

AUTHORIZED ECONOMIC OPERATORS PROGRAMS IN THE OIC COUNTRIES



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TED UNIVERSITY TRADE RESEARCH CENTER

Presentation Structure

A. AEO in OIC Member States

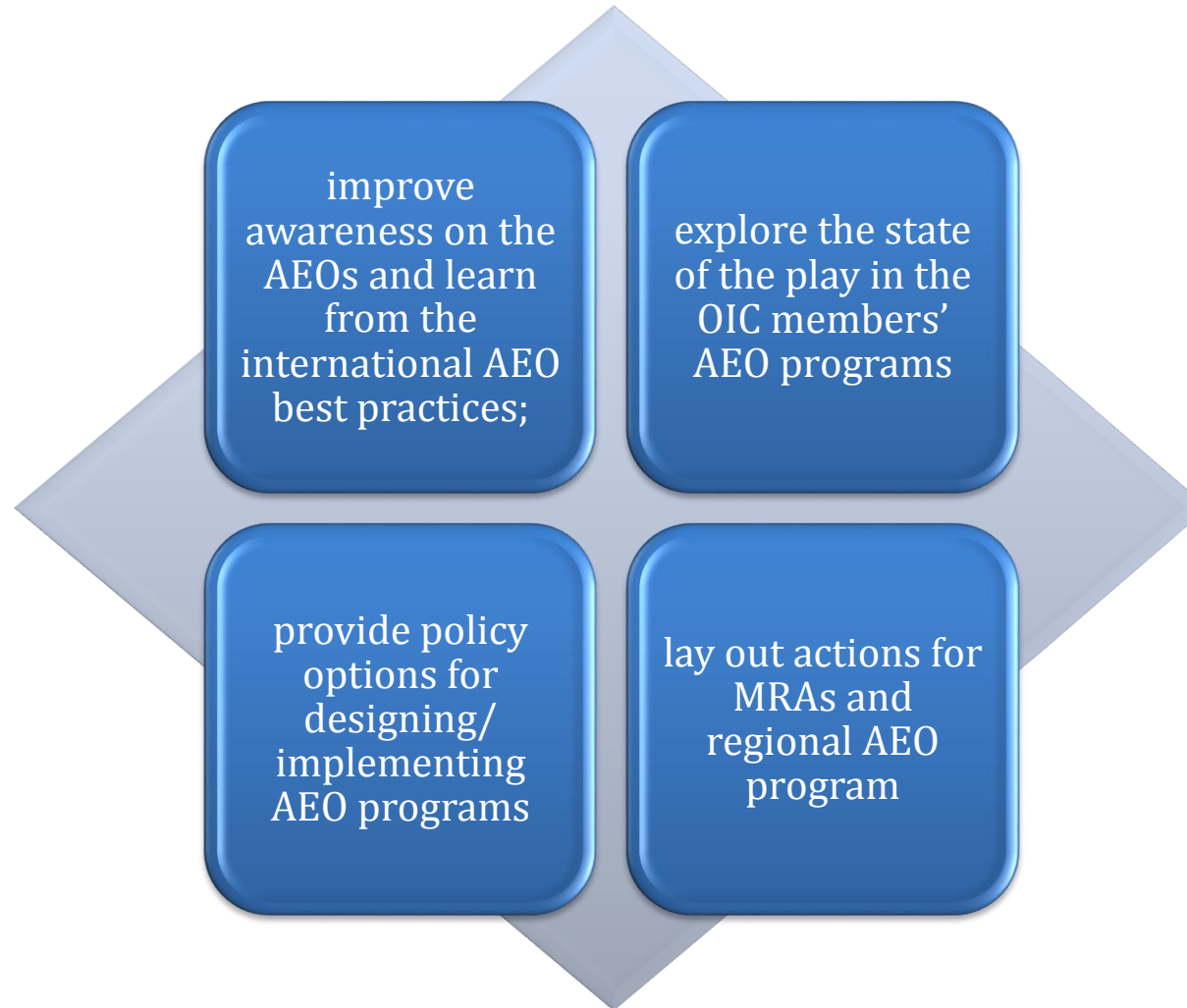
B. Best International Practices

C. OIC Case Studies

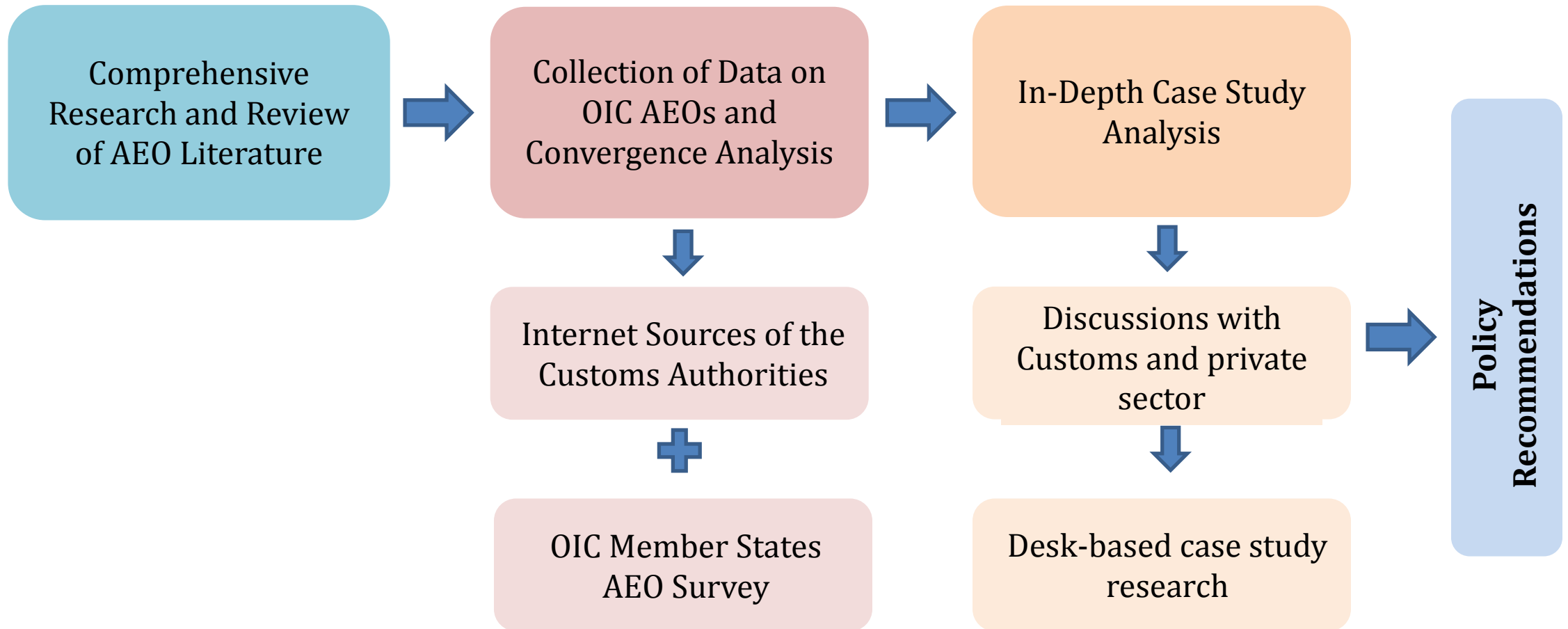
D. Comparison of AEO Programs in OIC with Best Practices

