

This is the public version of the Summary Report of the 217th/218th Sessions of the Permanent Technical Committee (17 to 20 October 2017).

Please note that sensitive information has been removed from this document including the deliberations from the Joint Meeting of the Permanent Technical Committee and the WCO Working Group on the WTO Trade Facilitation Agreement, held on 16 to 17 October 2017.

PUBLIC VERSION



PERMANENT TECHNICAL
COMMITTEE

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217th/218th Sessions

-
17 – 20 October 2017

Brussels, 30 January 2018.

SUMMARY REPORT

(Deliberations from the Joint Meeting of the Permanent Technical Committee and the WCO Working Group on the WTO Trade Facilitation Agreement held on 16 to 17 October are excluded from this Summary Report.)

THE 217TH/218TH SESSIONS OF THE PERMANENT TECHNICAL COMMITTEE

Item VII – Opening and adoption of the Agenda

a) Opening speech by Ms. Ana HINOJOSA, Director, Compliance and Facilitation, WCO

1. The Chairperson of the Permanent Technical Committee (PTC), Mr. Rob Van Kuik (Netherlands), opened the 217th/218th Sessions and gave the floor to Ms. Ana Hinojosa, Director of Compliance and Facilitation, WCO, to share her opening remarks.
2. Ms. Hinojosa welcomed the delegates and shared a number of messages and expectations concerning the Agenda. She stressed that the Future of Customs would be one of the key topics. At its previous meeting, the PTC had provided guidance to the Virtual Working Group on the Future of Customs. Exploring disruptive technologies had been determined as one of the key objectives, including identifying ways in which this technology could support Customs and border management. During the intersession, the Group had carried out exploratory work in this area which would be presented to the PTC. The Director called for delegates' active contribution during the break-out session. She hoped that national experiences would be shared and agreement would be reached on a number of forward-looking proposals.
3. She explained that apart from the numerous topics following up from previous meetings, two relatively new topics had been added to the PTC Agenda: Special Customs Zones and Customs-Railway Cooperation.
4. As regards Special Customs Zones, in recent times the WCO had been playing an active role in events on Free Zones and was in the process of planning regional workshops. Through these workshops, the WCO hoped to learn about Members' experiences which would shape a WCO decision about the actual need for revision of instruments, for amendment of existing guidance material or for the need to draft

completely new guidance. Special Customs Zones were important for ensuring greater connectedness to Global Value Chains and had contributed greatly to the economies of some WCO Members. For those and other reasons, this topic had been raised as one of the new tasks to be completed under the Economic Competitiveness Package (ECP).

5. Given the increase in goods crossing borders by rail, Customs-Railway Cooperation was becoming increasingly relevant. However, the WCO had not held extensive discussions on this topic recently, either in the PTC or other working bodies. Some initial steps had been taken to strengthen cooperation with international organizations dealing with railways, specifically on transit-related matters. The current PTC sessions would be afforded an opportunity to hear from a panel of speakers from international organizations dealing with railways, as well as from Customs.
6. E-Commerce was continuing to grow. Key discussions were taking place under the WCO Working Group on E-Commerce, which had held its 2nd Meeting the previous week. The Director invited the PTC to provide input on the draft Resolution and the draft Communiqué on E-Commerce, as well as on the Immediate Release Guidelines which were now in the process of being updated to respond to some of the requirements arising from the tremendous growth in E-Commerce.
7. Ms. Hinojosa also invited input on the draft outline of the Guidance on Customs' Role in the Collection of Indirect Taxes and the review of the Guidelines for Integrated Supply Chain Management.
8. She went on to mention Customs' treatment of return-refill containers as this topic was gaining momentum in the World Trade Organization (WTO) and required active involvement by Customs.
9. Finally, the Director stressed that in its capacity as a Member-driven Organization, the WCO was sounding out Members' interests and basing its Agenda on those interests, as well as on the outcomes of the Policy Commission and Council discussions. However, as the PTC had decided to be more strategic in its work, she encouraged delegates to actively contribute to the development of the Agenda. Delegates would have an opportunity to share their proposals on the last day of the PTC sessions, under "Any Other Business", and the Director encouraged them to do so.
10. In conclusion, the PTC:
 - took note of the opening remarks made by Ms. Hinojosa, Director of Compliance and Facilitation.

