



Authorized Economic Operators Programs: Private Sector Perspectives

Specially prepared for the 12th Meeting of the COMCEC Trade Working Group on
“Improving Authorized Economic Operators Programs in the OIC Member States”

Ankara, 6 November 2018



- 1. Private sector perspectives on AEO: *Why important?***
- 2. Review of corporate public communication: *What do multinational firms communicate to the markets on AEO?***
- 3. Findings from the Association member survey on *AEO: What benefits & what challenges?***
- 4. Key takeaways**

About us



International Association of
Authorized Economic Operators (AEO)
Customs and Logistics

The International Association of Authorised Economic Operators (AEO), Customs and Logistics is a private sector membership organisation which includes international sector-representative organisations, such as the International Association of Customs Brokers (ASAPRA); regional organisations, such as the European Shippers Council (ESC) and the Federation of Freight Forwarders and Logistics Operators of Latin America and the Caribbean (ALACAT); national associations and private companies.

**2018 AEO
International
Conference
Baku, Azerbaiyán,
2-4 May 2018**



1. Private sector perspectives on AEO: why important?



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- **Multistakeholder engagement**
- **Feedback to inform further research and policy questions**

What are the **critical questions to business** (large companies and SMEs) related to AEO? Buy-in/investment, Business partner/supplier criteria, etc.

What is the **decision-useful information** to business and investors related to AEO? Operational costs, Effective risk & compliance management, etc.

Is this information/data available and **publicly communicated**?

- **Raising awareness on specific issues and their implications for competitiveness and participation in trade**

In today's global trade customs and logistics are essential to a country's competitiveness. Logistical cost optimization need a competitive and reliable offer of local customs brokers & logistic services providers. Yet these actors are not included as **eligible operators** in some AEO country programs.

AEO benefits (indirect/collateral) include improved management systems and practices of operators.



2. Review of corporate public communication: What do multinational firms communicate to the markets regarding AEO?



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The findings result from the Association's desk research on public reports from top listed companies around the world (350 companies reviewed). AEO is mentioned in relation to:

-corporate risk factor

-faster customs clearance of cargo leading to quicker delivery times for customers;

-security/integrity of the supply chain; requirements to suppliers

-recognition of the company as a reliable international trading partner; implementing sound compliance systems and security control;

as most salient topics.

Following some illustrative examples.

2.1. Corporate risk factor

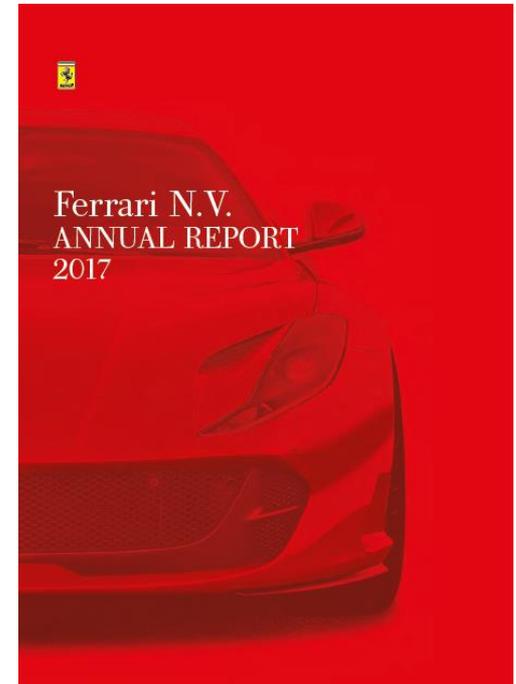


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FERRARI; The Netherlands; Cars. Luxury brand.

***“If we were to lose our Authorized Economic Operator certificate, we may be required to modify our current business practices and to incur increased costs, as well as experience shipment delays.*”**

Because we ship and sell our cars in numerous countries, the customs regulations of various jurisdictions are important to our business and operations. To expedite customs procedure, we applied for, and currently hold, the European Union’s Authorized Economic Operator (AEO) certificate. The AEO certificate is granted to operators that meet certain requirements regarding supply chain security and the safety and compliance with law of the operator’s customs controls and procedures. Operators are audited periodically for continued compliance with the requirements. The AEO certificate allows us to benefit from special expedited customs treatment, which significantly facilitates the shipment of our cars in the various markets where we operate. The AEO certificate is subject to mandatory audit review by May 1, 2019 according to the new European Customs Legislation and therefore we will need to implement all necessary organization changes in order to comply with the new requirements. If we were to lose the AEO status, including for failure to meet one of the certification’s requirements, we would be required to change our business practices and to adopt standard customs procedures for the shipment of our cars. This could result in increased costs and shipment delays, which, in turn, could negatively affect our results of operations.”