E. General Evaluation

Study Objectives



Study Methodology



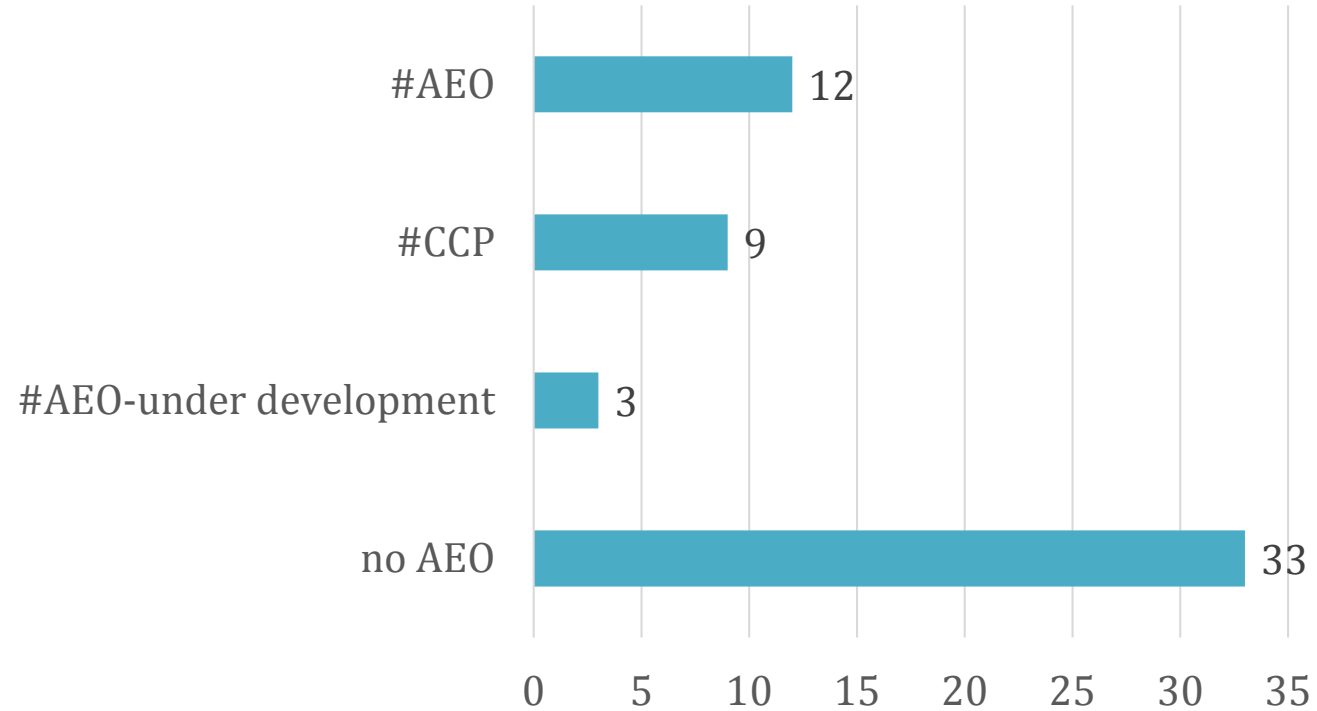
A. AEO in OIC Member States



A.1. Desk Research



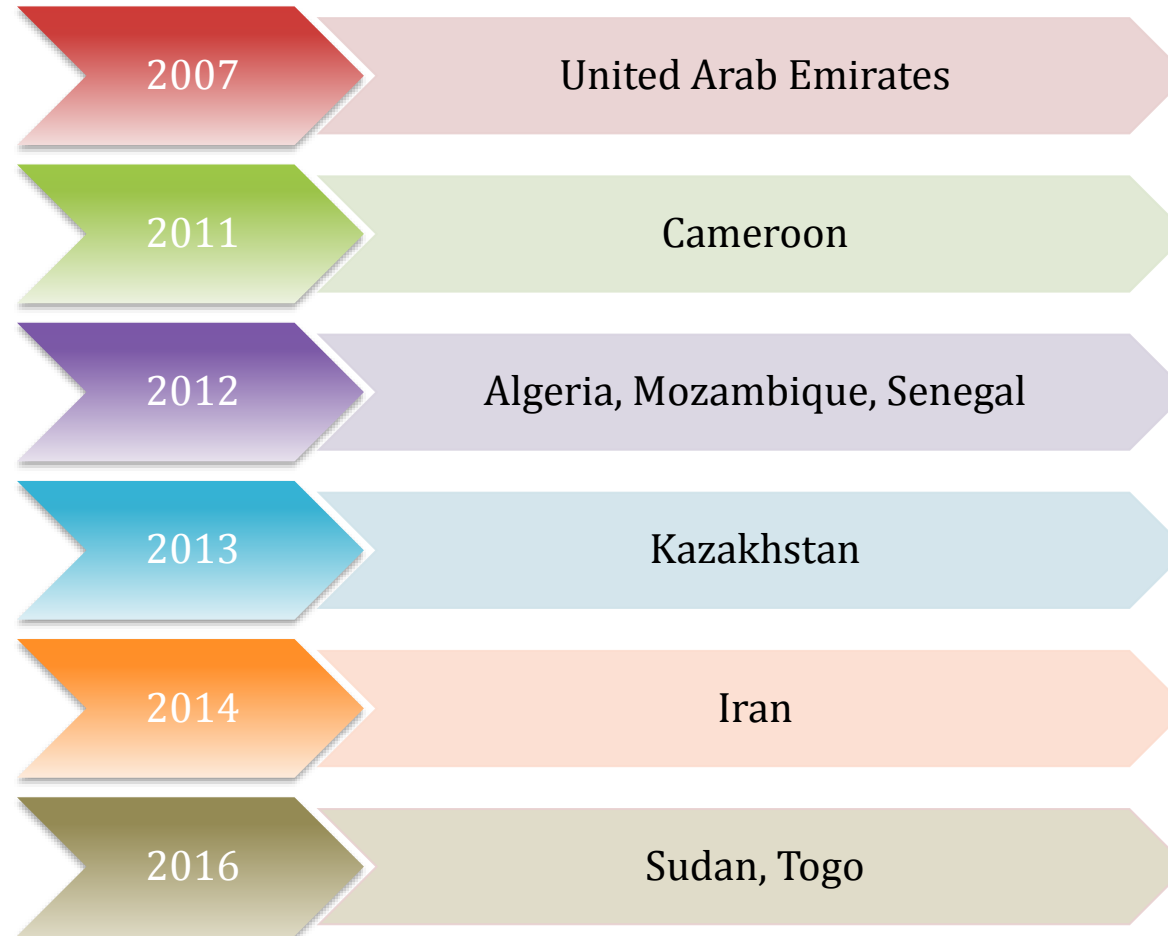
AEO Programs in OIC Member States



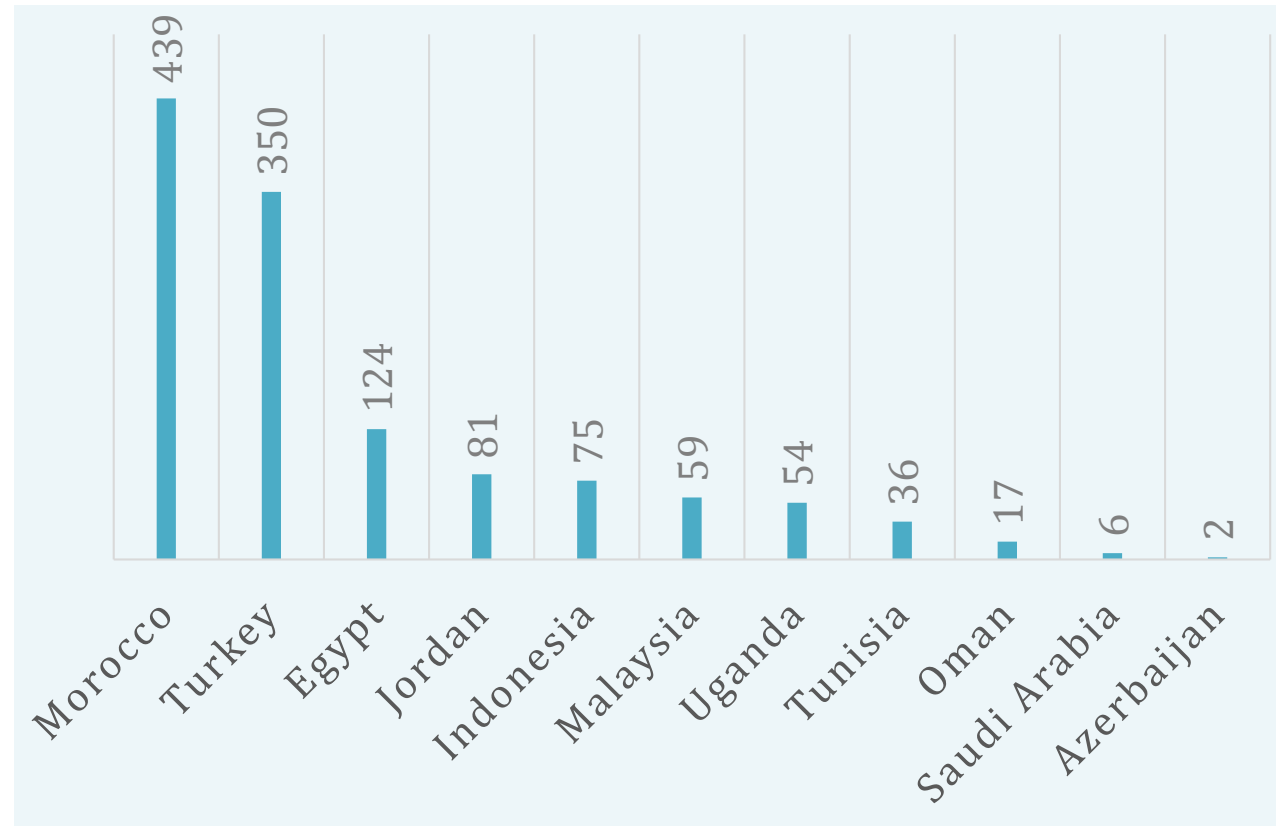
AEO Programs in OIC Member States



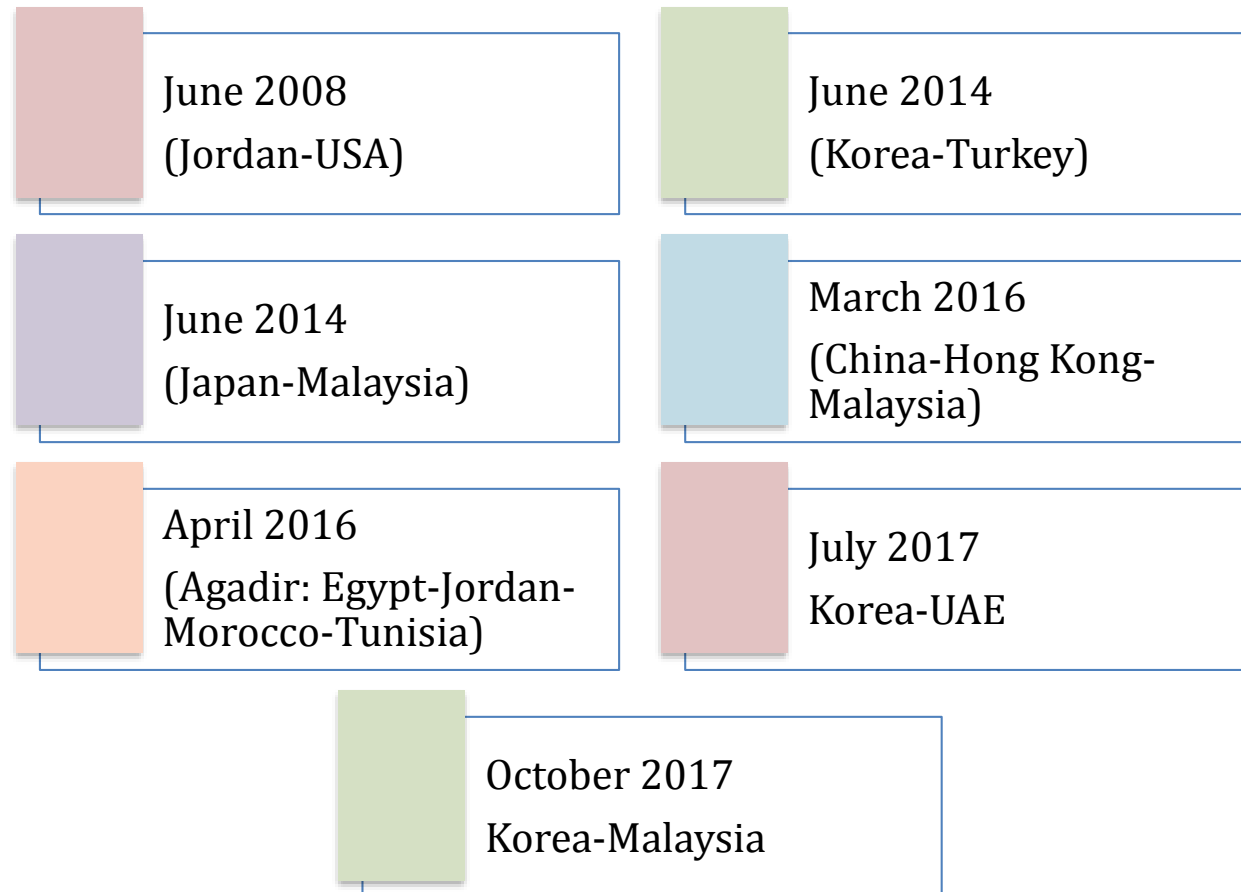
Custom Compliance Programs in OIC



The Number of AEO Companies in OIC Countries



Concluded Mutual Recognition Agreements



Negotiated Mutual Recognition Agreements

CEFTA (Albania, Bosnia and Herzegovina, Macedonia, Moldova, Montenegro, Serbia and Kosovo)