b) Adoption of the Draft Agenda and the Summary Document

11. The Chairperson invited the PTC delegates to share any comments or suggest amendments to the Draft Agenda and Summary Document. There were no comments.
12. In conclusion, the PTC:
 - adopted the Draft Agenda (Doc. PC0479) and Summary Document (Doc. PC0480).

Item VIII – Updates and reports

- (a) Intersessional developments**
 - (b) Report on the 72nd Meeting of the Information Management Sub-Committee (18/19 May 2017)**
 - (c) Report on the 77th Meeting of the Policy Commission (3-5 July 2017)**
 - (d) Report on the 129th/130th Sessions of the Council (6-8 July 2017)**
 - (e) Report on the 11th Meeting of the Technical Experts' Group on Air Cargo Security (22-23 February 2017)**
 - (f) Report on the 8th Meeting of the WCO Working Group on the WTO Trade Facilitation Agreement (16-18 October 2017)**
 - (g) Report on the 17th Meeting of the Istanbul Convention and 14th Meeting of the Contracting Parties to the ATA Convention (6/7 April 2017)**
 - (h) Report on the 16th Meeting of the Revised Kyoto Convention Management Committee (6/7 April 2017)**
 - (i) Research on Global Value Chains**
 - (j) Report on the 8th Meeting of the Capacity Building Committee**
 - (k) Report on the 16th Meeting of the Integrity Sub-Committee**
13. All reports of WCO working bodies or by the Secretariat which were relevant to the work of the PTC were grouped together as "A" items and delegates would have an opportunity to raise any questions or concerns, if necessary, while avoiding spending too much time on items which did not require much discussion.
14. The PTC was invited to take note of the reports of different WCO working bodies, of intersessional developments and of research on Global Value Chains. It was also invited to take note of the oral report on the 8th Meeting of the TFAWG and to adopt the Report on the 72nd Meeting of the Information Management Sub-Committee.
15. In conclusion, the PTC:
- took note of the reports of different WCO working bodies, of intersessional developments and of research on Global Value Chains;
 - took note of the oral report on the 8th Meeting of the WCO Working Group on the TFAWG; and
 - adopted the Report on the 72nd Meeting of the Information Management Sub-Committee.

Item IX – Future of Customs

- (a) Disruptive technologies**
- (b) Break-out session on disruptive technologies**

16. After introducing the topic, the Chairperson gave the floor to the Moderator of the Virtual Working Group on the Future of Customs (VWG FC) Mr. Matome Mathole, Customs Attaché in the Embassy of South Africa in Belgium and Vice-Chairperson of the PTC.

