ensure that it meets all import criteria. She then accesses the “Account Setup” icon and clicks on the pre-established payment option which electronically transfers the amount of duties and taxes owed from her bank account to Customs.*

*Before the option of dealing electronically became available, Yu Lin imported less frequently and from fewer countries. Since customs information was sometimes lacking, difficult to obtain and confusing, she believed that the costs of venturing further afield would be too prohibitive.*

Scenario 3 demonstrates one of the many options which may be made available to exporters in the future.

### **Scenario 3 - Exporter (for illustrative purposes only)**

*Mr. Yoshio Seki, the Marketing Manager for ABC Electronics, has just returned from a trade fair in Tokyo where he received a number of significant orders to be delivered on a duty-paid, mail-order basis. Mr. Seki examines his options — he can deal with Customs directly or utilize the services of an intermediary such as a customs broker or express carrier.*

*For some orders, notably low value items he ships regularly to clients in APEC economies, he decides to deal directly with Customs. For these he accesses the Internet and clicks on a virtual Customs office which has a number of icons that indicate the kind of information and transactions available. He clicks on the “General Information” icon to access government export pamphlets on-line. After locating the required information, Mr. Seki then clicks on the “Forms” icon, selects the export declaration template and keys in ABC Electronics’ exporter number. Automatically, the system completes the standard information such as his company’s name, address, telephone and fax numbers. He then begins to fill in the requested information, moving from block to block very quickly. To complete the import transaction in each of the APEC economies where his clients are located, Mr. Seki simply selects the appropriate economy and adds a few more “economy-specific 4” data elements to each transaction.*

*After completing all of the blocks, he clicks on the submit button. The system transmits his electronic export declaration to Customs in his economy and the relevant import data sets to the foreign Customs Administrations. Each government then flashes a message confirming that Customs has received the information.*

*To ensure the accurate collection of vital export statistics, the information is also provided to the national statistical agencies. Once import formalities are concluded, Mr. Seki’s business credit card is debited for duties and taxes owing and the goods are forwarded to his clients.*

*For the remaining goods which he has never dealt with before, Mr. Seki needs the expertise of a customs broker who he has used frequently in the past. The broker has worked with Customs in developing common data elements and special software that has each member’s requirements built-in. Instead of preparing information for each shipment, the broker accumulates the data on numerous shipments, then transmits or faxes a consolidated report comprising accounting and statistical information to Customs. In addition, the broker pays the duties and taxes owing through Electronic Funds Transfer with their bank.*

*Whether he deals with Customs directly or uses the services of an intermediary, Mr. Seki is thankful that he no longer has to deal entirely in paper.*

As shown in Scenario 4, solutions are beginning to emerge for travellers as well. Processes are being streamlined to expedite the movement of low-risk, high-volume traffic. In the future, technology should allow frequent travellers to take advantage of express clearance processes such as proceeding directly through Customs if they have no goods to declare, using express exits at airports, or using dedicated express lanes at highway border points. For the purposes of enforcement, in some member economies passenger information will be

electronically transmitted by airlines prior to arrival. This will allow Customs to analyze and identify high-risk travellers for referral to secondary processing. For frequent travellers with goods to declare, automated collection processes will simplify the payment of duties and taxes. Through strategic alliances with government agencies, such as those responsible for immigration, information will be shared on a wide scale to fulfill the mandates of different organizations.

#### **Scenario 4 - Traveller (for illustrative purposes only)**

*Ms. Suzanne Chang is a construction design consultant whose assignments require her to travel extensively in the Asia-Pacific region. To save valuable time in airports, Suzanne decides to enroll in the new automated passenger clearance system being used by many Asia-Pacific airports. She is aware that this system operates with a standard bank, credit or frequent flyer card issued by a participating card issuer. To enroll, Suzanne provides her name, address, date of birth, passport number and a card of her choice. The next time she is at a participating airport, she has her hand biometric information digitally recorded and her card coded at a registration kiosk.*