FERRARI Annual Report 2017

2.2. Faster customs clearance of cargo, leading to quicker delivery times for our customers

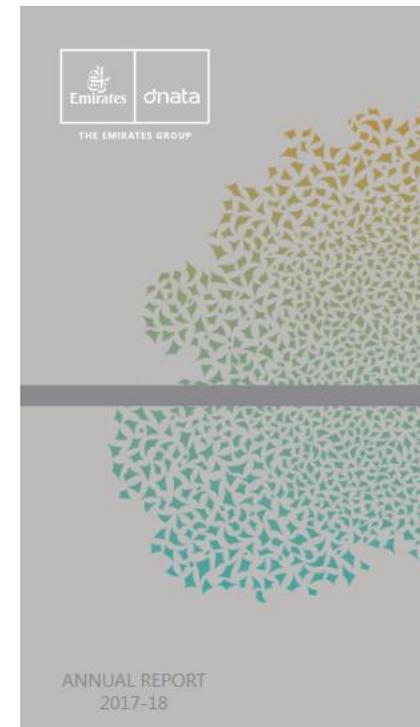


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EMIRATES SKY-CARGO, UAE, Air Freight

“We were also awarded the **‘Authorised Economic Operator’ (AEO) certification** by the UAE Federal Customs authorities in March 2018. **This allows faster customs clearance of cargo** travelling on Emirates SkyCargo in the UAE, **leading to quicker delivery times for our customers.**”

The Emirates Group Annual Report 2017-2018



2.3. Supply chain Integrity Requirements

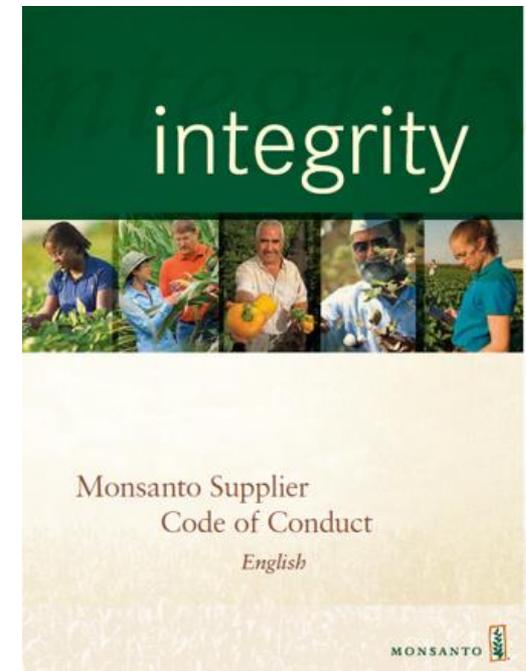


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MONSANTO, USA; Agrochemicals y biotechnology

“When applicable, **suppliers should implement practices and procedures to ensure the security of their supply chains in accordance with Authorized Economic Operator (AEO) standards**, the Customs-Trade Partnership Against Terrorism (C-TPAT) initiative of the US Department of Homeland Security, and related global supply chain security programs in the countries where suppliers engage with Monsanto.”

Monsanto Supplier Code of Conduct



2.3. Supply Chain Security Requirements



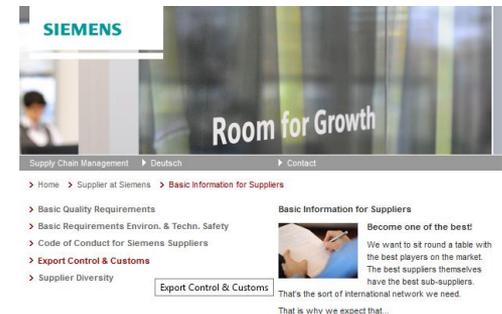
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SIEMENS, Germany, electrification, automation and digitalization

“Supply Chain Security Requirements

Suppliers who are integrated into Siemens' supply chains take measures to guarantee security in the supply chain in accordance with the requirements of global customs security programs. Detailed requirements can be found in the WCO's SAFE Framework or the respective national customs security program.

