

Customs in the 21st Century - A WCO Update

By Karen Lobdell

The year 2009 ushered in a host of changes in the world of Customs. The United States has a new President, who in turn has appointed a new Secretary of Homeland Security. Additionally, U.S. Customs and Border Protection (CBP) Commissioner W. Ralph Basham has announced he will be retiring on February 28, 2009. His successor has yet to be named.

There is much discussion around the water cooler these days on what the trade will see with respect to Customs' strategy under a new commissioner and with the new administration over the next four years. While we won't get into that debate in this memorandum, we will take a look beyond our borders and consider the direction of customs administrations at a more global level.

The new year not only brought a new U.S. administration, it also brought a new Secretary General for the World Customs Organization (WCO). Kunio Mikuriya of Japan assumed his new position on January 1, 2009, following a seven-year term as Deputy Secretary General of the organization.

The WCO, established in 1952 as the Customs Co-operation Council (CCC), is an independent intergovernmental body with the mission to enhance the effectiveness and efficiency of Customs administrations. The WCO represents 174 Customs administrations across the globe that collectively process approximately 98 percent of world trade.

Many in the trade community are familiar with the WCO in the context of its development of the SAFE Framework of Standards to Secure and Facilitate Global Trade (SAFE Framework). CBP's Customs-Trade Partnership Against Terrorism (C-TPAT) was a key baseline for this global initiative and much discussion has taken place regarding the goal of mutual recognition for trusted traders. Trade security is only one piece of the customs equation, however.

In June 2008, the WCO Consulate drafted "Customs in the 21st Century, Enhancing Growth and Development through Trade Facilitation and Border Security." The document resulted from an understanding among leaders of the world's customs administrations that a new strategic perspective was needed in the 21st century. The challenges faced by customs administrations were many, including globalization of business and trade,

complex new governance rules, international terrorism, environmental protection and poverty reduction. Responsibilities relating to the international movement of goods have broadened – and will continue to do so – from the traditional role of collection of duties and taxes, to include executing controls and other activities that serve a wider set of government objectives.

The WCO views the accepted mission of Customs in the 21st century to be to “develop and implement an integrated set of policies and procedures that ensure increased safety and security, as well as effective trade facilitation and revenue collection.” This new strategic direction, as outlined by the WCO, has 10 strategic building blocks:

- > **Globally networked Customs** – the need for an “e-Customs” network that will ensure seamless, real-time, paperless flows of information and connectivity, for customs-to-customs transactions as well as customs-to-business transactions. Mutual recognition is a key enabler in this building block, which is further supported by an internationally standardized data set, interconnected systems, mutual recognition and coordination protocols between export and import transactions (*e.g.*, AEOs) and a set of rules governing the exchange of information between customs administrations (including data protection).
- > **Better coordinated border management** – this involves better coordination and communication between the various border agencies and authorities. It also includes recognizing Customs as the lead front-line administration at national borders for controlling movement of goods. There is also a need for an electronic “Single Window” (*e.g.*, ITDS) that allows the trade to provide all necessary information and documentation once to the designated agency that in turn distributes it to relevant agencies.
- > **Intelligence-driven risk management** – a more sophisticated understanding of the risk continuum is needed. Scarce resources require that targeting be done at the higher end of the risk spectrum. The key here will be the development of feedback learning loops that allow Customs administrations to integrate risk-related activities to learn from past decisions to build more forward-looking organizations, rather than just being responsive (*e.g.*, targeted container review vs. 100 percent scanning).
- > **Customs-Trade partnership** – Customs should enter into strategic pacts with trusted economic operators (*e.g.*, C-TPAT). The relationships must result in mutually beneficial outcomes.
- > **Implementation of modern working methods, procedures and techniques** – the demand for rapid movement of goods, combined with complex regulatory requirements, calls for more audit-based controls undertaken away from the border, moving from transaction-based controls to using system-based controls (*e.g.*, ACE), and moving away from paper systems. There is also a need to consider international best practices.
- > **Enabling technology and tools** – taking advantage of new and emerging technologies to enhance processing, risk management, intelligence and non-intrusive detection.

- > **Enabling powers** – the appropriate legislative provisions must be implemented to strengthen enforcement powers, provide for advance information (*e.g.*, 10+2) and sharing of information domestically and internationally.
- > **A professional, knowledge-based service culture** – movement towards a more customer-oriented model. Staff competencies need to support timely customer-focused processes and services that minimize the administrative burden on legitimate trade. Effective change management and leadership skills will also need to be developed.
- > **Capacity building** – Customs administrations need to ensure they have the capacity and skills across all dimensions of the operating model to perform customs functions efficiently and effectively. Leadership from developed Customs administrations is critical to ensure sustainable capacity building (*e.g.*, Columbus Programme).
- > **Integrity** – the fight against corruption will remain an important task that will need to be undertaken for years to come. All capacity-building efforts could be undermined without this key building block.

In comparing the CBP trade strategy, many of the WCO building blocks should look familiar, and as noted above, there are numerous examples of initiatives taken by CBP that support the WCO mission.

Although many customs administrations – especially in less developed countries – are not currently capable of implementing all 10 of the building blocks described above, the goal would be that they aspire to do so. With the assistance of the WCO, through capacity-building programs, these countries will progress toward the desired outcome over time.

Under the current economic conditions, companies operating across international borders need every advantage available to remain competitive. Understanding CBP's requirements for a company's imports is mandatory. Furthermore, understanding the direction of Customs on a global basis will certainly assist in developing a more effective business plan for the future and revealing additional advantages and opportunities that may not otherwise be discovered.

If you should have any questions with respect to the WCO "Customs in the 21st Century" overview, please do not hesitate to contact [Karen Lobdell](mailto:Karen.lobdell@dbr.com), Director, Trade Security & Supply Chain Services at Karen.lobdell@dbr.com, or (312) 569-1066.

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