*Two weeks later she is on her way to a business meeting in Malaysia and is anxious to clear Customs quickly so that she can relax from the long flight. On arrival in Kuala Lumpur, she notices that the lineups at the airport seem much shorter. She collects her baggage and proceeds to the Customs clearance area where there is a row of automated turnstiles. Suzanne inserts her credit card into a cash machine-like reader and places her hand on a digital reader to allow a biometric scan. While she uses a touch screen to answer a few simple questions, her information is retrieved from the main database and compared with the biometric information to verify her identity. The system requests an on-line confirmation from the Customs and Immigration databases and confirms that there are no security alerts issued for her. The light flashes green indicating she is free to go. Suzanne is very pleased she enrolled in this new programme and is looking forward to using it on all of her business trips in Asia and on her next holiday to Australia.*

*Governments and airport authorities in the region are big supporters of the system. It has reduced congestion at the airport, forestalled the need for costly expansions of facilities and has resulted in high security immigration control. The system was installed by a large multinational company that maintains it on a user-pay basis.*

As demonstrated in Scenario 5, while trade facilitation is a vital and growing aspect of the work of Customs Administrations, protection at the border remains an important concern. The primary mandate of all Customs Administrations is to control the international movement of people and goods. This requires enforcement programmes to keep out terrorists, drugs, weapons, pornography and illegal goods.

Controlling traffic at the border ranges from correctly assessing duties and taxes, collecting trade statistics essential to many government operations to ensuring that goods crossing the border meet domestic safety standards.

Faced with declining or frozen resource levels, added complexity and the growth of trade, Customs Administrations need to be selective in their enforcement efforts if they are to continue to effectively and efficiently achieve their mandate. To provide protection and at the same time facilitate international competitiveness, Customs Administrations are applying a risk management approach to more and more processing, compliance verification and enforcement activities. The improved success rate in detecting non-compliance, resulting



from a risk management approach, will have a deterrent effect on non-compliance over the longer term. In the future, enforcement will involve targeting those who abuse the system and dealing effectively yet fairly with them, while facilitating the movement of legitimate goods and travellers.

### **Scenario 5 - Enforcement (for illustrative purposes only)**

*Mr. Robert Bouchard, a Customs officer recently trained in the use of EDI systems, decides to put his new-found knowledge to work. He has just received some information on suspected contraband from another Customs Administration which cooperates with his to enhance enforcement in both economies. To track the movement of the suspected contraband, Robert uses a sophisticated software programme to examine a database available to all APEC members. He also examines the shipper's compliance history and compares it with statistical information on the trade patterns of different types of contraband.*

*Through strategic partnerships with the shipping industry, a model for continuous cooperation has been agreed on. Taking advantage of his contacts, Robert learns from the Acme Transportation Company, a partner in this process, that in the last six months, three of their shipments were broken into and the contents removed before reaching the final destination. Armed with this information, Robert is able to place the suspected container under surveillance upon its arrival. Within 24 hours, two suspects are apprehended along with a sizable quantity of contraband.*

*Based on this positive experience, Acme decides to cooperate more fully with Customs and bring any future break-ins immediately to the attention of Customs.*

**TOP**

### **Putting the Blueprint into Action**

Implementation of the SCCP's CAP partly depends on securing funds from the APEC TILF (Trade and Investment Liberalization and Facilitation) Special Account, provided by Japan, and totaling up to Y 10 billion (US \$100 million) over the next several years.

It is important to note that the SCCP is competing with other APEC groups for limited TILF funds. Although the SCCP has received TILF funds to cover travel and accommodation costs, a significant portion of the technical assistance costs, such as the salaries of trainers and trainees, are being absorbed by each SCCP member.

Undoubtedly, the SCCP has a comprehensive and ambitious work programme in place. Given the magnitude of the changes required, many SCCP members, as well as business and service intermediaries, are faced with difficult challenges. As a consequence, progress on the future-oriented initiatives will be iterative and long-term, as the SCCP focuses on the immediate pressures of implementing the CAP. In addition, the pace of implementation will vary from member to member, depending on the level of development, domestic priorities and, most important, resources.