The requirements can preferably be met by proof of participation in a national customs security program (e.g. AEO) or comparable security initiatives. Alternatively, a confirmation can be provided stating compliance with the required security standards.”



[siemens.com/supply-chain-management/supplier-at-siemens/basic-information/export-control/](https://www.siemens.com/supply-chain-management/supplier-at-siemens/basic-information/export-control/)

2.3. Supply Chain Security Requirements



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SIEMENS, Germany, electrification, automation, digitalization

17. Corporate Responsibility and Security in the Supply Chain

17.1 ...The Seller shall further provide the necessary organizational instructions and take measures, particularly with regard to the following types of security: premises security, packaging and transport, business partner, personnel and information in order to guarantee the security in the supply chain according to the requirements of respective internationally recognized initiatives based on the WCO SAFE Framework of Standards (e.g. AEO, CTPAT).

SIEMENS General Conditions of PURCHASE of Goods & Services (including Software)

- | | |
|---|--|
| <p>1. Definitions</p> <p>1.1 "Conditions" means these terms and conditions for the purchase of the Goods or Services which are incorporated into and form part of the Purchase Order.</p> <p>1.2 "Contract" means the contract between the Seller and the Purchaser for the supply of the Goods and/or Services to the Purchaser.</p> | <p>be, even if it has not confirmed its acceptance of the Purchase Order in writing. For the avoidance of doubt, these Conditions shall apply to and be expressly incorporated into the Contract and no other terms and conditions stated by Seller, including without limitation, those contained in any sale order or quotation or invoice or any other document of Seller shall become part of the Contract and be binding upon the Purchaser, unless it is specifically incorporated by express reference on the face of the Purchase Order.</p> |
|---|--|

17.1 The Seller shall comply with the principles and requirements of the "Code of Conduct for Siemens Suppliers and Third Party Intermediaries" ("Code of Conduct") and shall execute the Declaration of Compliance ("Declaration") and return the duly executed Declaration to the Purchaser as may be prescribed by the Purchaser. The Code of Conduct and Declaration can be located at <http://w5.siemens.com/cms/supply-chain-management/en/information/pages/coc.aspx>. The Seller may, by written notice, also request the Purchaser to provide a physical written copy. The Seller shall further provide the necessary organizational instructions and take measures, particularly with regard to the following types of security: premises security, packaging and transport, business partner, personnel and information in order to guarantee the security in the supply chain according to the requirements of respective internationally recognized initiatives based on the WCO SAFE Framework of Standards (e.g. AEO, CTPAT). The Seller shall protect the Goods and Services provided to the Purchaser or provided to third parties designated by the Purchaser against unauthorised access and manipulation. The Seller shall only deploy reliable personnel for those Goods and Services and shall obligate any subcontractors (if permitted under Clause 21.2) to take equivalent security measures.

SIEMENS General Conditions of PURCHASE of Goods & Services (including Software), 2018

2.3. Supply Chain Security Requirements



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SIEMENS, Germany, electrification, automation, digitalization

16. C-TPAT and Security in the Supply Chain. Supplier, its Affiliates and Representatives, when providing Goods/Services to the Customer internationally, shall support the efforts of the Customer regarding security in the supply chain, as directed by the World Customs Organization SAFE Framework of Standards, US Customs & Border Protection C-TPAT standards or any other applicable customs trade security programs (e.g. AEO). **Upon request, Supplier agrees to provide Customer's declaration on security in the supply chain or other documentation recognizing Supplier's participation in a national customs supply chain security program.**