17. Mr. Mathole recalled that at its last sessions, the PTC had provided guidance on the way forward for the VWG FC and had agreed that it would focus mainly on two different areas: (i) exploring disruptive technologies (DTs) while focusing on their benefits, risks and role in the supply chain, as well as taking into consideration the interlinkages between them; and (ii) exploring strategic foresight as a means of better addressing the 'Future of Customs' Agenda.
18. Bearing in mind the importance of exploring new and emerging trends for successful policy making, the PTC decided that the VWG FC would focus on exploring DTs which were gradually becoming part of people's lives. However, the benefits of these technologies for Customs and border management had not yet been fully explored. It was therefore deemed relevant to carry out further exploratory work and research on these topics and to provide more information on their use, benefits, risks, role in the supply chain, etc. The aim was also to take into consideration the interlinkages between the different DTs and to gain a more holistic picture of how the latest technologies could support Customs work.
19. The PTC was invited to discuss, in more detail, the exploratory work conducted by members of the Group on DTs and to consider, through a break-out session, how these technologies could be further explored and used in border and supply chain management.
20. Mr. Mathole stressed that this work needed to leverage the work already done by the private sector and academia and potentially be collated into a Study Report, to be developed as a living tool. He stressed that in order for Customs to be kept up to date with the latest technologies it was important to develop a set of skills for certain Customs officers.
21. The panel session, which was moderated by Mr. John-Christopher BYRNE, Deputy Customs Attaché at the Permanent Representation of Ireland to the European Union, consisted of presentations made by members of the VWG FC:
 - **Robotics**, presented by Ms. Christina BELL, Attaché to the U.S. Mission to the European Union and the Kingdom of Belgium;
 - **Artificial intelligence**, presented by Mr. Shao WEIJIAN, Customs Attaché, Mission of the People's Republic of China to the European Union, Brussels;
 - **Virtual Reality**, presented by Mr. Chahid AZARKAN, Tactical Architect, Dutch Customs; and
 - **Internet of Things**, presented by Ms. Milena BUDIMIROVIĆ, Senior Technical Officer in the WCO Procedures and Facilitation Sub-Directorate.
22. In his opening remarks, Mr. Byrne questioned whether "disruptive technologies" was the most appropriate term to describe technologies which were improving people's lives and whether a more accurate description should be provided in Customs context.
23. In her presentation on **biometrics**, Ms. Bell explained the difference between biographic and biometric data and the advantages of biometric data, including fingerprints, facial recognition technology, DNA and iris imaging. She also explained how biometric data could be applied by Customs services. Access to the biometric data of individuals engaged in trade-related crime could facilitate Customs' efforts to identify, investigate, apprehend, and prosecute these wrong-doers.
24. Customs, as a leader in coordinated border management (CBM), was uniquely positioned to bring partners together and to leverage biometric data as a tool. In order to close information gaps, Customs and immigration agencies should seek to partner with

one another to improve data collection, enhance existing systems, and implement automated technology, all of which would support the identification and targeting of persons of interest seeking to leave the country, and enhance the capability to identify individuals infringing immigration rules.

25. In terms of potential future uses for Customs, Ms. Bell mentioned a number of examples, such as: verifying identities of and controlling access by Customs operators; ensuring the identity of Customs actors, including Customs brokers and other licensed freight-forwarders and logistics operators, ship/aircraft and other conveyance crews, etc.; reducing the ability of shadow companies to exploit the international supply chain for illegal gains by requiring submission of biometric identifiers for registered agents of corporations and other importers/exporters; strengthening existing security systems/regimes by, for example, including biometrics of drivers, crew members and individuals with licences or other certifications etc. as an additional factor to be taken into consideration when assessing AEO Programmes.
26. The presentation also included some key considerations when establishing a biometrics programme: the realities of biometric data gathering and use could guide implementation; legal authorities/barriers; non-compatibility of information-sharing systems between agencies; physical barriers to implementation; expectations and business practices of the trade and travelling public; sufficient IT and personnel resources; political will. Ms. Bell also mentioned major concerns about the security and use of biometric data.
27. Mr. Weijian described **Artificial Intelligence** (AI), its application in the supply chain and Customs, its advantages and risks, and the links between AI and other DTs.
28. He referred to some uses of AI in the supply chain: intelligent warehousing, intelligent operation systems, global network, transportation and distribution, and intelligent supply chain management. For example, intelligent warehousing could include unmanned warehousing with robots involved in the production process, such as shelving, picking, handling, packaging, etc.
29. He also explained the use of AI in Customs, such as for intelligent Customs logistics supervision equipment: robot supervision (facial recognition) and intelligent image recognition (image recognition). Another example entailed developing an intelligent supervision system, which could be achieved by applying a combination of big data, cloud computing, intelligent risk analysis systems and the Internet of Things.
30. Another example of AI's use in Customs included developing an intelligent collaboration system with other Customs administrations or other government agencies, as well as developing intelligent Customs - Business Cooperation which would include, for instance, intelligent AEO services and monitoring.
31. The advantages of using AI in the supply chain and in Customs control included increased efficiency and security in the supply chain, human resource savings, improved Customs services, etc. However, there were also risks such as relative error rates, difficulties in data sharing, abuse of AI and potential staff cuts.
32. **Virtual Reality** (VR) and its link to Augmented Reality (AR) were explained by Mr. Azarkan. He gave a comprehensive description of the links and differences between reality, VR and AR.
33. In terms of the use of VR, he spoke about superimposing visual assistance onto the real world and the ability to visualize and manipulate big data. He explained the use of VR