Although SCCP members will be progressing at their own pace, all will be moving towards the common goal of creating modern, progressive and efficient Customs Administrations. Developments within the SCCP will essentially run on parallel tracks — seizing opportunities for modernization, while at the same time implementing the Collective Action Plan and reducing the gap between developed and developing members.

**However, the SCCP cannot do it alone — members need the practical perspective and assistance that can come only from business operating in the region.**

Members have limited resources. Fortunately, business has recognized that it can play a critical role in helping to reduce the gap between developed and developing members by contributing to the SCCP's technical assistance framework.

### **International Linkages and Cooperation**

The SCCP technical assistance framework will ensure that the SCCP's activities complement the various bilateral and multilateral assistance activities underway or planned in the Asia-Pacific region. The SCCP has established a formal liaison mechanism with the WCO and is working directly with the WCO on the implementation of several key international agreements such as the WTO Valuation Agreement. By building upon existing technical assistance efforts and drafting specific training materials as needed, the SCCP will have developed a comprehensive, efficient and effective training programme. Much of the programme may serve as a model that can subsequently be used by countries in other regions to implement these same customs agreements and conventions.

### **Business/Customs Partnership Projects**

The SCCP plans to address the problems that business encounters when trading in the Asia-Pacific region by identifying and resolving them through consultations with business both individually at home, and collectively through the APEC forum. In fact, preliminary discussions with business occurred in Manila in October 1996 and in Montréal in May 1997.

The SCCP was encouraged by both the tone and level of dialogue that was generated at these business/customs symposia. Business participants enthusiastically endorsed the SCCP's Collective Action Plan and identified a number of specific irritants which were discussed by the SCCP and are being considered further by each member.

SCCP members also demonstrated their openness and responsiveness to the concerns of business by adding three new elements to the Collective Action Plan, as advocated by participants at the Montréal Symposium. Although members were concerned about taking on additional commitments, they recognized that business could play a critical role in contributing resources for technical assistance and for necessary equipment such as computer X-ray machines and ion scanners.

Members welcomed the offers of several business representatives to work in partnership with the SCCP and provide financial and human resources.

Assistance from Asia-Pacific business will supplement the SCCP's technical assistance activities.

To avoid the potential for, or any appearance of, exclusivity and partiality, SCCP members have developed draft guidelines to help evaluate business offers of assistance. These draft guidelines, which are appended, will be updated as required and made available on the SCCP web site.

Development of the draft guidelines was influenced by the SCCP's experience in working with Federal Express on the APEC Tariff Database. This project demonstrated that business and Customs Administrations, working together, can come up with practical solutions that meet the needs of business.

**The SCCP welcomes suggestions from business on other solutions that may help facilitate APEC trade, such as technological innovations or specific applications that may simplify customs procedures.**

These solutions can then be tested through projects or prototypes to confirm their feasibility within the APEC region. SCCP coordinators could be assigned to develop individual elements in partnership with relevant business representatives. Business is invited to contact the SCCP to offer technical solutions or assistance on any aspect of the SCCP's activities.

### **Strategic Use of Technology**

Discussions relating to technical assistance and the need to narrow the gap between SCCP members invariably turn to the subject of automation. Not only can technology help to create faster, less costly and better borders, but new developments such as electronic commerce and the Internet hold even greater promise for the future.

It should be emphasized, however, that not all SCCP members can absorb this technology at the same pace. In the foreseeable future, some members will remain mainly paper-based, others will be in a stage of transition, and a few members will be building upon their existing platforms and exploring the technological frontiers.

The SCCP is preparing for the future by implementing the language used for electronic commerce (UN/EDIFACT) and harmonizing APEC data requirements, which are a prerequisite for common forms, procedures and, eventually, electronic systems.

In this way, the technological role of APEC Customs Administrations is promoted, with the recognition that the chief role for governments in this area is to create an environment that fosters electronic commerce.

**Governments must put the common infrastructures of data elements, processing systems and procedures in place, while business is encouraged to build the electronic highways and explore ways of utilizing their existing global networks and systems.**

For instance, the SCCP could explore developing a common window/client interface for customs transactions, but with varying processes behind the scenes to satisfy each member's particular requirements, such as the need for statistical information.