Siemens USA	Terms and Conditions for Purchase of Goods and Services October 1, 2017 (Rev. 1.7)
	<p>These Terms and Conditions for purchase of Goods and/or Services by Siemens in the USA ("Terms") and all documents attached hereto or referenced herein ("Exhibits"), including the Purchase Order form amendments or change orders if any, shall constitute the contract for the Goods/Services purchased by Customer (collectively "Purchase Order"). "Customer" means the Siemens entity identified in the Purchase Order. "Supplier" means the party identified in the Purchase Order. Supplier and Customer are authorized to do business or maintain a registered agent in the USA. Customer and Supplier are, individually, referred to as a "Party" and, collectively as the "Parties." "Affiliate" means, with respect to a Party, any other party who directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such Party. "Representatives" mean a Party's and its respective Affiliates' directors, officers, employees, agents, representatives and/or subcontractors. "Goods" mean products, materials, raw materials, supplies, equipment, information, Work Product, data, drawings, designs, specifications, reports and/or off-the-shelf software furnished by Supplier hereunder. "Services" mean the tasks/deliverables to be provided/performed by Supplier as set forth in the Purchase Order. The Purchase Order is effective and is expressly conditional upon Supplier's assent to all terms and conditions in the Purchase Order that are different from or additional to those stated in Supplier's quotation, proposal, or other offering documents. Customer hereby gives notice of objection to any different or additional terms in any response to this Purchase Order. Shipment of any Goods or the performance of any Services by Supplier shall be deemed to constitute Supplier's assent to this provision.</p> <p>1. COMMUNICATIONS AND CHANGE ORDERS.</p> <p>(A) All written communications shall (i) be directed to the addresses set forth in the Purchase Order, (ii) refer to the Purchase Order number, and (iii) be delivered in accordance with this Purchase Order.</p> <p>(B) If Customer requires modifications to the Goods/Services, the Parties shall negotiate an equitable adjustment in the form of a change order or amendment. Supplier shall not make any changes without Customer's prior written consent.</p>
	<p>16. C-TPAT AND SECURITY IN THE SUPPLY CHAIN. Supplier, its Affiliates and Representatives, when providing Goods/Services to the Customer internationally, shall support the efforts of the Customer regarding security in the supply chain, as directed by the World Customs Organization SAFE Framework of Standards, U.S. Customs and Border Protection C-TPAT standards, or any other applicable customs trade security programs (e.g. AEO). Upon request, Supplier agrees to provide Customer's declaration on security in the supply chain or other documentation recognizing Supplier's participation in a national customs supply chain security program. The Supplier agrees to allow Customer or a Representative to reasonably verify adherence to the declaration's statements including on-site inspections. If Customer has identified that Supplier has not fulfilled obligations set forth in this Section, the Parties shall mutually agree on a remediation plan. If Supplier fails to comply with a mutually agreed remediation plan, the Customer may terminate this Purchase Order without liability. Supplier, its Affiliates and Representatives shall, if applicable, comply with United States Importer Security Filing (ISF) requirements, also known as 10+2, which requires Supplier to submit specific information for all its ocean shipments destined for U.S. ports pursuant to U.S. Customs and Border Protection (CBP) regulations. If Supplier, its Affiliates or Representatives fail to provide complete and accurate information to the ISF filing agent identified by Customer pursuant to CBP regulations, such failure may result in delays, detention of the cargo or of the ocean vessel, or liquidated damages charged by U.S. Customs and Border Protection.</p>
	<p>Customer, provide an advance payment bond acceptable to Customer. Goods/Services shall be delivered free and clear of all liens or claims.</p> <p>(B) For Goods purchases, the Purchase Order shall state the (i) mode, manner and timing of delivery to Customer, its end user(s) or designee(s), and (ii) address of final destination. Regardless of the shipping terms used, risk of loss to the Goods shall remain with Supplier until Goods are in the possession, custody and control of Customer.</p> <p>(C) Shipments sent C.O.D. without Customer's written consent will not be accepted and will be at Supplier's risk. Supplier is instructed to ship only the quantities specified in the Purchase Order. Any deviation caused by conditions of loading, shipping, packing, or allowances in manufacturing processes may be accepted by Customer, and only pursuant to a duly executed amendment or change order as set forth in Section 1(B). Customer reserves the right to return, without liability, any overshipment at Supplier's expense.</p> <p>(D) Supplier shall comply with Customer's delivery dates at its sole cost unless the Parties otherwise agree in writing. If a delay originates with Supplier or its Representatives, Supplier shall be solely responsible for expedited delivery and other charges to meet delivery dates. Goods shipped in advance of Customer's delivery dates may, at Customer's option, be returned to Supplier at Supplier's expense. Customer reserves the right to delay shipment of the Goods for up to thirty (30) days at no additional cost.</p>
	<p>Unrestricted Siemens Standard US Terms and Conditions for Purchase of Goods and Services October 1, 2017 (Rev. 1.7)</p> <p>17/16</p>

