

2022 Asian Development Bank Institute Annual Conference:  
Fostering Resilient Global Supply Chains Amid Risk and Uncertainty  
29 November 2022, Tuesday, 17:30-17:55 (Tokyo time) via zoom

**Keynote Speech**

**“Challenges for resilient global supply chains”.**

Talking points for the WCO Secretary General, Dr. Kunio Mikuriya

1. Greetings from the Headquarters of the World Customs Organization or WCO in Brussels.
2. It gives me a great pleasure and honor to address this important meeting and I would like to express my thanks to Dr. Sonobe, Dean and CEO of ADBI for inviting me to speak.

**Resilience**

3. Resilient global supply chains is an important topic for the global customs community in addressing the changing trade landscape.
4. Customs administrations around the world have been implementing their trade facilitation measures to improve business environment with transparency and predictability, epitomized in the WTO Agreement on Trade Facilitation of 2017.
5. The WCO has provided capacity building to its members by promoting its standards and tools, mobilizing its experts, and helping them to advance in reform and modernization.
6. These efforts enabled the development of global value chains with off-shoring of manufacturing process and associated services to economies with comparative advantage, as often explained in textbooks.
7. Consequently, the volume of international trade grew with division of labor and efficiency gain, thereby contributing to world economy.
8. However, of recent, we have been witnessing various world events that revealed vulnerability of supply chains, resulting in crises in food and energy as well as growing inflationary pressures.
9. These world events include the COVID-19 pandemic, natural disasters exacerbated by climate change, and the war in Ukraine, and all of them contribute to supply chain disruptions.

10. Hence, it is important to build resilient supply chains to respond to potential external shocks.
11. In response to this need, the WCO has recently developed the “WCO Guide to Stress Tests” that will help Members to design, implement and test plans for business continuity and enhanced resilience.
12. Today, let me talk about some of the challenges Customs faces in relation to establishing resilient supply chains, namely, digitalization, e-commerce, environment, and conflict at borders.

#### Digitalization

13. First, digitalization of trade and customs procedures has been progressing with the development of digital technologies along with digital transformation of economy and society.
14. Moreover, the arrival of COVID-19 pandemic has brought to light the fact that the simplification and digitalization of Customs procedures is critical to effective and safe operations at borders during emergency situations, thereby contributing to resilience.
15. As a result, acceleration of digitalization will make progress towards paperless trade and contactless clearance with strengthened risk management.

#### Data standardization and Disruptive Technologies

16. In this connection, data standardization for risk management and exploring disruptive technologies are important part of strengthening resilient supply chains for both Customs and trade communities.
17. Customs officers collect data to assess the risk of cargo to determine their way of intervention for the cargo concerned.
18. Accordingly, access to quality data in a timely manner is crucial for releasing goods of low-risk expeditiously while concentrating their resources on cargo assessed high-risk.
19. Standardizing dataset that Customs requires is vital for the ease of doing business whereas it is also essential for Customs to share data with other regulatory authorities.
20. The WCO maintains the Data Model as the standardized dataset that addresses the regulatory requirement of Customs and other government agencies to ensure interoperability and serves the basis for Single Window concept.
21. Furthermore, the adaptation to digitalization while keeping data standardization in mind has become all the more important as technologies continue to evolve.

22. They are often called disruptive technologies as they disrupt the traditional way of doing business both for the private and public sectors, including Customs.
23. The recent publication of the “WCO/WTO Study Report on Disruptive Technologies” looked at blockchain, internet of things and artificial intelligence, among other different technologies and includes 42 use cases from Members, the private sector and academia.

#### Data Strategy

24. Customs collects data on all cross-border of goods, passengers and cash, but their current usage is limited primarily to risk management for clearance.
25. However, they could be used for evidence-based policy-making by Customs, other government agencies and also for business as part of open data policy, making Customs as a trusted government advisor, including for building resilient supply chains.
26. It requires working on Customs-held data and publish statistics while addressing the concern of data privacy and security.
27. The WCO has adopted its Data Strategy in this year’s Council to embark on embracing data culture and build data ecosystem to realize this goal.
28. The Data and Statistics Working Group was established earlier this month to work on producing set of statistics on enforcement to contribute to analyzing illicit trade and guidelines on data sharing at transactional-level.
29. The vast majority of Customs administrations publish statistics on their activities, such as annual seizure report, but there is no agreed set of common statistics for Customs and data at the global level.
30. While it is similar to WCO Data Model that harmonizes transactional data for exchanging information, what is at stake here is more on providing public information based on aggregated data.
31. In this way, the WCO intends to increase the visibility and preparedness of Customs at the international level through the publication of Customs statistics by the WCO, and at the national level strengthen Customs in its role as a government advisor.
32. Of course, the WCO will support its Members develop a data culture in Customs and accompany Members in their transition to data-driven organizations, in close collaboration with relevant international organizations and academia.