EAC (Burundi, Kenya, Rwanda, Tanzania and Uganda)-Korea

Iran-Russia

Malaysia-Thailand

Malaysia-China

Kazakhstan-China

Kazakhstan-Korea

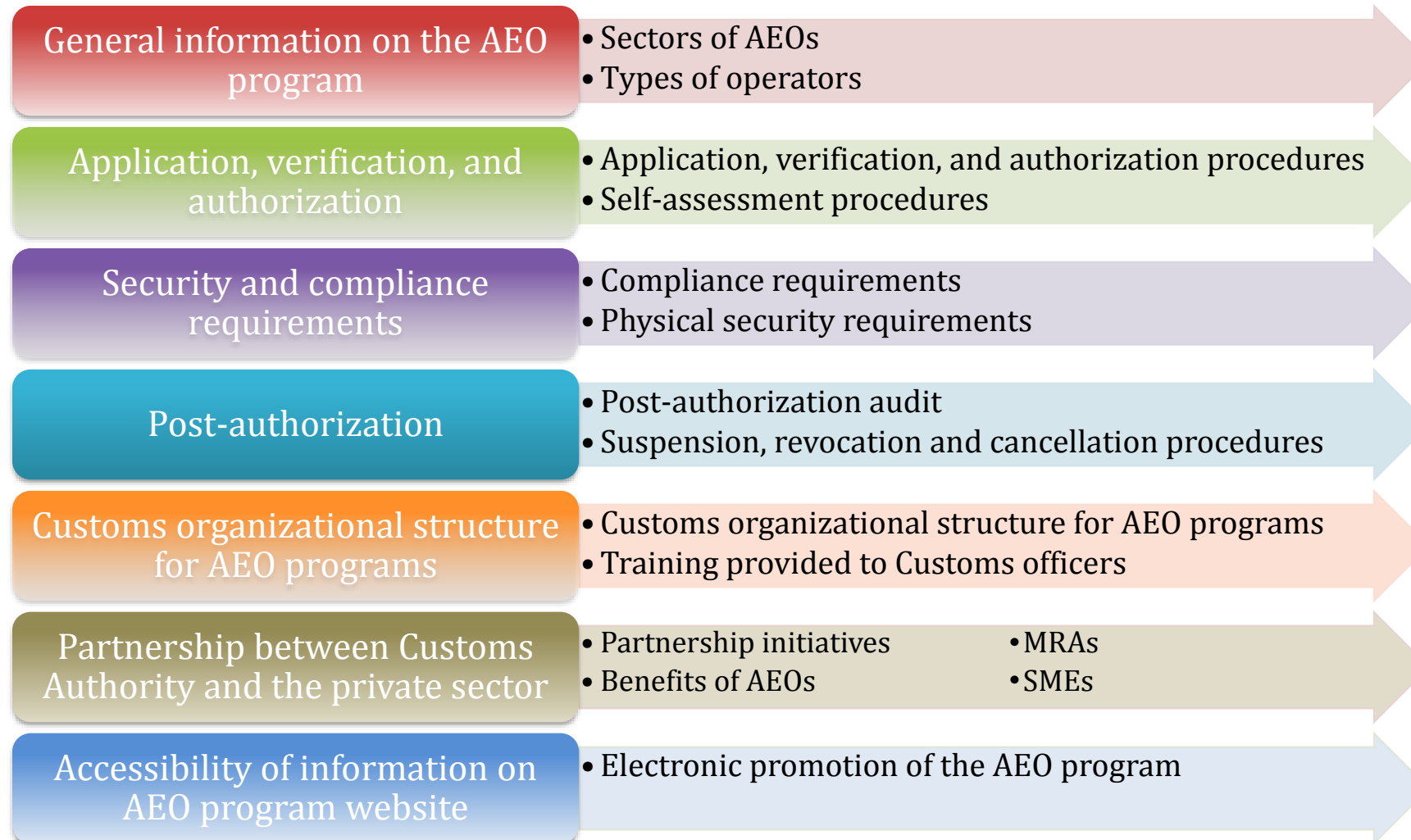
Kazakhstan-Turkey

Saudi Arabia-UAE

A.2. Survey



7 themes, 15 variables, 92 sub-variables



General Overview of Survey Respondents, 2017

	GDP (in billions of USD)	Trade Openness	Average Trade Intensity at Border Checkpoints (in billions of USD)
Egypt	237	32%	--
Indonesia	1,011	30%	--
Jordan	40.5	62%	2.3
Morocco	111	53%	1.2
Oman	71.9	76%	2.1
Tunisia	39.9	85%	1.3
Turkey	841	42%	1.9
Uganda	26.4	30%	0.4

Variable Level Convergence

Variable	OIC	APEC
Self-Assessment Mechanism	100.0%	92.2%
Physical Security Requirements	100.0%	89.8%
Compliance Requirements	100.0%	88.2%
Application, Verification & Authorization Procedures	87.5%	79.8%
Benefits for AEOs	83.9%	73.8%
Partnership Initiatives	77.1%	67.7%
Suspension and Revocation	70.8%	80.4%
Training of Customs Officers	79.2%	59.8%
Customs Organizational Structure of AEO Program	75.0%	76.5%
Electronic Promotion of the Program	66.1%	74.8%
Post-Authorization Audit	67.5%	75.3%
Types of Operators	65.6%	55.9%
Mutual Recognition Agreements (MRAs)	52.1%	72.2%
Small & Medium Enterprises (SMEs)	43.8%	29.4%

Country Level Convergence

	AEO Launch	#AEOs as of 2018	Convergence
OIC Countries			
Egypt	2014	119	76%
Indonesia	2015	80	72%
Jordan	2005	88	81%
Morocco	2006	439	83%
Oman	2017	17	67%
Tunisia	2010	35	70%
Turkey	2013	332	76%
Uganda	2013	51	74%
OIC			75%

Most Commonly Incorporated Sub-variables in OIC AEO Programs (100 Percent Convergence)

Application, verification, and authorization procedures

Application (with security profile/Self-Assessment)

Review of Security Procedures

Onsite Validation/Verification audit

Comprehensive Compliance Assessment

Company Background and Operating Environment

Self-assessment procedures

Operator-Submitted Accounting Information

Customs Provided Self-Assessment Checklists for Operators

Customs Examination of Self-Assessment during Validation

Compliance requirements

Positive Customs Compliance Record

Financial Viability

Audited Financial Statements

Internal Controls (including System for Management of Commercial Records)

Meet Security/Safety Requirements

Physical security requirements

Physical Site Security

Access Control

Procedural Security

Container, Trailer, and Rail Car Security

Data and Document Security

Personnel Security

Goods (including Storage) Security

Transportation/Conveyance Security

Business Partner Requirements

Suspension, revocation and cancellation procedures

AEO status can be changed/suspended/cancelled

Customs organizational structure for AEO programs

Internal Checks/Controls

Formal Reporting Systems

AEO Program Standard Operating Procedures or Guidelines Exist

AEO Program Implemented Through Administrative Initiative

Partnership initiatives

Formal or Informal Consultation with Stakeholders on AEO Program Design

Formal or Informal Consultation with Stakeholders on AEO Program Imp.

Promotion of AEO program by Customs

Benefits of AEOs

Lead Time and Predictability

Simplified Data Requirements and Data Submission

Measures to Expedite Cargo Release, Reduce Transit Time, and Lower Storage Costs

Electronic promotion of the AEO program

Explanatory information of AEO Program on Website

Contact information

Requirements to Join

Benefits of Joining

Least Commonly Incorporated Sub-Variables in OIC AEO Programs

Sub-Variables	Convergence
Application, verification, and authorization procedures	
Consultation with Customs prior to Application	50%
Post-authorization audit	
Regular Re-validation Mechanism	38%
Suspension, revocation and cancellation procedures	
Appeals Process Exists	38%
Customs organizational structure for AEO programs	
Communication with Other Government Agencies about AEO Program	38%
New Customs Technical Specialty Positions Established	0%
Training provided to customs officers	
Regular Training Programs	38%
Partnership initiatives	
Survey of Trader Satisfaction	13%
SMEs	
Specific Benefits for SMEs (including at Application Stage)	25%
Electronic promotion of the AEO program	
Online forms	38%
Online Application Capability	0%
FAQ	25%

Reasons for OIC Member States not Implementing an AEO Program

- Financial incapability of the firms
- Trade volume insufficiency
- No demand from the private sector
- Trade partners
- Lack of capacity at the Customs
- Lack of training at the Customs
- Lack of awareness at the Customs and at the firms
- Institutions

B. Best International Practices



Rationale Behind Case Choices

Japan

- gradualism in implementation
- decrease in time to trade

Canada

- first country implementing an AEO program
- allocated huge amount of resources
- aim: MRA with USA

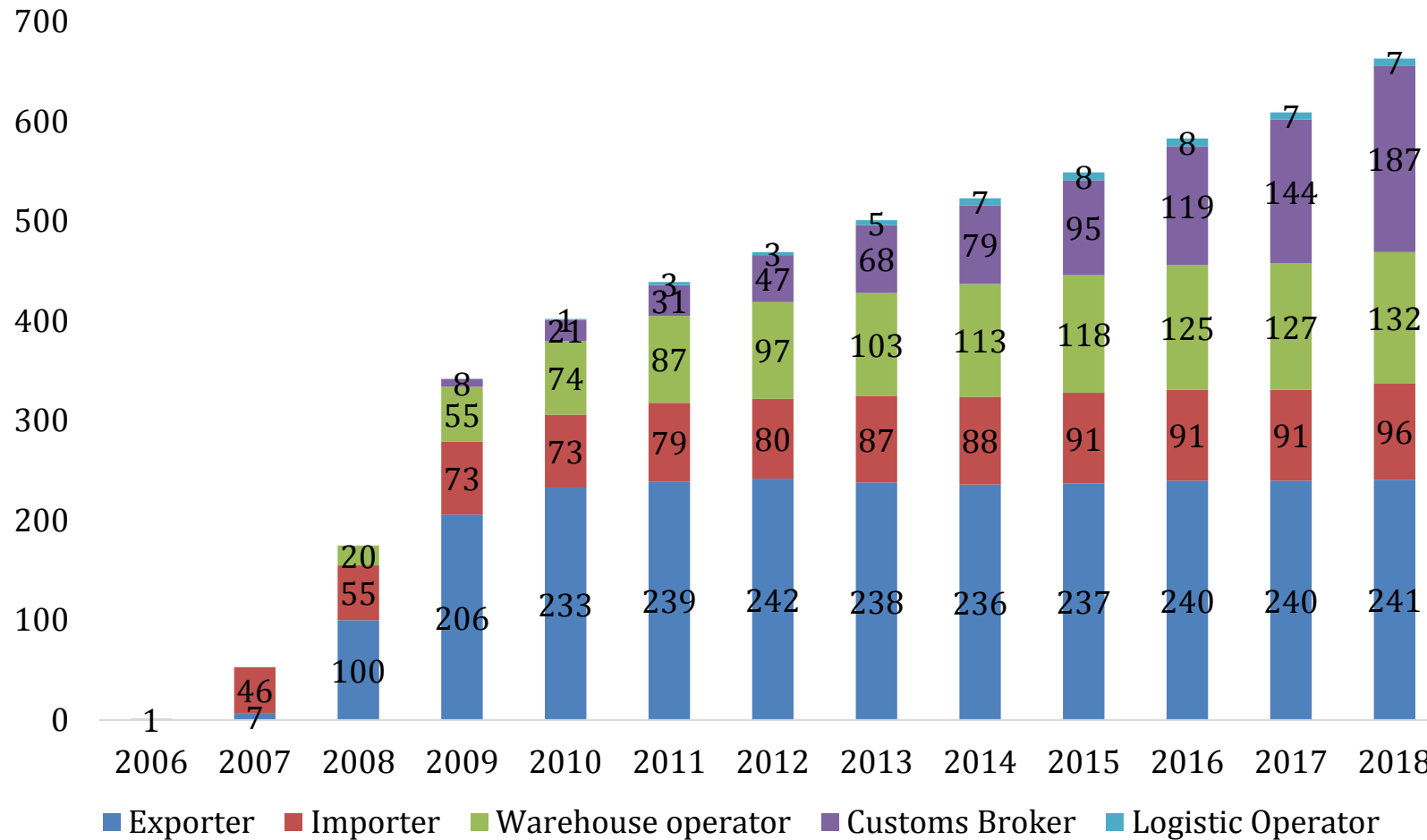
The EU

- application amongst its 28 Member States.
- role model for countries to deepen their integration

B.1. Japan



Transition in the Number of AEOs in Japan



Legal Structure

Customs Act

- specifies facilitations provided to an AEO, requirement (eligibility) to be an AEO, issuance of administrative order for improvement to an AEO, and revocation of the status as an AEO

Cabinet Order

- determines procedures for Customs clearance with benefits and application procedures for authorization.