SIEMENS, TERMS AND CONDITIONS FOR PURCHASE OF GOODS AND SERVICES – USA, 2017

2.4. Recognition to operators with outstanding compliance systems and security control

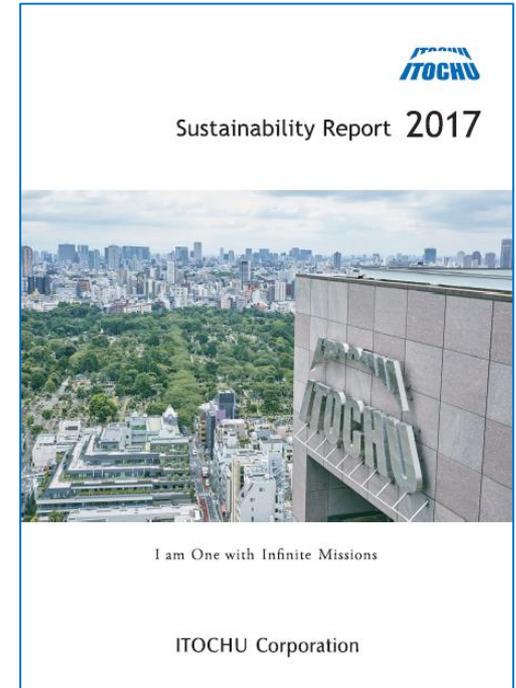


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ITOCHU Corporation; Japan; Textile, Machinery, Metals & Minerals Company, Energy & Chemicals, Food, General Products & Realty and ICT & Financial Business

“In response to the growing importance of the corporate governance associated with global security risk, we have implemented corporate policies, procedures, and internal reporting structures to ensure that we perform rigorous, security-minded due diligence for global projects and transactions. (...)

These measures have led to the director-general of Yokohama Customs certifying ITOCHU as an **Authorized Economic Operator (AEO) (both Authorized Exporter and Authorized Importer)**, a title given to operators with **outstanding compliance systems and security control.”**



ITOCHU Sustainability Report 2017

3. Findings from the Association member survey on AEO: What benefits & what challenges?



International Association of
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The findings result from a survey to document and analyse benefits and challenges of AEO as perceived by Association members.

It was conducted on September-December 2017. The survey questionnaire was composed of 4 major themes and 17 variables; and asked 3 questions.

- To what extent do you consider that AEO accreditation provide benefits in the following areas?
- To what extent do you consider that your organisation has margin for improvement in these areas?



Cost reduction



Improved digital/IT
capacities



Improved compliance
and risk reduction



Improved brand
reputation

- What do you consider to be the main barriers or difficulties that inhibit the success of the AEO concept?

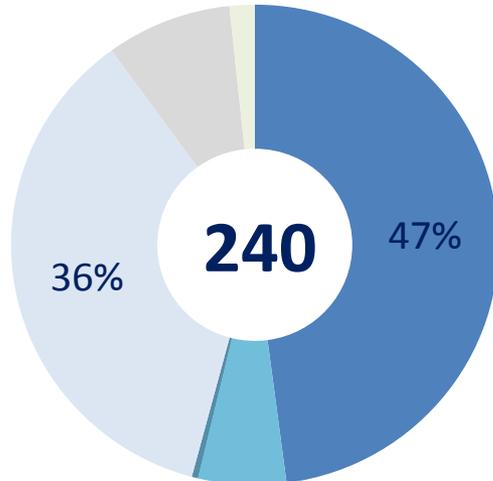


3. 1. Surveyed the perceptions of Association members on AEO benefits & challenges

