Achieving Air Cargo Security & Facilitation
A World Bank perspective

ICAO-WCO Air Cargo Security & Facilitation Conference

Clay Kerswell
Snr Customs & Border Management Specialist
World Bank

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World Bank Group
Trade Facilitation Program

- **Goal**: To support client governments in enabling **efficient and sustainable** supply chains through modernization and reform of border management and clearance processes as well as logistics infrastructure and services reducing costs, eliminating bottlenecks, and improving speed, **reliability and sustainability of supply chains**.
The Assembly encourages Member States to promote the implementation of aviation security measures in a practical manner and to intensify their efforts to secure the air cargo and mail security systems by:

• Adopting a total supply chain approach to air cargo and mail security;

• Engaging in bilateral and multilateral efforts to coordinate actions to harmonize and enhance air cargo and mail security and secure the global air cargo supply chain.
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Trade Facilitation Program

• Focus on three areas:
  – Trade-related infrastructure,
  – Logistics services (markets and regulations),
  – Trade processes / regulatory policy (Customs and Border Management)
Border Management Program

– Major global provider of funding & T.A.
– Progressive shift from fiscal focus to trade facilitation focus (+ Balanced Security)
– In recent years shift from pure customs projects to border management, agency reform and modernization
– Technical support for diagnostics, investment and development policy operations (IDA/IBRD)
– Global advocacy and partnerships
– Recognition of need to respond to client demands for improved security.
‘National Security’ is now seen as a broader concept that includes goals relating to national economic performance as well as physical security.

Contemporary border management strategies acknowledge this and strive to achieve both improved security and trade facilitation outcomes through comprehensive, integrated risk-based regulatory control strategies, appropriately supported by technology.
Balancing Security and Facilitation

- Regulatory (security-related) controls are exercised at the borders of trading partners.
- International trade patterns increased globalization, means security risks are distributed unevenly along a supply chain.
- Trade volumes make it impossible to inspect all goods without some form of selective intervention or inspection.
Balancing Security and Facilitation

• Dispersed production means supply chains are getting longer, more diverse and complex.

• Goods manufactured and shipped with shorter lead times, allowing less time for advance notifications and inspections.

• Any delays in border clearance can have an immediate and costly impact on related value-chain processes.
<table>
<thead>
<tr>
<th>Country</th>
<th>LPI ranking 2014/16 (Border Management)</th>
<th>Doing Business (Trading Across Borders)</th>
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<tbody>
<tr>
<td>Singapore</td>
<td>3/1</td>
<td>41</td>
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<tr>
<td>Malaysia</td>
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<td>Lao PDR</td>
<td>100/155</td>
<td>108</td>
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Bank’s Approach to Border Management Reforms

As part of a broader compliance improvement (Customs Modernization) strategy, including:

- BPR and diagnostics
- Information Technology (NSW / Risk Engine)
- Legislation (revenue / control nexus)
- Infrastructure
- ???

All of these elements can be important components of a comprehensive reform strategy, HOWEVER....
Bank’s Approach to Border Management Reforms

A Risk-based regulatory compliance management strategy is key

• Link to overall Supply Chain management/knowledge
• Automation / Data analytics (assessment pre-arrival)
• Industry cooperation (education /awareness)
• Recognition / Enforcement
• AEO programs (Pillar 2) integral component of the SAFE Framework, Customs-to-Business Partnership.

• AEO programs are a fundamental part of any contemporary Risk-managed compliance framework.

• Move from ‘transactional’ compliance management to ‘institutional’ approach (end-to-end supply chain)

• Beyond-the-Border (deeper and broader) control strategies.
Bank’s Approach to Border Management Reforms

How does The SAFE Framework and in particular Pillar 2 (AEO) contribute to the design of our TF interventions?

• By establishing a solid framework of practices, standards, rules and principles to base project design and development objectives on, to measure achievement against.

• WCO RKC and SAFE are best examples of ‘good practice’ in this space that can guide our efforts.

• Widely accepted, 169 countries intend to implement.
Trusted Traders (RA/KC & AEO Schemes)

- Trusted Trader (AEO) Scheme.
- Reduces volume of transactions subject to intervention = improved capacity to apply/adopt risk management
  - Screens out lowest risk transactions, provides greater visibility of potential weaknesses in supply chain even before a transaction has commenced.
  - Promotes greater knowledge of supply chain operations / practices and leverages off capacity of private sector.
- Reduces need for direct contact with client
There are many factors that speak compellingly in favor of the introduction of Customs-trade partnerships.

- The partnerships are the result of developments in security policy such as an international instrument like the WCO SAFE Framework or working to establish an Authorized Economic Operator (AEO) program.

- The objective of such programs is not only to provide security for the supply chain, but also facilitating legitimate trade at the same time.
Partnerships can provide Customs authorities and border agencies with a wide range of other benefits, such as:

1) Improvements to a country’s trading environment
2) Improvements to a country’s competitiveness
3) Linking a country’s logistics infrastructure to the global supply chain
4) Improved Supply –chain security outcomes
Thank You

Clay Kerswell
ckerswell@worldbank.org