This single window for commercial customs transactions worldwide (a virtual Customs office) could be based on the Internet. Just as the banking industry has developed ATMs, which are standardized and accessible in virtually every economy, with the support of business, the SCCP could promote the adoption of a similar system for commercial traders.

“As electronic commerce is rapidly spreading to many sectors of activity and regions of the world, concerted action is required in order to allow all potential traders to rely on simplified, compatible procedures and practices, and to make the best possible use of modern technologies in order to lower the cost of international trade transactions worldwide.”

*United Nations Conference on Trade and Development (UNCTAD)  
October 1994*

## **Evaluation and Feedback**

The SCCP welcomes business input to ensure its modernization efforts are in keeping with the changing trade environment. Since business interacts with Customs on a continuous basis and business people are the ultimate clients, they are best placed to measure the SCCP's progress. In addition, business is in a good position to relay "best practices" information to the SCCP for its consideration as a model for simplification and harmonization within APEC. For these reasons, business is encouraged to provide the SCCP with advice, direction, suggestions, comments and offers of assistance. The direct involvement of business is essential to ensure that the work of the SCCP meets business priorities and needs.

Comments are sought relating to:

- Suggestions for improvement to the existing Collective Action Plan and indications of highest priority.
- Ways in which the business sector can assist in the implementation of the twelve-point CAP, such as joint programmes or proposals for financial or human resources assistance.
- Suggestions on how customs procedures can be simplified to help different business sectors and those with particular needs, such as small and medium enterprises (SMEs).
- Comments on which customs procedures/processes are best suited for technological innovation.
- Ideas on other mechanisms or practical solutions that would help close the gap.
- Suggestions for useful and practical standards or benchmarks for measuring the SCCP's progress.
- Suggestions on how business can work with Customs to address enforcement issues.
- Recommendations for areas SCCP members should focus on in the future.
- Suggestions for business/customs partnerships and potential practical solutions.
- Comments on ways for business and Customs Administrations to enhance their mutual cooperation.
- Views on future involvement, consultations and paths to pursue in future iterations of the blueprint.

## **Conclusion**

There is a tremendous ongoing effort in APEC member economies to modernize Customs Administrations. Impressive and real change is taking place in the area of computerization and EDI, and steps are being taken to address systemic problems. There is a need to maintain this momentum and situate customs to play a strategic role in the evolving trade environment.

There is also a need and a responsibility for Customs Administrations to inform business of the changes that are planned for the future or are currently underway. Many of these changes may place additional responsibilities on business and sufficient lead time is required. In order to be ready for computerized customs procedures, for instance, business and service intermediaries need time to either build or revise their systems and train their staff.

The key to successful change in the customs environment is consultation and informed compliance, which will result in a smoother transition and, ultimately, increased voluntary compliance.

**The SCCP's work programme holds great promise for creating an environment in the APEC region favourable to business.**

However, the full potential of the SCCP's activities will not be achieved without the active participation of business. The SCCP cannot undertake these fundamental changes alone. As traders have a vested interest in ensuring that customs modernization efforts will truly meet their needs, they are encouraged to actively seek out and work with members.

Business input, support and assistance are needed to put in place today, customs solutions that will reap rewards for both business and Customs Administrations in the coming millennium.

**Pledge of the APEC Sub-Committee on Customs Procedures**

**The SCCP will strive to:**

- Facilitate legitimate trade and investment in the APEC region
- Maintain our role in protecting the community
- Simplify and harmonize customs procedures
- Improve the speed, accuracy and transparency of customs transactions
- Establish levels of service to provide traders with certainty
- Promote the professionalism and integrity of Customs Administrations
- Encourage voluntary compliance in APEC member economies
- Consult regularly with the APEC business community to ensure our activities meet their needs
- Form strategic partnerships with interested APEC business representatives
- Provide members with the required technical assistance to promote efficiency, effectiveness and equity
- Tailor the pace of progress to the diverse needs and abilities of APEC member economies

**We encourage you to contact any of the SCCP members listed below if you have any questions or comments.**

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**In all matters of interpretation, the SCCP's official record takes precedence over the contents of this document**