240 survey responses

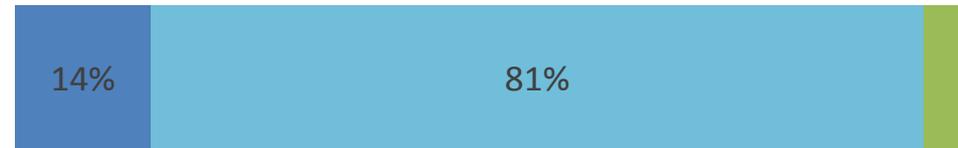
47% are AEO or have applied for AEO status

36% have plans to apply for AEO status



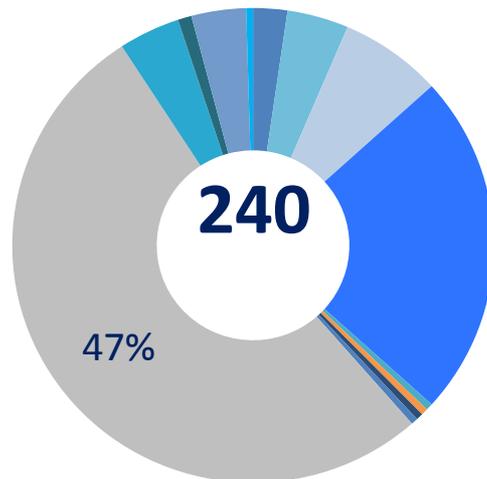
81% are customs brokers & logistics services providers