#### E-commerce

33. Second, the private sector has significantly advanced in digitalization during COVID-19 pandemic and one notable example is the exponential growth of e-commerce as a resilient way of delivery of goods.

34. Most of e-commerce transactions result in the delivery of physical small packages, often requiring special procedures, different from the traditional containers.
35. As this type of trade model is beneficial for consumers and small and medium-sized enterprises or SMEs by enabling them directly participate in global trade, Customs is expected to facilitate and secure e-commerce supply chain.
36. However, e-commerce poses challenges to Customs in terms of efficiently clearing its growing volumes and conducting proper risk management based on the submitted commercial data from traders.
37. It is imperative to avoid e-commerce to be used as conduit for illicit trade, including drug trafficking, small firearms and falsified and substandard medicines.
38. While Customs receives standardized electronic commercial data from the traditional containers trade, it has been struggling to get accurate data from e-commerce packages trade as it involves consumers and SMEs who are not necessarily familiar with Customs procedures.
39. The WCO has adopted the E-Commerce Framework of Standards to address this issue and Customs administrations around the world are testing and piloting the implementation of the Framework of Standards in getting accurate electronic advance data from e-commerce actors.
40. The challenge is how to enhance cooperation with e-commerce actors, including posts, express carrier services and e-commerce platforms to establish resilient supply chains, based on this online service.
41. In this connection, the WCO and the Universal Postal Union plan to organize the Global Conference on Customs-Post Cooperation next June in Tokyo.

#### Environment

42. Third, Climate Change and the related environmental issues have become a major global concern and requires to make supply chains more resilient and sustainable.
43. Customs has been contributing to the implementation of the Multilateral Environmental Agencies, including the Basel Convention on wastes, the Montreal Protocol on ozone depleting Substances and the Washington Convention on endangered species.
44. The WCO is a partner with UN Environment Program (UNEP) on Green Customs Initiative to train Customs with the right Harmonized System or HS to identify environmental sensitive goods.

45. However, as the guardian of HS Convention, the WCO has started consultation with stakeholders through a series of symposia to reflect on the greening of HS and consequently global supply chains.
46. Another important issue is transition to circular economy, where we could promote the trade of recycled, reused, refurbished, repaired goods.
47. The current HS or the WTO Agreement on Customs Valuation do not provide traceability of recycled or second-hand goods, which could be a good research topic.
48. On the ground, Customs officers raise the question of difficulties in distinguishing wastes from the declared goods for recycling.
49. It is challenging, but we need to incorporate environmental issues in resilient global supply chains.

### **Conflicts at Borders**

50. Fourth and finally, we are envisaged with an increasing number of fragile borders with the presence of armed forces and those found in conflict-affected situations.
51. Those armed forces or insurgents often attack borders, including customs offices as they know that it would deprive the central governments of the scarce revenue sources and choke the economy of borderlands.
52. The immediate concern would be the delivery of humanitarian aid, and Customs plays an significant role in facilitating the movement of relief goods at borders.
53. More fundamentally, borderland economies usually rely on small trade, often in the form of informal trade and Customs should take into this reality on the ground.
54. Given the security situation, if military forces close borders, it would create grievance of people living on small trade at borderlands and may result in the loss of legitimacy of central governments.
55. Moreover, they could move on to high-risk business of trading illegal goods, including firearms, explosives and narcotics.
56. Therefore, it is essential to protect customs offices at borders as critical infrastructure and make them function as representatives of state organs.
57. The WCO will hold a fragile border conference next January in Nigeria to raise awareness of this another aspect of resilience needed.

### **Conclusion**

58. To conclude, Customs plays a pivotal role in enhancing resilient global supply chains, but as practitioners on the ground, Customs administrations are well aware of collaboration at the borders.

59. I hope that this conference could further enhance our dialogue and collaborative efforts.

60. I wish you a fruitful discussion and successful meeting.

Thank you for your attention.