for training Customs officers in environments that were hard and dangerous to recreate, such as training in the use of weapons to apprehend criminals. VR was being used in his country's National Training Centre for Customs Supervision, Maritime and Land Sector.

34. The next steps would include the use of 360° video to develop training; collecting feedback from officers in VR training; possibly developing a Customs-related game in VR; and exploring the use of AR within his Customs Administration.
35. The presentation on the **Internet of Things** (IoT) endeavoured to provide a down-to-earth explanation and rationalization of the IoT concept and implementation. It looked into what the IoT entails and how it was currently used not only in smart homes, smart cities, smart cars, agriculture, etc., but more importantly in supply chain management which was the most useful application for Customs. Ms. Budimirović also shared some of the potential disadvantages, such as privacy and security risks.
36. According to some sources, 70% of retail and manufacturing companies had already started a digital transformation project in their supply chain and logistics operations. In that context, track and trace solutions were not new. However, their capabilities had expanded so drastically over the years that the IoT technology now made it possible not only to track the movement of goods along the supply chain and allow for voyage optimization by receiving and analysing information on delays on certain routes, but also to use sensors to monitor the temperature, light and humidity inside refrigerated containers. This was extremely useful, especially for perishable goods. As it happens, according to the Food and Agriculture Organization (FAO) of the United Nations (UN), up to one third of food perished in transit every year.
37. The key question at this time was how Customs could make use of these technologies to improve its business processes. One view was that Customs could not be expected to monitor the movements of shipments in real time, but should rather make the most of the available data collected by manufacturers, logistics providers and others through IoT technology. Using data with analytics tools could prove useful for a number of purposes:
 - improving risk management by coupling collected data with AI, deep learning capabilities and risk criteria, which would allow efficient targeting of high-risk consignments;
 - identifying priority shipments for release and clearance to avoid spoilage and loss: information on goods having travelled for too long due to heavy traffic or other types of delays would be extremely useful. For example, Customs could automatically inform other border agencies, through a Single Window system, of the need for a priority inspection. This would also help address health and safety concerns; and
 - envisaging the time of release and potential delays in clearance: this information could, for example, enable carriers to reroute their goods to another border crossing.
38. However, the key factor was that the benefits of information sharing needed to be tangible for both the private sector and the government. Public-Private Sector Partnership arrangements could be a way of engaging both sides in projects that provided not only improved trade facilitation and customer service, but also sound control of goods moving across borders.
39. All the papers and presentations related to this panel are available on the WCO website.
40. Delegates then took up some of the issues surrounding the collection of biometric data and suggested that the WCO develop guidance on the introduction of biometrics programmes. One Member shared its national experience, explaining that while the

collection of biometric data was compulsory, some security issues had arisen as a result. This meant that clear rules needed to be in place before starting the process of collecting such sensitive data.