14% are importers & exporters



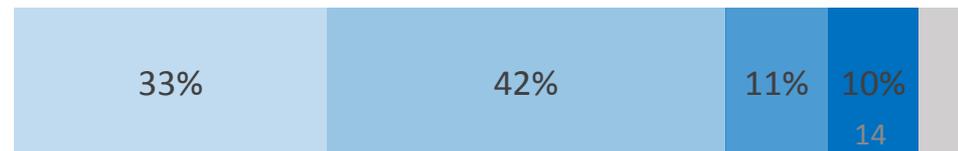
47% from Spain

53% from LAC

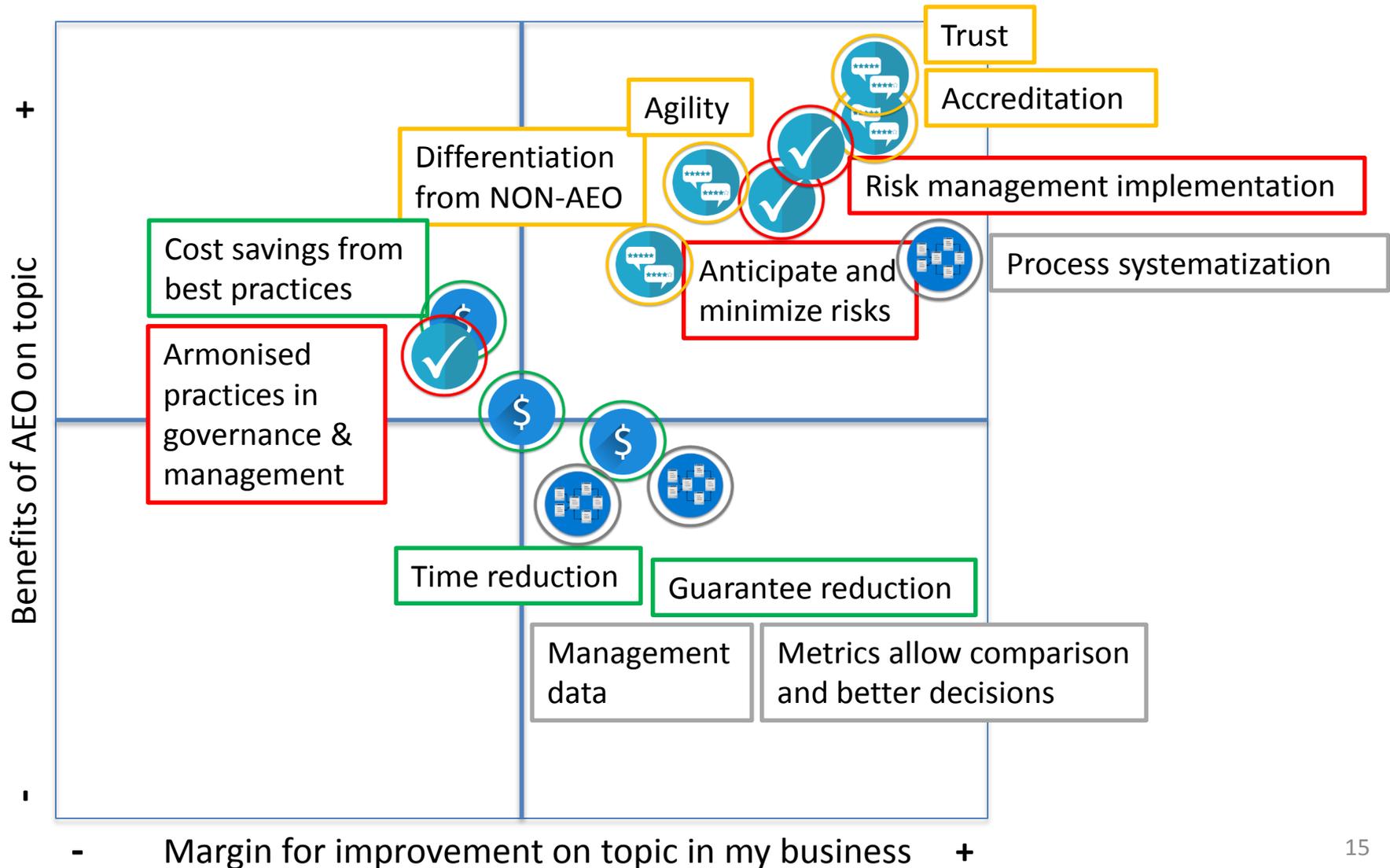


33%
42%
11%
10%

annual sales < 1 million USD
annual sales 1 to < 25 million USD
annual sales 25 to < 100 million USD
annual sales > 100 million USD



3. Findings from the Association's member survey on AEO: What benefits?



3. Findings from the Association's member survey on AEO: What benefits?



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According to respondents perceptions,

Reputational gains and improved risk management are the themes with high level of perceived benefit, identified also as topics with high margin for organisational improvement.

-Trustworthy organisation; accredited by certification; agile; differentiation from Non-AEO

-Implementation of risk management systems through better procedures, policies and documentation of operations.

-Standardization and automation of organisational processes, enabling increased productivity levels and quality of operations (this is the subject perceived with most margin for organisational improvement).

3. Findings from the Association's member survey on AEO: What challenges?



International Association of Authorized Economic Operators (AEO) Customs and Logistics

The main factors perceived to be hampering greater success in AEO programs relate to **insufficient information on AEO programs: on the eligibility criteria, requirements and costs to access the AEO status; as well as insufficient tangible benefits.**





4. Key takeaways

- Large firms are increasingly integrating AEO to their risk management systems. AEO is recognized as a useful tool in the management of risks related to supply chain security and productivity levels.

Lead firms in GVC are increasingly including AEO certification (or the national equivalent security standard) as a requirement to supplier firms.

An indirect or collateral benefit from AEO certification is that **the journey to become AEO helps companies (specially SMEs) increase and improve their management capacities and competences** in the areas related to AEO requirements. These accredited capacities differentiates them as reliable and competitive operators in the market (a direct benefit)

This leads to **inclusiveness of the different types of operators** (importantly local customs brokers & logistic services providers) in AEO country programs **being seen as an important policy issue, with implications for competitiveness and participation in trade, of goods and services.**

- **Communication could advance the use of the AEO standard by business**, generate visibility on the work being done for securing and facilitating trade; share AEO best practices and learning resources; keep interest growing; and list AEO companies (global database). ¹⁸



INTERNATIONAL ASSOCIATION OF
AUTHORIZED ECONOMIC OPERATORS (AEO),
CUSTOMS & LOGISTICS

II INTERNATIONAL CONGRESS

AEO IN GLOBAL SUPPLY CHAINS AGILITY, SECURITY, INTEGRITY

26-28 JUNE 2019 | BARCELONA

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el**CONSORCI**
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SILBARCELONA

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- International Association AEO's 2019 AEO International Congress
- Federation of Freight Forwarders and Logistics Operators of Latin America's Congress
- World Free Zones Organization's World Congress
- eDelivery Expo & Congress

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