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TECHNICAL  
COMMITTEE

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225<sup>th</sup>/226<sup>th</sup> Sessions

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28 - 31 October 2019

Brussels, 4 October 2019.

## **INWARD AND OUTWARD PROCESSING PROCEDURES**

### **- Update of the Handbook on Inward and Outward Processing Procedures -**

#### **(Item X. on the Agenda)**

#### **I. Introduction**

1. At its 213<sup>th</sup>/214<sup>th</sup> Sessions in October 2016, the Permanent Technical Committee (PTC) discussed Global Value Chains (GVCs) and how Customs can support better connectedness of economies to GVCs. The PTC discussed Members' experiences in terms of actions undertaken to date, including experiences on inward and outward processing (IP and OP) procedures, in particular.
2. The PTC agreed to take the work forward on GVCs by, among other things, developing additional or updating current guidance on IP and OP procedures, also bearing in mind that their respective provisions are mandatory under the WTO Trade Facilitation Agreement (Article 10.9). Consequently, in December 2016, the Secretariat carried out a Survey on IP/OP procedures, where 80 Members responded to questions relating to among others legislation, procedures, IT support and governance.
3. Apart from the survey results, additional valuable information such as pieces of legislation, authorization forms, guidelines, etc. had been provided, which all contributed importantly to the development of the Handbook on Inward and Outward Processing Procedures, adopted by the PTC in April 2017 and consequently by the Council in July 2017. It is available on the WCO web site at the following link:  
<http://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/tools/wco-handbook-on-inward-and-outward-processing-procedures.aspx>.

## **II. Global WCO Workshop on Inward and Outward Processing**

4. Held in the WCO Headquarters in Brussels from 22 to 24 May 2019, the WCO Global Experience-Sharing Workshop on Inward and Outward Processing Procedures brought together almost 40 experienced officers from all six WCO regions. The objective of the Workshop was to explore processing procedures by sharing WCO standards and tools and to learn about Members' national practices, with a view to further enriching the WCO Handbook on IP and OP Procedures.
5. The participants shared their experiences in this domain by focusing on legislative and procedural examples, IT solutions and governance frameworks. The Workshop raised a lot of interest, especially since, on the one hand, IP, OP and other processing procedures present important trade facilitation measures for economic operators, but on the other, the topic had not been dealt with in more detail at WCO level in recent years.
6. Members' national experiences showed an interesting mix of different types of processing procedures, under different names used. On the other hand, under the term of inward processing procedures, different concepts and frameworks have been identified. The workshop revealed a great deal of variety in what is available to the economic operators in terms of benefitting from total or partial duty exemption for goods that are temporarily imported and then exported to a third country (or placed under another Customs procedure). A need for more clarity and definitions for the terms used in processing procedures was agreed amongst the participants. In addition, the private sector representatives shared a number of use cases to illustrate the benefits, as well as some of the key areas of attention and challenges faced.
7. IT support was been identified as a critical prerequisite for successful managing of processing procedures by economic operators, but also for the monitoring their discharge by Customs. A pilot project on the use of blockchain technology to support inward processing procedures in Customs, was been presented to the Workshop participants.
8. Finally, the delegates were acquainted with the RKC review process and had an opportunity to already share some potential areas to be considered under the Specific Annex F, including: the scope of compensating products; IT support for automated matching of imported/exported goods with compensating products; obligation of economic operators to use IT tools to manage their IP and OP procedures; introducing benefits for AEOs, such as shorter period for the issuance of authorizations and lower guarantees; more specificity in the period of validity of the authorization; more specificity for the rate of yield and the nature of the production waste and the tax regime to be applied; more clarity on what is considered to be repair etc.
9. The Workshop participants expressed their appreciation for this event, which was considered to be timely, especially in terms of broadening the knowledge and strengthening the international network of the respective experts in this important area of Customs business.

## **III. Update of the Handbook on Inward and Outward Processing**

10. The Handbook on Inward and Outward Processing Procedures is built on the already substantial Revised Kyoto Convention Standards and Guidelines to Specific Annex F (Chapters 1 and 2 on inward and outward processing procedures) and provides examples
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of different legislative and procedural models for IP and OP procedures, as well as IT and governance solutions used by Members.

11. Bearing in mind the high level of benefits these procedures provide to economic operators, the objective of the Handbook is to encourage and support Members to make better use of them. This will increase economic competitiveness and trade facilitation in particular, as well as connecting Members' economies to GVCs.
12. The Handbook includes a number of useful annexes:
  - Annex I – Consolidated responses from Member administrations to the WCO Survey on inward and outward processing (December 2016)
  - Annex II – Revised Kyoto Convention provisions: Specific Annex F, Chapters 1, 2 and 3 on inward processing, outward processing and drawback
  - Annex III – Links to Members' web sites containing legislation, guidelines, procedures, application forms etc. related to inward and outward processing (as accessed on 1 March 2017)
  - Annex IV – Examples of authorization forms
  - Annex V – Members' case studies
13. The Handbook is considered to be a living document and to be further updated especially with Members' case studies, but also with other key elements of importance for efficient and compliant implementation of IP and OP procedures.
14. In order to provide guidance for further enhancing the Handbook, the PTC is invited to discuss some of the key outstanding points identified in the Workshop, by addressing the following questions:
  - There is a considerable variety in Members' practices in terms of using processing procedures. Some are focused on IP and OP, while others on drawback or Free Zones. What are the key advantages/disadvantages for using either of these procedures, from the perspective of the Customs administration, as well as from the perspective of the economic operator?
  - The Global Workshop showed that there is a high level of complexity and diversity amongst the different types of processing procedures, under different names. Is there a need to explore how these can be further streamlined?
  - Monitoring discharge of goods under IP procedures by Customs and managing the related processes by the economic operators has proven to be challenging. Are the IT solutions which are available on the market providing the necessary support towards smooth and compliant operations? Should the use of IT applications for monitoring IP and OP procedures be obligatory for the economic operators?
  - Should Authorized Economic Operators (AEOs) benefit from shorter period for issuance of IP/OP authorizations and/or lower guarantees? What are the experiences of Members in this respect?
  - Is there a need to consider broadening the scope of the Handbook to include processing procedures other than IP and OP?

**IV. Action required from the PTC**

15. The PTC delegates are invited to:

- discuss potential areas for enhancing the Handbook on Inward and Outward Processing Procedures, including if there is a need to broaden the scope of the Handbook to include other processing procedures;
  - provide more guidance for the update of the Handbook by discussing questions under paragraph 14; and
  - share national experiences in using processing procedures, in particular IP and OP procedures.
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