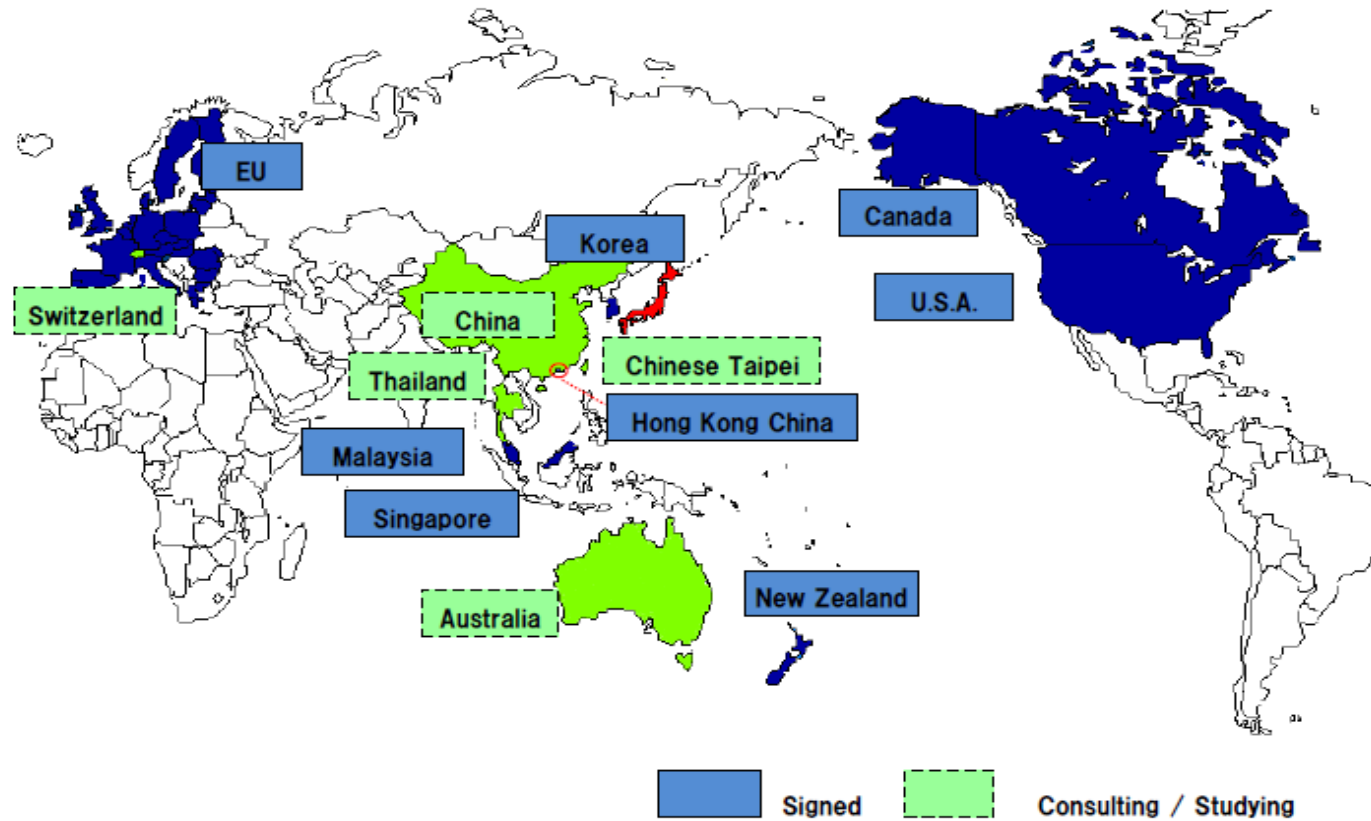
Ministerial Ordinance

- specifies the details to be set forth in the compliance program.

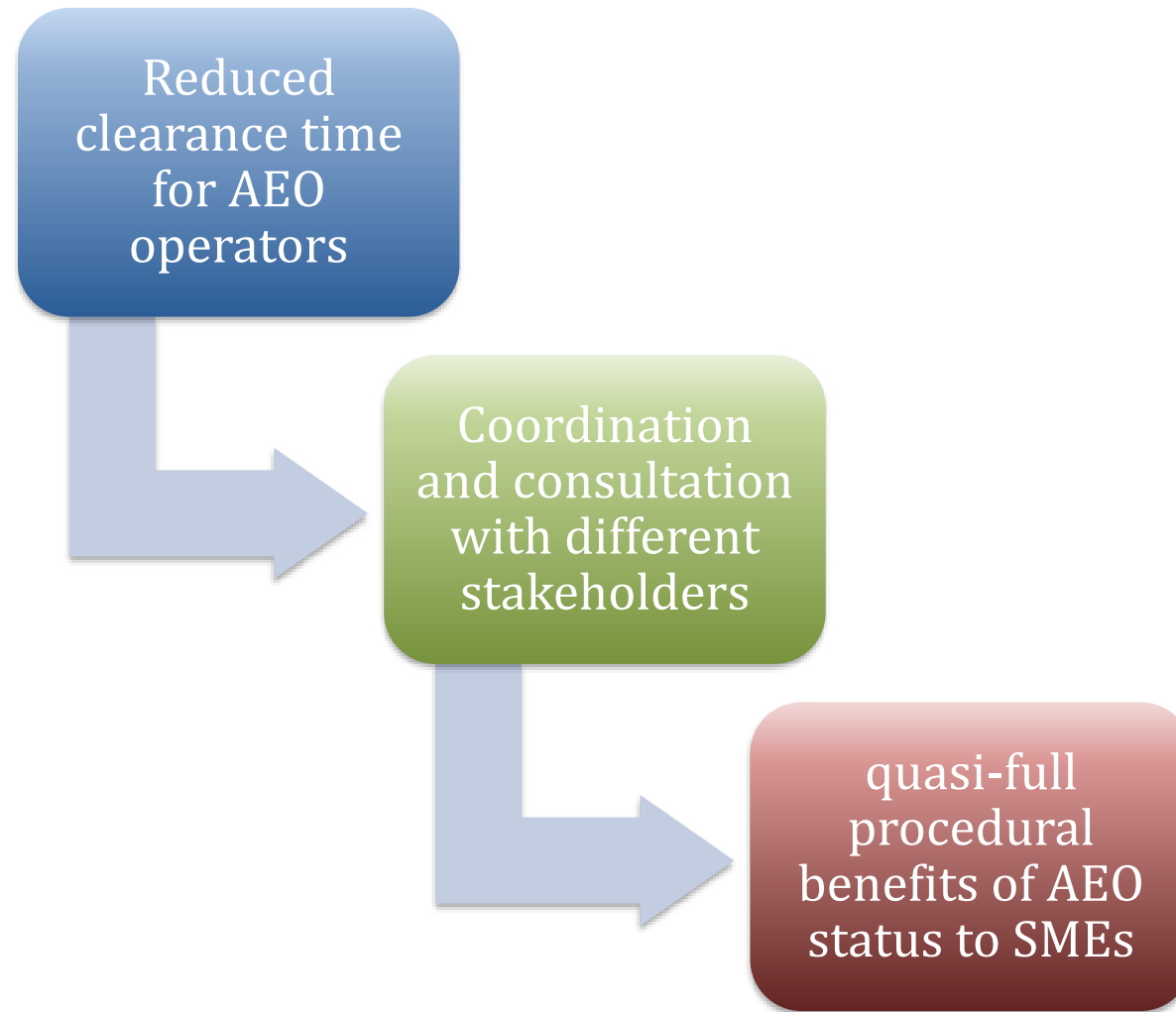
Order of the Director-General of the Customs and Tariff Bureau, Ministry of Finance

- encompasses Customs clearance procedures, characteristics of compliance program, and guidelines for reviewing the application at Customs.

MRA Partners



Evaluation



B.2. CANADA



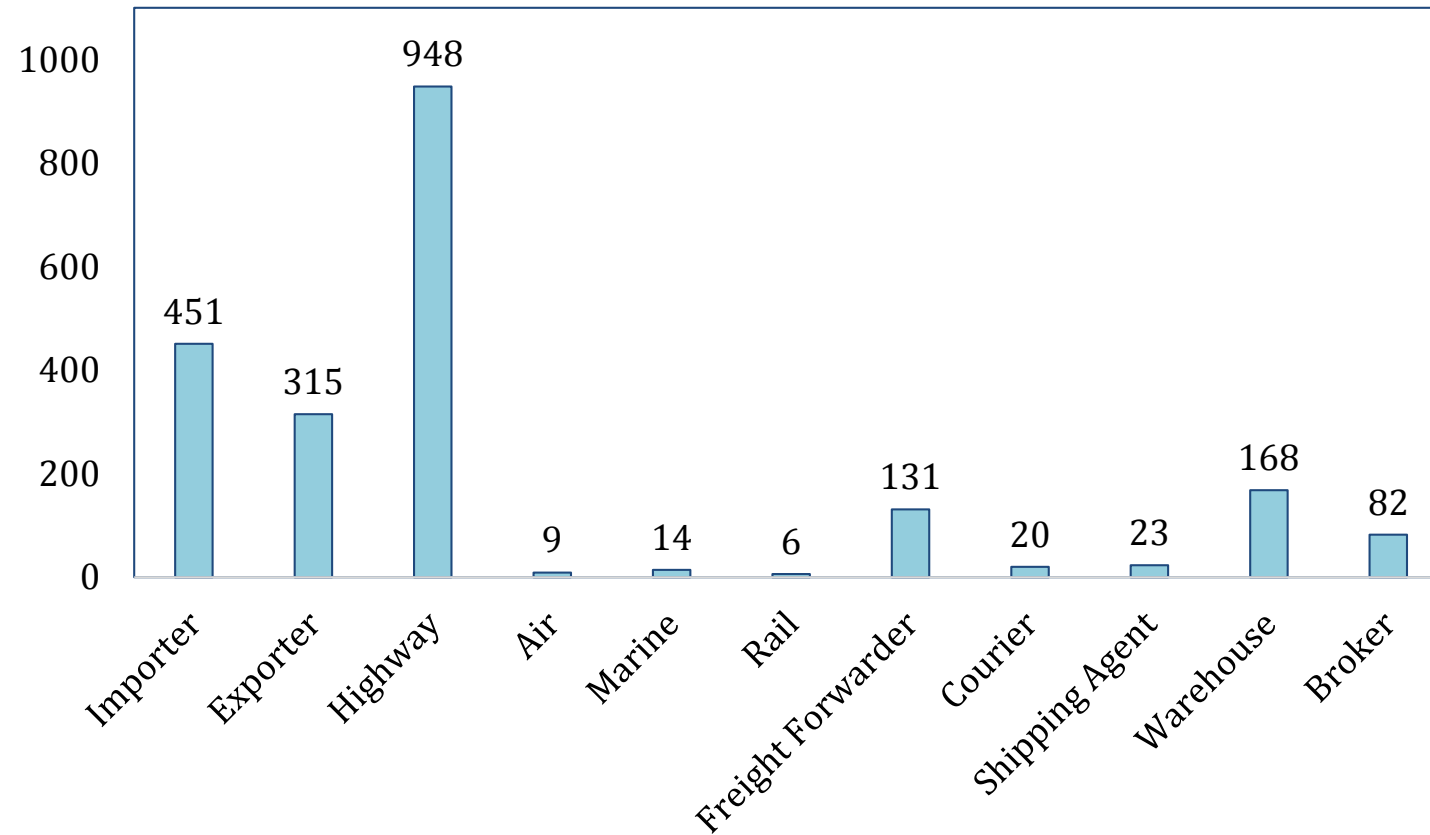
Evolution

Launched in 1995 to prevent smuggling and to enhance compliance.