41. A delegate mentioned the fact that passenger controls and biometrics would be discussed at the Policy Commission and the Enforcement Committee, and that the PTC should also provide its input to this discussion. Another delegate referred to the issues surrounding privacy and security of PNR information, stressing that legislation needed to be clear in this respect and that it could derail many of the administrations' programmes. A further delegate pointed out that the collection of biometric data needed to be based on a collaborative programme with other agencies.
42. Other questions raised focused on the issue of processing large amounts of data collected, for example, through IoT technologies. Another question discussed was whether it was actually advancements in technology that are driving Customs innovation or whether other drivers such as the growth in E-Commerce and expectations of superfast deliveries, etc. were inevitably pushing the use of the latest technologies to respond to such high demands. One view was that the use of technology had to be needs-driven and that training would have an important role to play in this respect.
43. After a comprehensive panel discussion which set the scene and provided food for thought, PTC delegates were invited to discuss the following two questions on DTs during a break-out session and to report back to the plenary:
 - What are the benefits of DTs and how are they used in Customs and border management today?
 - What can we envisage for their future use and what recommendations would we make to policy leaders?
44. The two groups came up with a number of conclusions and recommendations:
 - Customs was facing the risk of lagging behind Industry 4.0: there was no time to discuss whether or not it was necessary to use DTs. Customs should/needed to invest in DTs, otherwise it faced the risk of "losing the war" against fraud and criminal activities;
 - There was a need to establish a common understanding of the scope of DTs in the Customs context. It was agreed that DTs should include technologies relevant to the Customs environment;
 - There was agreement on the real benefits of embracing technology; however, there was also a need to gauge and evaluate these technologies, ascertain whether they had been fully developed and test their functionality before investing a great deal of energy, time and public resources into them;
 - Technology needed to help Customs complete its work more efficiently and manage trade flows and controls. It should not erode the human element needed to ensure progressive engagement between trade and Customs. DTs needed to be utilized and deployed in an optimal manner;
 - DTs should be used in building Smart Customs and virtual borders;
 - New technology could help to build up a modern and more responsive Customs system and boost interconnectivity with business operators;
 - One of the greatest benefits was that DTs generated a pool of data (big data) that could be used for better decision making. In addition, there were many potential specific benefits, such as:
 - moving away from mass physical interventions to more highly automated controls,

- better, more responsible and consistent decision-making for management purposes (“smart decision-making”),
 - improving data quality in general and, as a result, making risk analysis more efficient,
 - replacing human resources in those areas where they were not efficient or unable to produce satisfactory results (e.g. X-ray analysis or inspection of radioactive materials),
 - monitoring the daily work of Customs officers to make them more productive and innovative, as well as improving monitoring and management functions at the highest level in Customs,
 - supporting Customs investigation and enforcement activities (data cannot be erased, data and records are easily available),
 - securing revenue collection and state budgets,
 - providing an enhanced service for travellers and cross-border traffic,
 - automated Customs proceedings and controls (through the use of robots, for example),
 - faster release of goods and trade facilitation,
 - improving AEO and SW models,
 - eliminating physical borders and creating virtual borders only (e.g., European Union (EU) internal market concept),
 - improving the work of Customs laboratories, etc.
- The use of technology in Customs should be needs-driven, rather than driven by its availability. Technology could help embed the modernization of Customs processes, including revised Customs tools and instruments such as the SAFE Framework of Standards (FoS) and Integrated Supply Chain Management (no need for physical inspections if technology could help provide credible levels of accurate information in supply chain processes);
 - DTs should be geared towards enhancing efficiencies, focusing on trade facilitation, optimal use and deployment of resources, and ensuring a secure supply chain;
 - There was a need to ensure regular engagement between Customs and Trade on emerging trends or technologies and their impact on the Customs environment; Customs should strengthen cooperation with the business sector: on-the-job training, training for special Customs experts on DTs;
 - Using DTs required a cultural shift within the administration, not only at management level but also by other staff. A change management action plan should be developed and a new recruitment strategy put in place, as new skills would be required for deploying DTs;
 - There was a need to adopt specialized training for new technologies and create new study or academic centres which could develop analyses, reports and forecasts for the use of DTs in Customs;
 - A new legal framework should be drawn up for the use of new technologies, bearing in mind that DTs might change the philosophy and working methods of Customs;
 - At its forthcoming sessions, the PTC should dedicate a whole day to a detailed discussion of the potential benefits, risks and impact of these technologies on the work of Customs. A detailed examination of selected technologies should be carried out during this one-day session. Managing innovation required a calm and methodical approach, thus ensuring that embracing such technologies and innovations would improve service delivery and prove cost-effective in the long run;
 - All relevant work already done on DTs under the auspices of the VWG FC should be included in a Study Report for discussion at the next PTC sessions;

- The WCO had an important role to play in coordinating and continuing the work on this matter and could encourage Members' senior management, including Directors General, to make available the necessary funds and resources.

