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“Four buckets of potential & realized AEO benefits for supply chain companies”

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Thailand Europe Cooperation TEC-II, PDSC
Implementation of International Standards on Supply Chain Security leading to a Secure Trade Environment and to Increased Trade Facilitation
(Activity Code: TRA 4)
Hintsa J. 2013/14, EU AND GLOBAL AEO & MRA STUDY FOR ROYAL THAI CUSTOMS
European Commission DG TAXUD, AEO guidelines, pp.16-20
World Customs Organization, 2012. SAFE: Framework of Standards to secure and facilitate global trade
WCO Korea AEO Conference 2012 materials - CBRA analysis
Royal Thai Customs (RTC), 2013. Customs Notification No. 12 /2556: Importer and Exporter in Compliance with the Standard of Authorized Economic Operator: AEO
Royal Thai Customs (RTC), 2013. Customs Notification No. 13 /2556: RE: Customs Broker in Compliance with the Standard of Authorized Economic Operator: AEO
Korea AEO Association (KAA),
Korea Customs & Trade Development Institute (KCTDI),
KCingle-CUPIA, 2013. Research survey on the perception of AEO and non AEOs with regard to the benefits granted, including those provided by MRA - Final Report (Draft). Presented to the WCO SAFE Working Group, Brussels, 17th September 2013: MUTUAL RECOGNITION AGREEMENTS (MRAs) ON AUTHORIZED ECONOMIC OPERATORS (AEOs) : REPORT BY THE DELEGATES OF KOREA AND CHINA ON THE RESULTS OF THE STUDY ON THE ECONOMIC IMPACT OF MRAs ON AEOs.
Thailand Europe Cooperation TEC-II, PDSC

Implementation of international standards on Supply Chain Security leading to a secure Trade Environment and to increased Trade Facilitation (Activity Code: TRA 4)

EU AND GLOBAL AEO & MRA STUDY FOR ROYAL THAI CUSTOMS, RTC

Dr. Juha Hintsa

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HEC University of Lausanne, Switzerland
3.2 Preparing an AEO MRA Roadmap between EU and RTC

3.2.1 WCO generic guidance

3.2.2 The comparisons between EU and Thai AEO programmes

3.2.3 Joint validations

3.2.4 The establishment of a legal framework for the MRA

3.2.5 Concluding and signing the MRA documents

3.3 Roadmap suggestions towards a RTC-EU AEO MRA

4 Additional supply chain security models and tools by CBRA

4.1 CBRA suggestions for an AEO benefit model and supply chain actor taxonomy

4.1.1 CBRA AEO benefit model for companies in supply chains

4.1.2 CBRA supply chain security stakeholders in global supply chains

4.2 CBRA two models for supply chain security management

4.2.1 CBRA 8-layer supply chain security management model

4.2.2 CBRA supply chain security management performance – model

4.3 CBRA models and taxonomies on the illicit side
Four buckets of potential & realized AEO benefits for supply chain companies

1. BENEFITS WITH EXPLICIT/DIRECT GOVERNMENT/CUSTOMS PARTICIPATION
   - AEO status
   - Access to expedited procedures
   - Reduced inspection rates
   - Lowered fees
   - Certificates of origin

2. BENEFITS WITHOUT EXPLICIT/DIRECT GOVERNMENT/CUSTOMS PARTICIPATION
   - Lowered transportation costs
   - Improved efficiency in supply chain management
   - Enhanced credibility with customers
   - Greater flexibility in inventory management
   - Enhanced competitiveness in international markets
1. BENEFITS WITH EXPLICIT/DIRECT GOVERNMENT/CUSTOMS PARTICIPATION

1a. Customs granted benefits - Company-level

1b. Customs granted benefits - Shipment-level
1a. Customs granted benefits - Company level
1a. Customs granted benefits - Company-level

Characteristics:
- This bucket of benefits is normally stable and predictable by its nature
- It should also be fairly easy to monitor and to measure
  - Many such benefits have existed before "AEO-era", labeled as "traditional trade facilitation / simplification"; thus, companies who have enjoyed such pre-AEO benefits may see this bucket as a potential reduction of existing trade facilitation
Examples of benefits:

- Reduced data set for entry and exit summary declarations (DG TAXUD)
- Designated contact point within a customs administration (DG TAXUD)
- Self management of bonded warehouses (WCO)
- Financial guarantee waivers, reductions or rebates (PSCG)
- Self-assessment when Customs automated systems are not functioning (PSCG)
- Privileges on legal cases under the conditions specified by the Customs Department (RTC)
1b. Customs granted benefits - Shipment-level
1b. Customs granted benefits - Shipment-level