In 2007, decision was made to invest 11.6 million CAD in modifying security criteria to be more like the US C-TPAT

In 2008 upgrade to be fully compatible with the WCO's SAFE Framework and to conclude an eventual MRA with the US.

Partners in Protection Program Participants by Sector (2014)



Organizational Structure

Directorate's Trusted Traders Programs Division manages the PIP.

"The National Trusted Traders Unit"

- the principle point of contact for the regions and is in charge of carrying out risk assessments

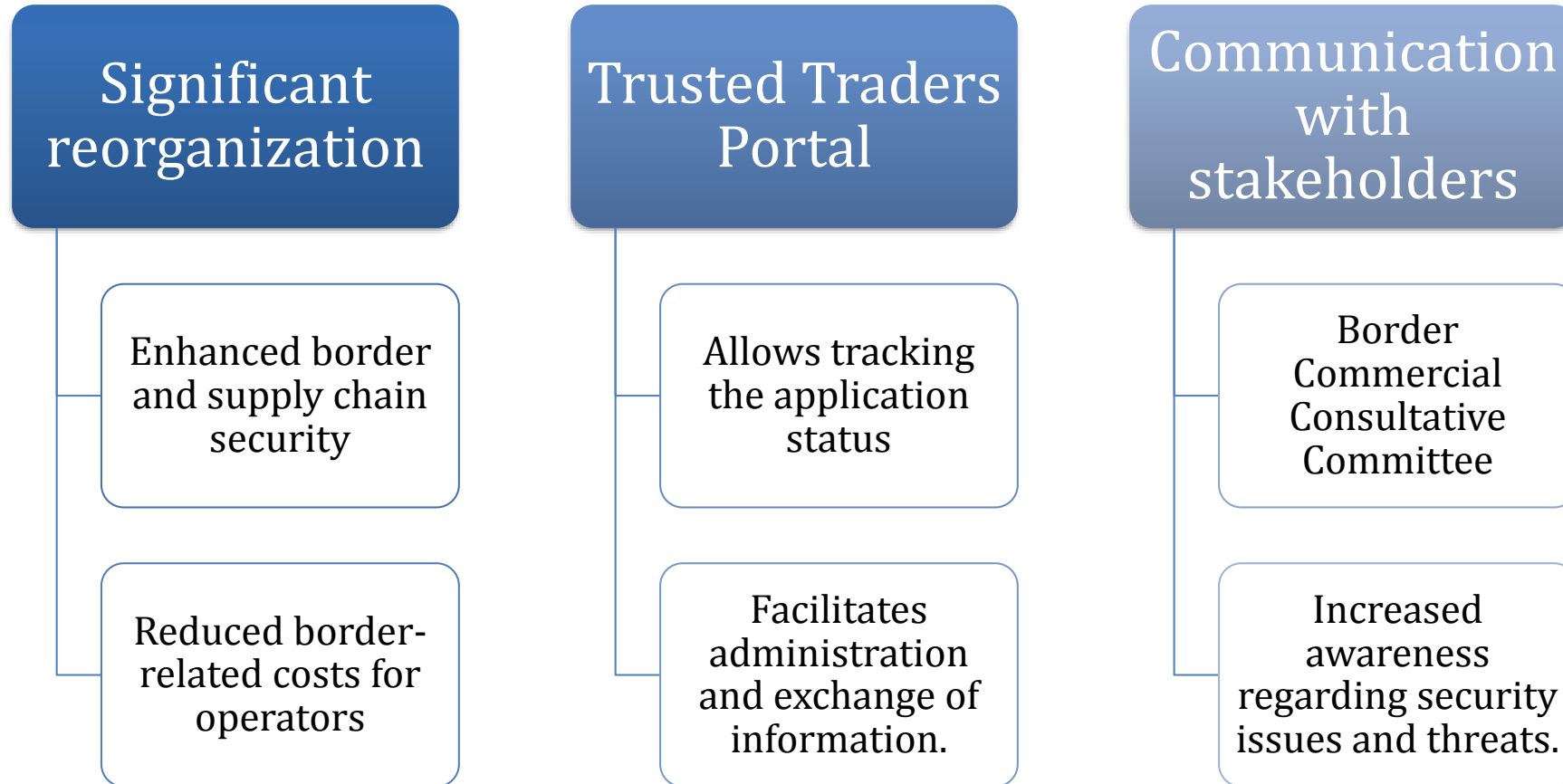
"The International and Bilateral Trusted Traders Unit"

- in charge of developing the program's strategy and policies.
- promotes for PIP
- responsible for relations with third countries and eventual MRAs.

"The Program Support and Monitoring Trusted Traders Unit"

- responsible for developing and monitoring service standards and performance

Evaluation



B.3. The EU



Evolution

- Before AEO, many simplifications were already in use for existing economic operators.
- Launched on January 1st, 2008 as a voluntary program.
- Legal base was Community Custom Code (([Regulation \(EC\) 648/2005](#))) and its implementing provisions.
- It covers all operators in the supply chain.
- New AEO guidelines entered into force on May 1st, 2016.
- The new Union Customs Code (UCC) provides a “paperless” framework and enhanced risk management.

Benefits

Benefit	AEOC	AEOS
Easier admittance to Customs simplifications	X	
Fewer physical and document-based controls <ul style="list-style-type: none"> related to security & safety related to other Customs legislation 	X	X
Prior notification in case of selection for physical control (related to safety and security)		X
Prior notification in case of selection for Customs control (related to other Customs legislation)	X	
Priority treatment if selected for control	X	X
Possibility to request a specific place for Customs controls	X	X
Indirect benefits	X	X
Mutual Recognition with third countries		X

C. OIC Case Studies



Rationale Behind Case Choices

Jordan
From Arab Group

- First country implementing an AEO program in the region
- Part of a regional MRA

Uganda
From Africa Group

- Only country implementing an AEO program in the region
- Member of a regional AEO

Turkey
From Asia Group

- Highest number of AEO companies in the region



C.1. Jordan



Country Information (as of 2017)