45. In conclusion, the PTC:

- took note of the panel discussion on the different DTs, their risks and benefits as well as their current and potential use in Customs and border management;
- took note of the conclusions and recommendations coming out of the break-out session on DTs;
- agreed that, during the intersession, the VWG FC would work on including all the work on DTs already carried out in a Study Report for submission to the next sessions of the PTC in April 2018;
- agreed to dedicate a whole day to this topic at the next sessions of the PTC.

Item X – E-Commerce

- (a) Report on the 2nd Meeting of the Working Group on E-Commerce (10-13 October 2017)**
- (b) Draft Recommendations for the Policy Commission**
- (c) Potential WCO Communication on E-Commerce to the 11th WTO Ministerial Conference**
- (d) Update of the Immediate Release Guidelines (IRGs)**

46. The Chairperson introduced the topic by mentioning that the WCO Working Group on E-Commerce (WGEC) had been set up last year for the purpose of addressing cross-cutting issues in relation to the growth in E-Commerce, from both a facilitation and a control perspective. The WGEC had held its 2nd Meeting from 10 to 13 October 2017, the week preceding the PTC.

47. The Director of Compliance and Facilitation presented the key outcomes of the 2nd Meeting of the WGEC, highlighting its multi-stakeholder nature and the great deal of work carried out thus far. Close to 200 delegates had attended the 2nd Meeting of the WGEC, representing a diverse range of stakeholders including Customs administrations, other government agencies, international organizations, postal operators, express service providers, e-vendors, E-Commerce platforms, logistics service providers, Customs brokers, technology service providers and academia.

48. She continued by outlining some of the tangible deliverables in terms of developing practical tools and instruments related to the management of growing cross-border E-Commerce flows. Notable among them were:

- Draft Resolution on Cross-Border E-Commerce;
- Draft Communiqué on E-Commerce;
- Draft Outline of the WCO Framework of Standards on Cross-Border E-Commerce; and
- Draft update of the Immediate Release Guidelines.

49. The Director then mentioned the ongoing engagement with other international organizations (such as the WTO, OECD, UNCTAD, and UPU) in the area of E-Commerce. She announced the 11th WTO Ministerial Conference side event on E-

Commerce, being organized by the WCO together with certain Customs administrations and stakeholders on 11 December 2017 in Buenos Aires, Argentina. In addition, the First WCO Global E-Commerce Conference would be held in China on 27 and 28 February 2018.