Characteristics:
- Due to the dynamics in cross-border flow of goods, outcomes might vary a lot over time - ”seeing is believing”
It can be quite challenging to monitor and measure, in a robust manner
- Some of the benefits such as those linked to ”elevated threat” and ”post-incident recovery” may appear quite theoretical
- This might be the ”most advertised benefit bucket” within AEO-programs across the globe
Examples of benefits:

- Minimum number of cargo security inspections (WCO)
- Priority use of Non-intrusive inspection techniques when examination is required (WCO)
- Priority treatment of consignments if selected for control (RTC)
- Priority Customs’ processing during a period of elevated threat conditions (PSCG)
- Preferential treatment at border crossing in post-disaster / post attack situations (Gutierrez et al. BASC-study)
Four buckets of potential & realized AEO benefits for supply chain companies

1. BENEFITS WITH EXPLICIT/DIRECT GOVERNMENT/CUSTOMS PARTICIPATION

2. BENEFITS WITHOUT EXPLICIT/DIRECT GOVERNMENT/CUSTOMS PARTICIPATION
2. BENEFITS WITHOUT EXPLICIT/DIRECT GOVERNMENT/CUSTOMS PARTICIPATION

2a. Company benefits
   Networks - Certificate-driven

2b. Company benefits
   Security measure-driven
2a. Company benefits
- Networks
- Certificate-driven

Characteristics:
- This may be the most straightforward bucket of benefits: for example if a shipper has a corporate decision to buy services only from AEO forwarders or carriers, there is not much more to it
- Someone could also consider AEO-system becoming a technical trade barrier

Examples of benefits:
- Improved system accuracy (DG, TAXUD)
Examples of benefits:

- Improved customer service (DG TAXUD)
- Lower inspection costs of suppliers and increased cooperation (DG TAXUD)
- Improved security and communication between supply chain partners (DG TAXUD)
- Company image and credibility improvement (Gutierrez et al. BASC-study)
- To maintain existing customers (Korea AEO-MRA study)
- To increase new customers (Korea AEO-MRA study)
2b. Company benefits - Security-driven
2b. Company benefits - Security measure-driven

Characteristics:

- This can be the most controversial bucket of AEO benefits: what does the AEO-certificate per se have to do with the realization of such benefits?

- Curiosity point: one could think that "sure, AEO deters crime, as criminals will rather choose an easier target (e.g. warehouse theft)" versus "hmmm, AEO attracts criminals, as they know there are likely to be less customs interventions (e.g. smuggling of narcotics)"
Examples of benefits:
- Reduced security and safety incidents (DG TAXUD)
- Reduced theft and losses (DG TAXUD)
- Reduced crime and vandalism (DG TAXUD)
- Improved inventory management (DG TAXUD)
- Improved employee commitment (DG TAXUD)
- To increase tangibility & stability of the supply chain (Korea AEO-MRA study)
- To reduce lead time & increase predictability in the supply chain (Korea AEO-MRA study)
Suggestions for panel discussion topics

- In general terms, is it beneficial to have some sort of framework to support the designing, implementation and measurement of AEO benefits?
- If yes, what type of alternative frameworks / typologies / classifications / models exist today?
- Can you please comment of strenghts and weaknesses of suggestions in this presentation, on bucket-level, when feasible?
- How would you position “MRA benefit(s)”?
- Which bucket(s) will be the most important one(s) for supply chain companies in the future?
Please fill in the second sheet – a small AEO-survey - in your handout, and return it today Monday or latest tomorrow Tuesday by 3pm. Thank you very much!

There is a lucky drawing of a nice Swiss knife taking place tomorrow Tuesday after 3pm. If you want to join the drawing, please include your name in the survey sheet.
If you are interested in receiving more information from CBRA in the future – including on topics listed below – please send an email to: sangeeta@cross-border.org and cbra@cross-border.org

1. CBRA Royal Thai Customs AEO&MRA report (should be available in public May-June 2014)
2. CBRA SCS & TF -Blog (launch planned for summer 2014)
3. Outcomes of CBRA Trade Facilitation work in UAE and EU (should be available in public summer/fall 2014)
4. New CBRA- conjoint study on “Preferred AEO benefits” (launch planned for fall 2014)