POPULATION



10 M

GDP



\$40.5 B

EXPORTS



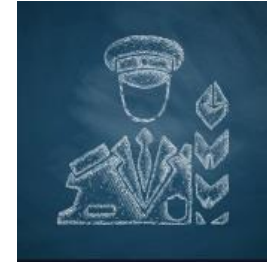
\$7.7 B

IMPORTS



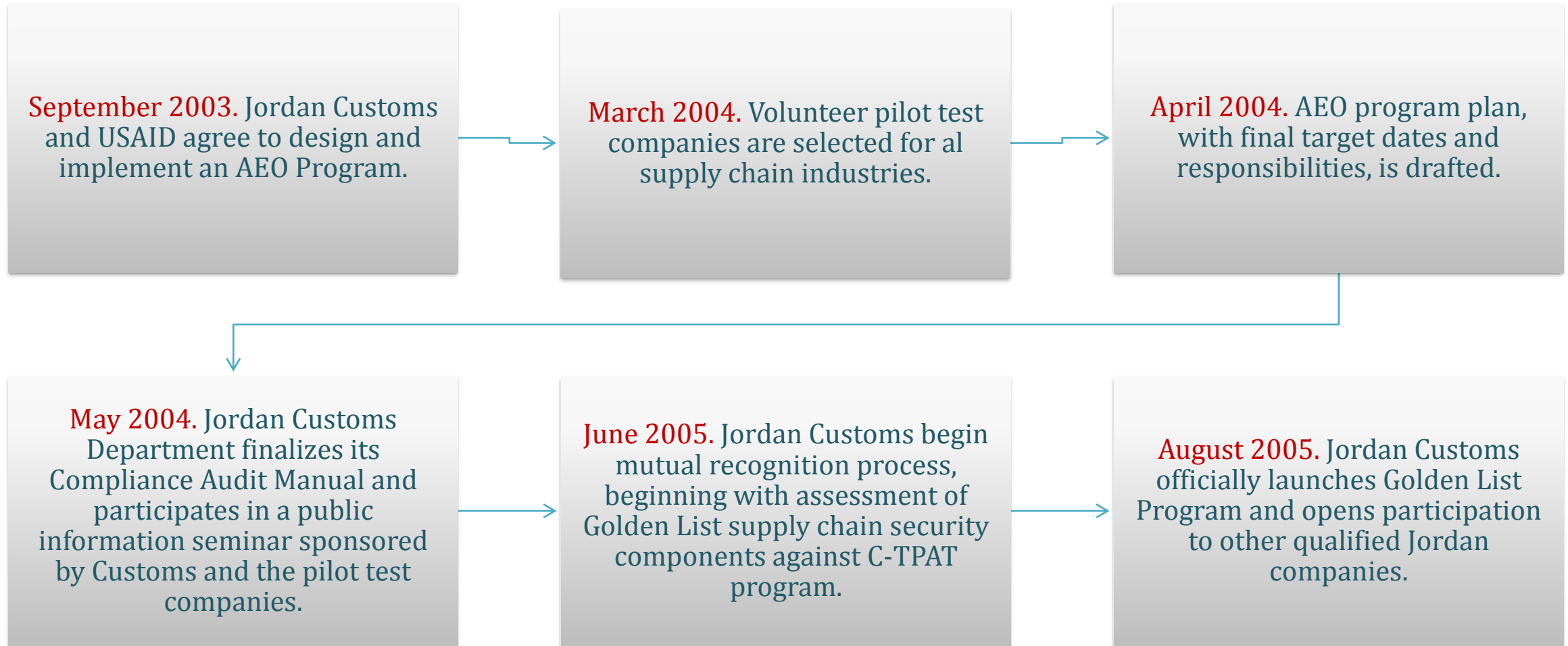
\$17.6 B

#BORDER CROSSINGS



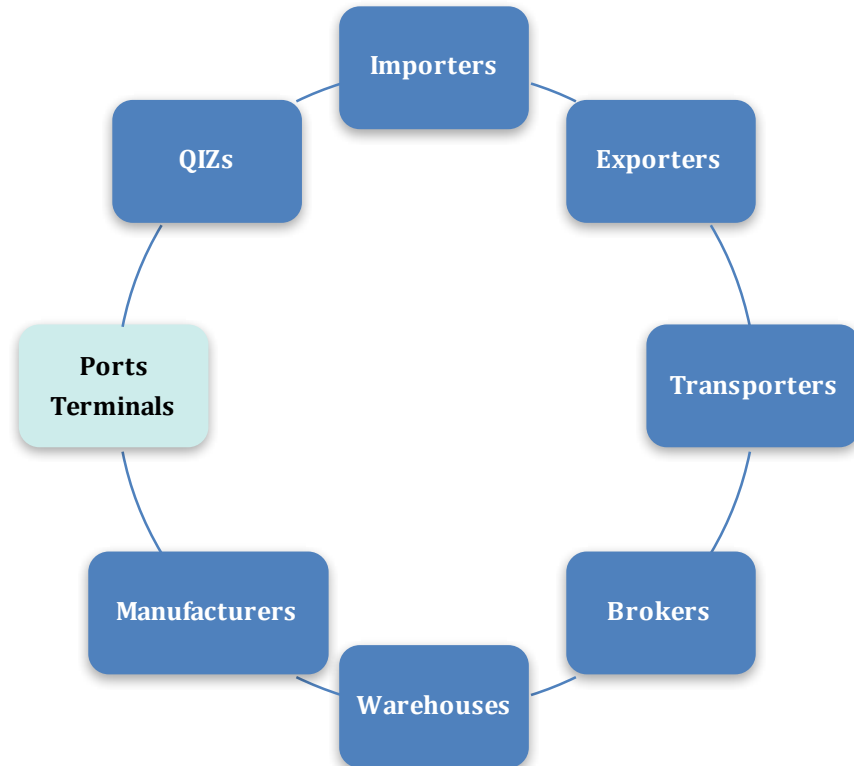
11

Timeline of the Development of the Golden List Program

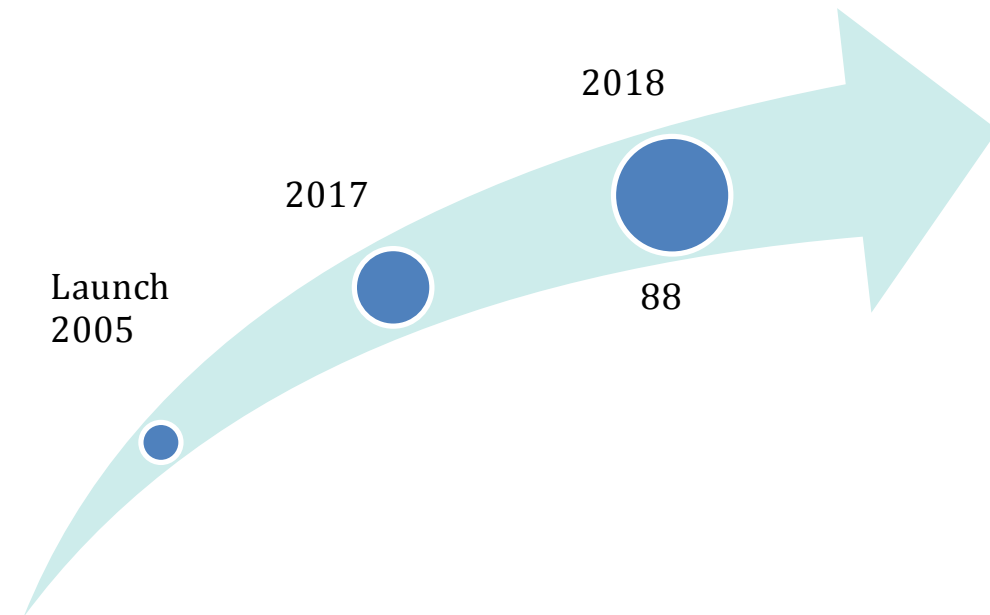


Golden List Participants

Type of Operators



Number of Operators



Benefits

- Green lane
- Incomplete declarations
- Simplified declarations
- Off working hours transactions
- Reduced guarantees
- Local clearance
- Priority treatment
- Withholding tax exemption
- Pre-clearance
- Deferred payment of duties
- Client relationship management

Challenges

The level of awareness of the private sector regarding the GL program benefits

- insufficient promotion of the program
- underutilization of benefits by the existing GL operators.

Insufficiency of the number of staff coupled with a continued need for skills updating of the existing staff.

Lessons Learned

Cooperation with a developed country

- enables smooth implementation,
- fewer alterations of the program and
- increases the credibility of the program for the third countries.

Client Relations Management

- helps the companies communicate more efficiently with the Customs and
- increases the sense of belonging to the program.

Prior consultation to the Customs before applying to the program

- reduces unnecessary mistakes and
- provides time and cost savings.

Promotion of the AEO program to the private sector

- is key for the program's success.



Plans to Improve

National Golden List

- The aim of the program is to include all the relevant agencies involved in clearance and flow of goods on the long-term to the National GL Program.
 - Food and Drug Administration, the Ministries of Agriculture, Health, Communication and Energy as well as Standards and Metrology Organization.
- Companies holding the status will have fast clearance from all government agencies which will reduce delays in transactions.

Needs for Further Advancement

Government Perspective

- Technical assistance to all stakeholders, including the private sector
- Continuing cooperation with USAID and CBP
- Increase in the number of AEO related staff in order not the process time to increase

Private Sector Perspective

- Keeping commitments for facilitating low-risk shipments
- Long-term vision and commitment



C.2. Turkey



Country Information (as of 2017)

POPULATION



81 M

GDP



\$841 B

EXPORTS



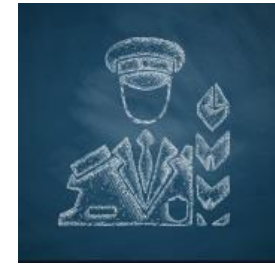
\$157 B

IMPORTS



\$197 B

#BORDER CROSSINGS



183

Background

2001: the Authorized Traders Status (ATS) which provides certain simplified procedures and Customs facilitations for traders.

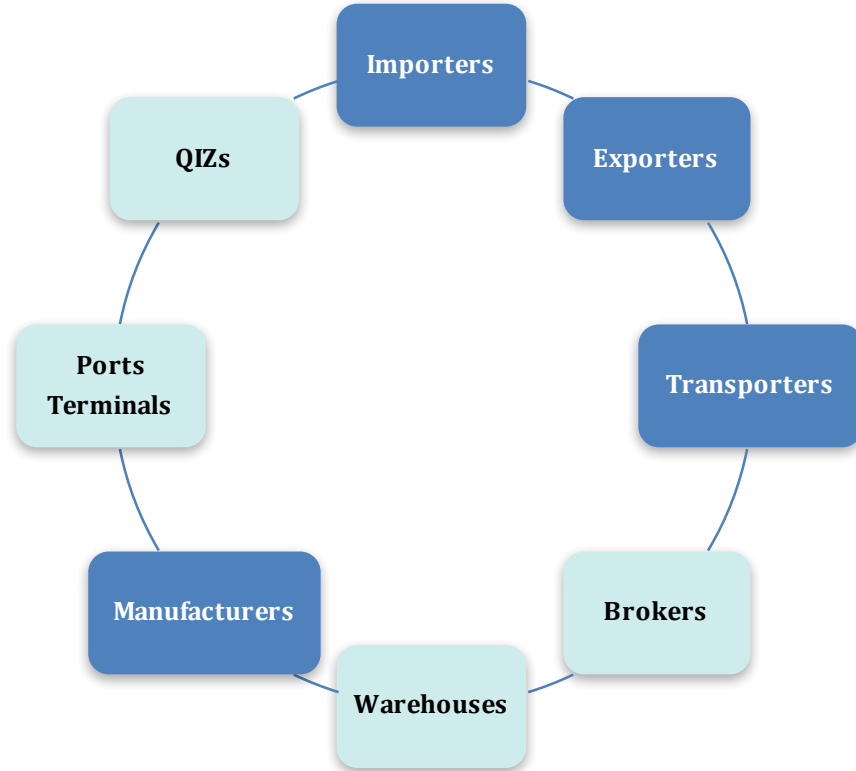
- ATS was an intermediate status with no international recognition.
- Since there were no physical site visits by Customs officials and no particular requirements for record-keeping, safety and security, it was impossible for the Customs to provide additional trade facilitation measures.

2013: Authorized Economic Operator (AEO) Program

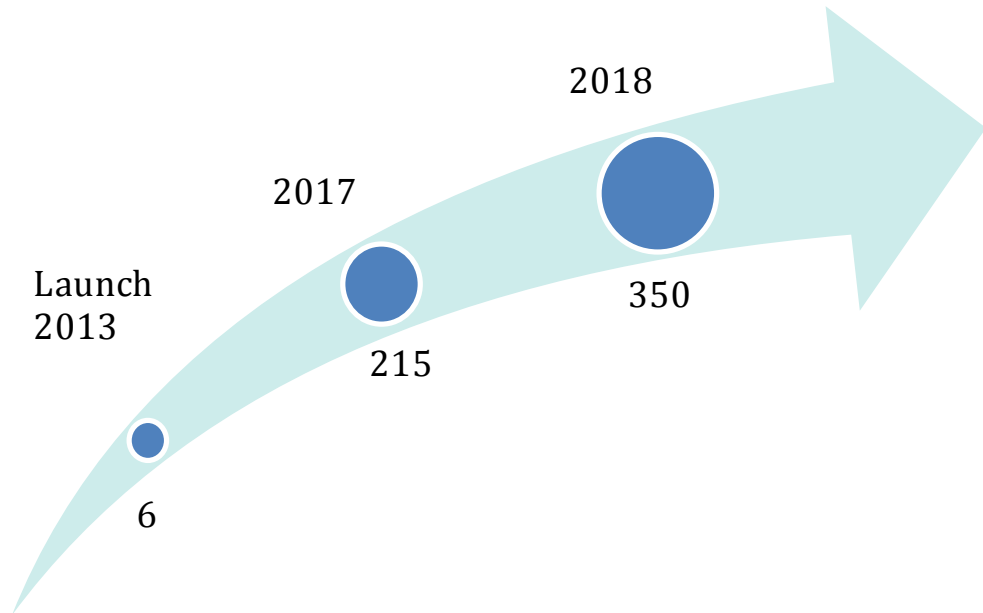
- based on Article 5A of the Turkish Customs Code (2009) and the Turkish Customs Implementation Regulation on Simplification of Customs Procedures (2013 amendment).

AEO Participants

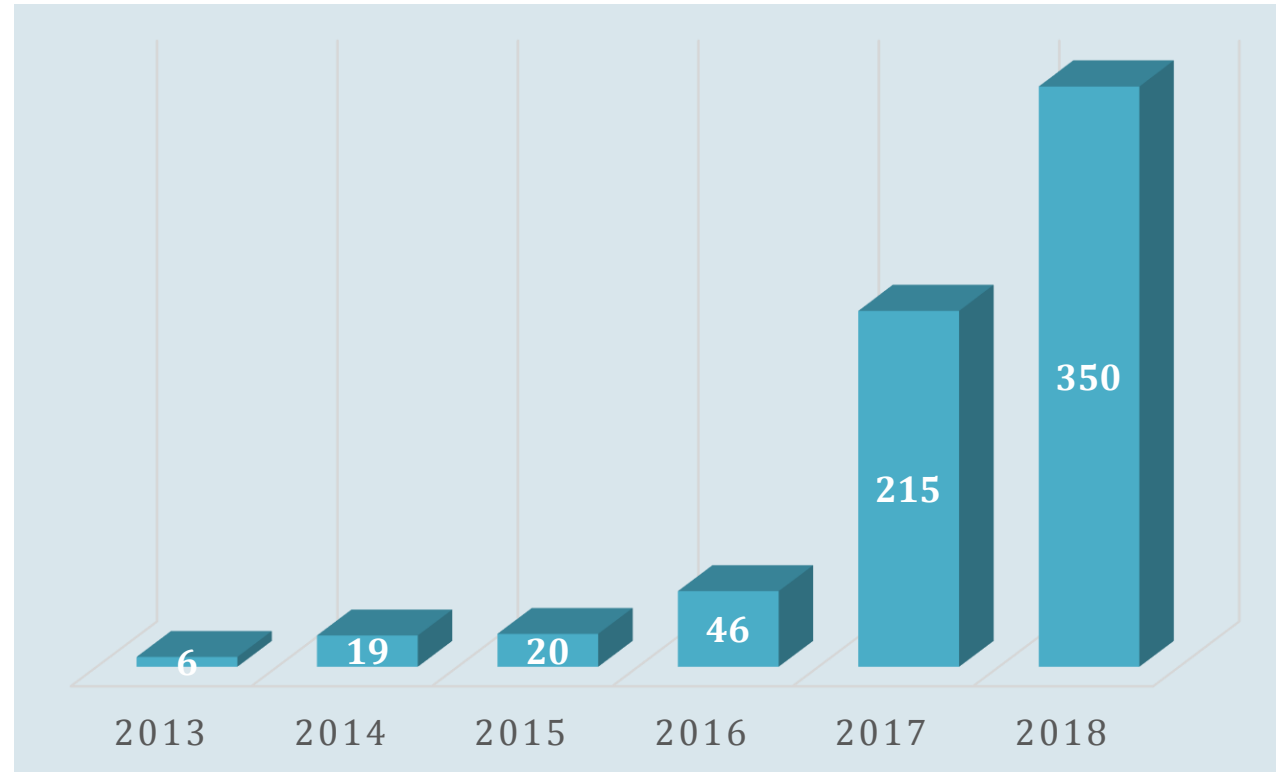
Type of Operators



Number of Operators



The Number of AEO Holders



Benefits

- Green lane
- Incomplete declarations
- Simplified declarations
- Off working hours transactions
- Reduced guarantees
- Local clearance
- Priority treatment
- Withholding tax exemption
- Pre-clearance
- Deferred payment of duties
- Client relationship management

Challenges

Technology

- Improvements in information and communication technologies → added necessity of immediate government response
- Collection of large volumes of data by the government from the AEOs → creating added safety and security concerns
- Necessity of cooperation among government bodies to prevent double-entry by the companies

Private Sector

- Time-consuming application procedures
- Many detailed criteria to comply without standards
- Subjective evaluation process
- No further benefits of Type-A ATS certificate holders

Lessons Learned

Existing trade facilitation measures can be obstacles.

AEO certificates given to limited type of operators creates loopholes in the supply chain in terms of security and safety.

Requirement of ISO 27001 in the application documents increases the cost of the certificate significantly.



Needs for Further Advancement

Government Perspective

- Added data safety and security measures
- Revision the AEO legislation periodically
- Addition of new financial and technological resources to the AEO program
- A new genre of personnel who are well-versed in technology and law
- Dissemination of the data (when and if required) in a safe and secure environment

Needs for Further Advancement

Private Sector Perspective

- More efficient communication that dissipates to the grass-roots of the relevant sectors
- Eradication of the perception that evaluation process is subject to the opinion of different experts in the headquarters of Customs Administration
- Lengthening the current 6-month period for the AEO holders to adapt the new regulations



C.3. Uganda



Country Information (as of 2017)

POPULATION



39 M

GDP



\$26.4 B

EXPORTS



\$3.2 B

IMPORTS



\$4.6 B

#BORDER CROSSINGS



21

Background

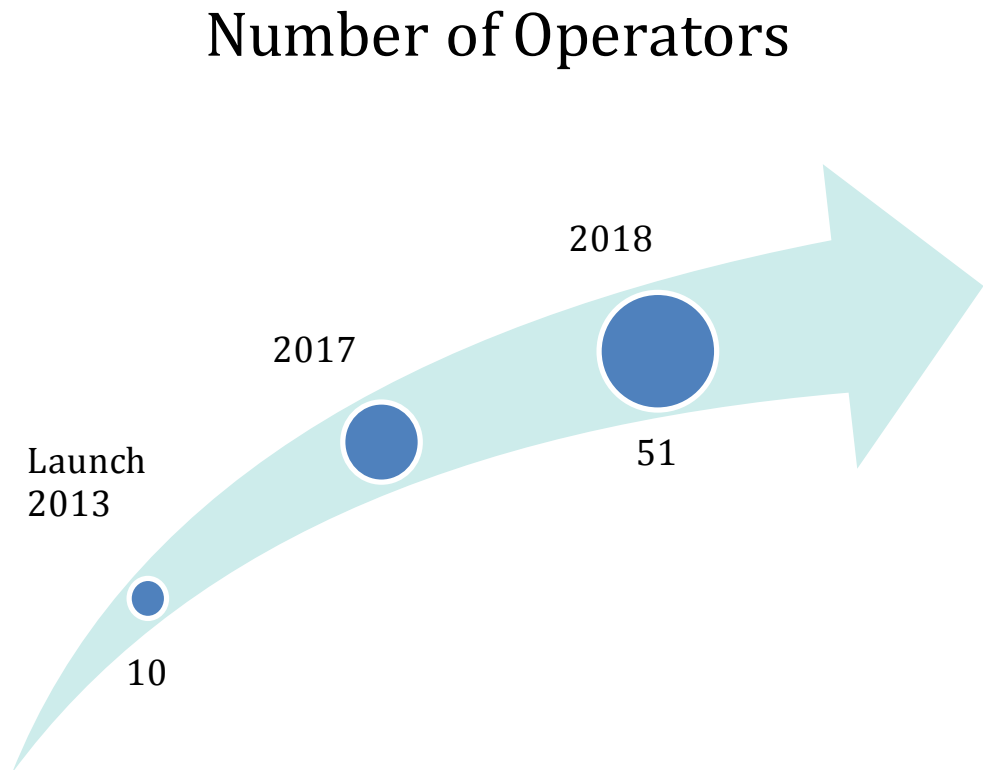
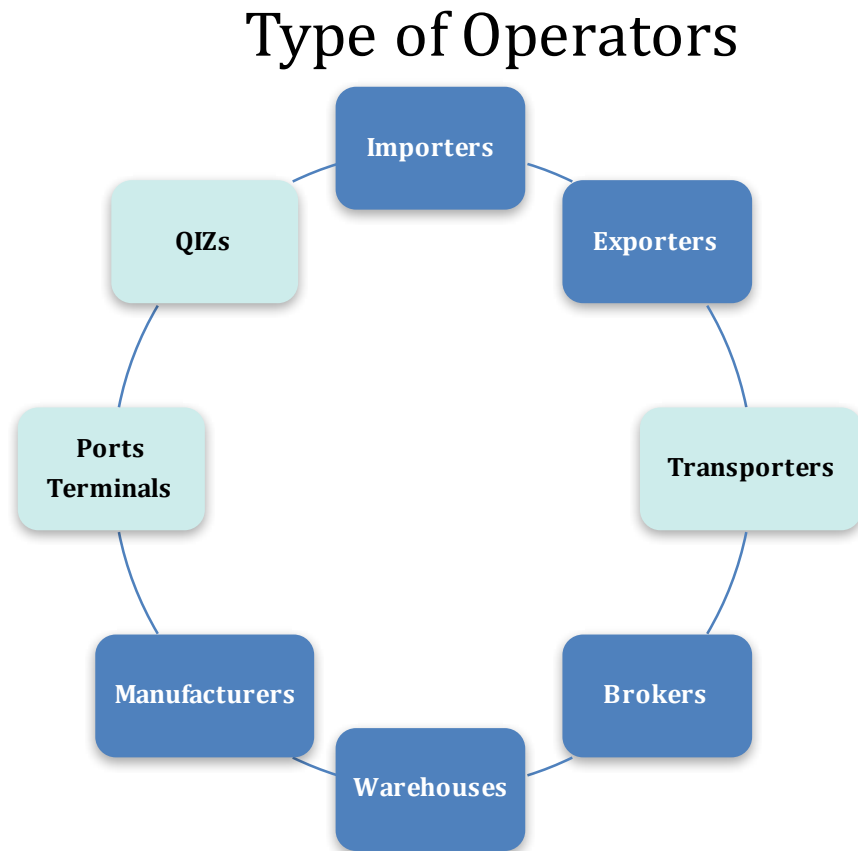
2005: Uganda became a part of the East African Countries (EAC) Regional Authorized Economic Operator Program Protocol.

2005-2008: Before the design and implementation of the AEO program in Uganda, Customs used a selectivity criteria based on compliance.

2009: URA commenced the piloting of the AEO program (10 companies)

2013: URA launched the AEO program.

AEO Participants



Benefits

- Green lane
- Incomplete declarations
- Simplified declarations
- Off working hours transactions
- Reduced guarantees
- Local clearance
- Priority treatment
- Withholding tax exemption
- Pre-clearance
- Deferred payment of duties
- Client relationship management

Challenges

- One Customs official manages many traders and bonded warehouses.
- The AEO companies are not identified by the Customs officers on the border.
- Bond guarantee waiver is not available at the moment.
- There are very few Ugandan Customs officials in port cities in Kenya or Tanzania.
- AEO benefits are not available in dealings with other URA Departments and government agencies on the border.



Lessons Learned

Being involved in a regional AEO program from its start

Benefits of an efficiently working CRM system

Necessity of a critical mass of qualified staff in AEO program implementation

Need for sensitization of Customs staff at the borders

Plans to Improve

A simplified AEO Program for particular sectors such as textiles and automobiles as a part of national economic objectives:

- to involve the SMEs in the process to groom them to meet international standards and to reduce informal trade.

A simplified AEO Program to improve the gender based involvement in the AEO process:

- In Uganda, many small companies are headed by women and there is a well-established stigma in women to participate in formal programs.
- The objective of gender-based involvement is to reduce informality and capacity-building in the female population.

Needs for Further Advancement

Government Perspective

Challenge	Solutions
Limited manpower/skill set	– Hiring new staff to support the AEO team (AEO coordinators and validation team) and providing necessary training to update skills
Limited resources	– Support from trade partners
Slow rate of buy in by Customs officers	– Continuous change management drive – Sensitizations & trainings – Plan to incorporate AEO aspects in the HR curriculum.
Limited trust in the value of the program	– Continuous change management drive – Sensitizations & trainings
New Customs initiatives render some benefits absolute.	– Continuous research on new benefits
Failure to automate authorization process	– Investing in automation

Needs for Further Advancement

Private Sector Perspective

- The border personnel including the ones located in port cities in Kenya and Tanzania should be increased and trained to solve the congestion problem.
- Even though the Customs officials serve the AEO holders for 24/7, the other government agencies on the border operate during regular working hours.
 - Therefore, the around-the-clock working hours of Customs officials only do not provide the intended time saving for the companies.
- Simplification of the authorization procedures would increase the number of AEO applicants in Uganda.

D. Comparison of AEO Programs in the OIC with Best Practices



Comparison of AEO Programs

			# MRAs	
	# Operators	Launch Year	Bilateral	Multilateral

Best Practice Countries				
Canada	1,838	2008	6	
EU	19,001	2008	6	
Japan	664	2006	8	

OIC Countries				
Azerbaijan	2	2013	--	--
Brunei Darussalam	--	2017	--	--
Egypt	124	2014		1
Indonesia	80	2015		
Jordan	88	2005	1	1
Malaysia	59	2010	3	
Morocco	439	2006		1
Oman	17	2017		
Saudi Arabia	6	2018		
Tunisia	35	2010		1
Turkey	332	2013	1	
Uganda	51	2013		

Comparison of Length of Authorization Process:

	Authorization Process days, at least
--	--

Best Practice Countries	
Canada	--
EU	90
Japan	30

OIC Countries	
Egypt	60
Indonesia	60
Jordan	60
Morocco	240
Oman	30
Tunisia	120
Turkey	90
Uganda	900

Comparison of Trade Costs among Countries w/out AEO

		Cost to export		Cost to import		Time to export		Time to import	
	Efficiency	Border	Documentary	Border	Documentary	Border	Documentary	Border	Documentary
World	4.1	399	142	465	167	59	58	79	69

Best Practice Countries									
Canada	5.0	167	156	172	163	2	1	2	1
Japan	5.0	265	54	299	107	23	2	40	3
The EU	4.9	85	17	29	4	8	1	2	1

OIC Region									
AEO	4.2	277	118	431	226	50	46	104	81
Azerbaijan	3.8	214	300	300	200	29	33	30	38
Brunei	4.0	340	90	395	50	117	159	48	136
Egypt	3.9	258	100	554	1000	48	88	240	265
Indonesia	4.1	254	154	383	164	53	61	99	126
Jordan	4.7	131	16	181	30	38	6	79	55
Malaysia	5.2	321	45	321	60	47	10	71	10
Morocco	4.4	156	107	228	116	19	26	106	26
Oman	4.5	233	107	374	124	52	15	70	15
Saudi Arabia	4.6	338	105	779	390	69	86	228	127
Tunisia	3.1	469	200	596	144	50	3	80	27
Turkey	3.9	376	87	655	142	16	5	41	11
Uganda	4.1	229	102	412	296	68	58	154	138
CCP	3.5	660	265	670	358	110	98	126	116
Others	2.0	476	212	597	273	69	81	98	98

Logistic Performance Index in 2016

	LPI Score	Customs	Infra-structure	Int. shipments	Logistics Competence	Tracking & Tracing	Timeliness
Best Practice Countries							
Canada	3.93	3.95	4.14	3.56	3.90	4.10	4.01
Japan	3.97	3.85	4.10	3.69	3.99	4.03	4.21
The EU	3.61	3.43	3.56	3.49	3.55	3.65	3.98
OIC Region							
AEO	3.04	2.70	2.95	3.10	2.97	3.04	3.45
Brunei	2.87	2.78	2.75	3.00	2.57	2.91	3.19
Egypt	3.18	2.75	3.07	3.27	3.20	3.15	3.63
Indonesia	2.98	2.69	2.65	2.90	3.00	3.19	3.46
Jordan	2.96	2.55	2.77	3.17	2.89	2.96	3.34
Malaysia	3.43	3.17	3.45	3.48	3.34	3.46	3.65
Morocco	2.67	2.22	2.46	3.09	2.59	2.34	3.20
Oman	3.23	2.76	3.44	3.35	3.26	3.09	3.50
Saudi Arabia	3.16	2.69	3.24	3.23	3.00	3.25	3.53
Tunisia	2.50	1.96	2.44	2.33	2.59	2.67	3.00
Turkey	3.42	3.18	3.49	3.41	3.31	3.39	3.75
Uganda	3.04	2.97	2.74	2.88	2.93	3.01	3.70
CCP	2.72	2.52	2.62	2.75	2.69	2.69	3.04
Others	2.45	2.31	2.26	2.51	2.40	2.36	2.82

Major Achievements

Standard self-assessment
procedures

Similarity of procedures from
application to post-authorization

Maximum level of convergence in
terms of compliance and physical
security requirements

Diverse set of benefits across the
board

Awareness about the importance
of private sector partnership and
the promotion of the program

Client relations management

Challenges

Low incidence of consultation
with Customs prior to
application

Lengthy AEO approval times

The low degree of regular re-
validation mechanisms for
compliant AEOs and formal
appeals processes

Low level of communication of
Customs Authority with private
sector and other government
agencies

Use of existing resources for the
AEO design/implementation,

Inflexibility and prescriptive
nature of security requirements

E. General Evaluation



E.1. Success Factors



Design Stage

Success Factors

- Active participation of at least one best-practice-developed country
- Regional AEO design and implementation from their inauguration
- Development of regional MRAs to increase the benefits to the AEO certificate holders and reduce the costs of designing the agreement
- Adopting an integrated approach in the legislative, organizational and operational dimensions
- Designing an attractive package where benefits to AEOs outnumber costs

Implementation Stage

Success Factors

- Consultation with Customs prior to application
- Awareness about the importance of private sector partnership
- Client Relations Management
- Providing wide coverage of offices to reduce centralization in handling applications
- Working on the continuous development of the AEO program

E.2. Challenges and Policy Implications



Application Process

Lengthy AEO approval times

- Online application capability
- Frequently asked questions on web sites.
- Ex-ante consultation of the prospective AEOs with related Customs officials.
- An anticipated processing timeline
- Publishing the data on actual processing times along with the targeted time frames.
- Accountability of the Customs Authority through predetermined and announced rules.

Lengthy self-assessment questionnaires

- Online application capability
- Shortening of the questionnaire without compromising the collection of information vital for the evaluation of the AEO application
- An online extensive guideline regarding the questionnaire
- A dedicated phone-line to answer the questionnaire related questions

Monitoring and Improvements of AEO Benefits

Communication of Customs Authority with private sector

- Regular and inclusive meetings, regular email correspondence or designated phone-lines
- A survey of AEO company satisfaction

Communication of Customs Authority with other government agencies

- Adoption of centralized and automated data exchange systems between the different AEOs and related government agencies

Difficulties in identification of tangible benefits

- Involvement of the private sector in the design of the AEO program
- Creation on awareness about the security of supply chain
- Increasing the number of MRAs

Insufficient number of MRAs

- Using trade identification numbers
- Investing in capacity building to exchange data in a secure manner
- Increasing Regional MRA efforts across OIC Member States
- Improving the institutions such as rule of law and control of corruption

Organization and Capacity Building

Employing existing staff for the AEO design and implementation

- a new AEO sub-department under the risk management departments
- an increase in the number of well-trained individuals in the risk management departments.

Sustainable and regular training programs

- Formal and regular training programs both in headquarters and in the regional offices of the Customs Authority.
- Training programs by international organizations related to OIC countries, including COMCEC
- Availability of self-learning tools to all involved parties

Extension of AEO Status

Participation

- Designing an AEO-like program as a stepping tool for SMEs
- Guidance or financial aid for SMEs to be eligible for applying to the AEO programs
- Subsidizing large firms to pull up the SMEs that are in their supply chain to be more compliant and secure in their transactions

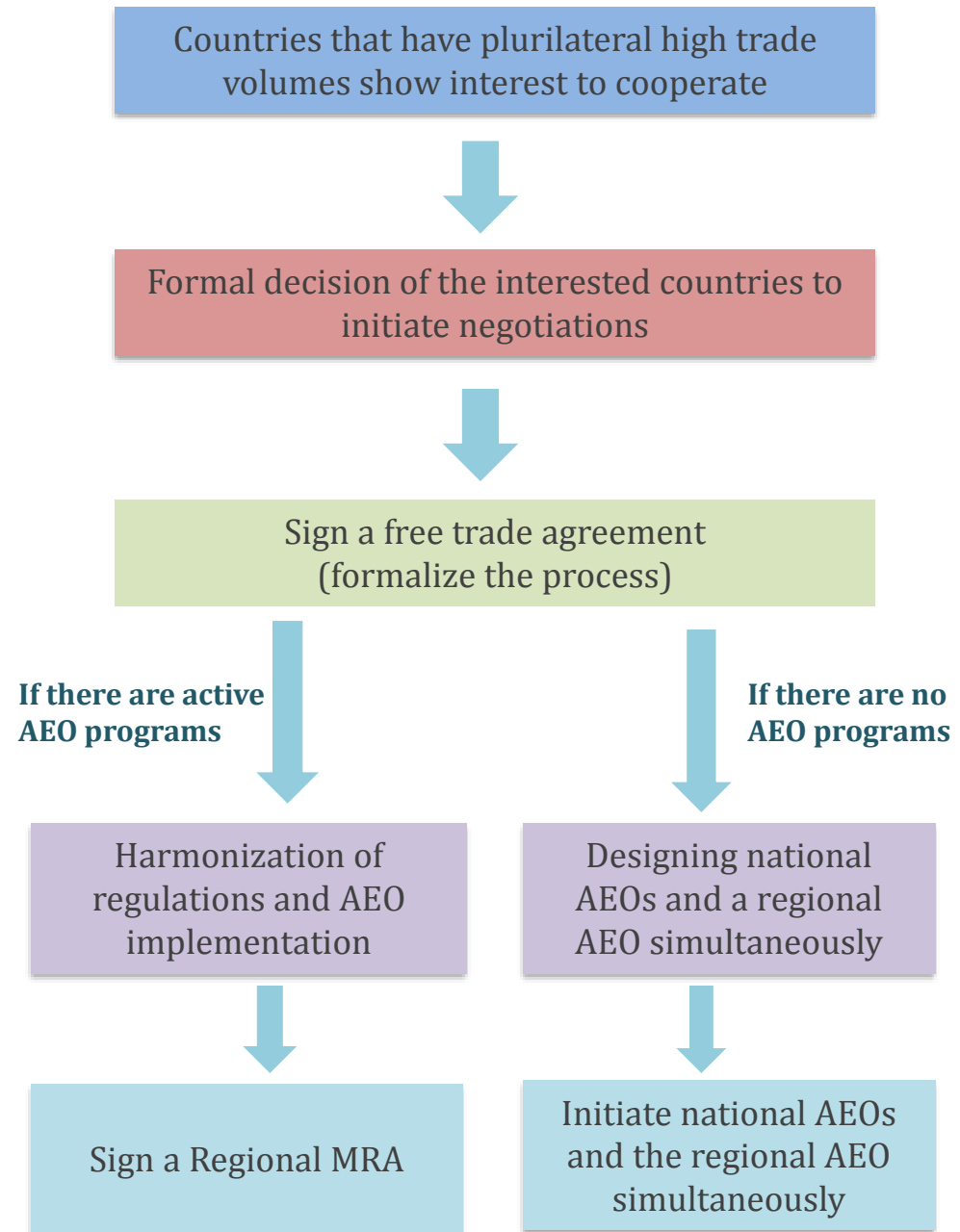
Data Security

Revision of the AEO legislation periodically

Dissemination of data in a safe and secure environment

A new genre of personnel -well-versed in technology and law

A Sample Roadmap for Regional AEO Design



Thank You...