50. Concluding her presentation, the Director noted that all the envisaged work would be completed shortly and presented as a package to the Policy Commission and Council in June 2018.
51. Moving on, the Secretariat presented Docs. PC0484E and PC0485E, explaining the background, context, and process of development of the draft Policy Commission Resolution (originally envisaged as a Recommendation, but now a Resolution) and the draft Communiqué from the international Customs community to the 11th WTO Ministerial Conference, as agreed at the 2nd Meeting of the WGEC.
52. The draft Resolution addressed, inter alia, the following eight aspects: Advance Electronic Data and Risk Management; Facilitation and Simplification; Safety and Security; Revenue Collection; Measurement and Analysis; Partnerships; Public Awareness, Outreach and Capacity Building; and Legislative Frameworks. The Resolution was intended to provide a good basis for establishing an E-Commerce framework of standards and associated operational/implementation plans, with timelines, in order to better manage E-Commerce flows whilst effectively addressing the challenges stemming therefrom.
53. It was further noted that given the global attention paid to the exponential growth in E-Commerce, and the work currently being done by the WCO in partnership with relevant stakeholders, this was an opportune moment for the Policy Commission to (i) reflect on global developments in the international supply chain driven by E-Commerce, (ii) take stock of the work undertaken by the WGEC in terms of developing practical solutions, and (iii) share its thoughts on E-Commerce with the 11th WTO Ministerial Conference through a Communiqué from the International Customs Community.
54. During the wide-ranging discussion that followed, several delegates expressed their appreciation of, and support for, the draft Resolution and the draft Communiqué, noting that all the principles set out in the Resolution were relevant to E-Commerce. They made some suggestions, including greater clarity on legislative frameworks and especially with regard to the WTO Agreement on Trade Facilitation (TFA) given that Customs was the only agency responsible for its implementation and some countries had still not ratified it. There was also a suggestion to collaborate further with other government agencies, particularly finance/Tax authorities.
55. Recognizing the WCO's leadership role in this area, delegates underlined that the Resolution and Communiqué should be used to engage with policy-makers and industry at international, regional and national levels.
56. Some delegates also shared information on their national initiatives including, for example, the exchange of advance electronic data between Post and Customs (Japan) and the pilot on trusted green lane (Australia – New Zealand). A delegate mentioned that her country (Georgia) would be organizing the Tbilisi Belt and Road Forum in November 2017, with a focus on topics related to the opportunities offered by E-Commerce and digital connectivity. Another delegate told the meeting that his country (China) would be hosting the first WCO E-Commerce Global Conference in February 2018; further details would be shared in due course.

57. Noting that the current focus of the WGEC was on physical goods, a delegate suggested initiating a discussion on charging Customs duty on trade in digital goods and associated challenges through an open dialogue with the relevant stakeholders.
58. Following the deliberations, the delegates approved the draft Resolution and the draft Communiqué. However, at the request of some delegates, the Chairperson invited delegates to provide additional suggestions/input, if any, by 31 October 2017.
59. Delegates were requested to provide additional input/comments on the draft Resolution and the draft Communiqué by 31 October 2017. Based on the discussion and additional input provided by delegates, the draft Resolution and the draft Communiqué have been finalized, and are set out in Annex I and Annex II to this Report.
60. In conclusion, the PTC:
 - endorsed the draft Resolution and the draft Communiqué, subject to any suggested adjustments/changes, for submission to the December 2017 Policy Commission for its consideration and adoption.

Item XI – Customs-Post Cooperation

o Reconstitution of the WCO/UPU Contact Committee and stocktake of its work

61. The Secretariat introduced Doc. PC0487, informing the meeting that as per its recently revised Terms of Reference (ToR), the WCO/UPU Contact Committee would now comprise eight members from the WCO and eight members from the UPU. In addition, each of the two Organizations could invite up to five observers. Following the four-year cycle, based on the nominations received from the Vice-Chairs, the Contact Committee had been reconstituted by identifying WCO members and observers of the Contact Committee for the period 2017-2020, for the consideration of the PTC. The list of UPU members and observers of the Contact Committee had already been finalized through the UPU's competent bodies.
62. The Secretariat then drew delegates' attention to some of the recent work accomplished by the Contact Committee and requested their guidance on the current priorities in terms of the electronic exchange of advance data between Post and Customs, E-Commerce and compliance with CN22/23 Declarations.
63. Delegates welcomed new Customs members and observers to the WCO-UPU Contact Committee and expressed their appreciation for the work done by the Committee thus far. A private sector representative suggested that the private sector should also be invited to the Contact Committee, as an observer, as provided for in the ToR. In response to this suggestion, the Secretariat clarified that the new members and observers had been identified through a robust process established by the WCO and UPU; however, where appropriate and necessary, representatives/experts from the private sector could be invited to Contact Committee meetings in consultation with the Co-Chairpersons.
64. In conclusion, the PTC:
 - approved the WCO membership of the reconstituted Contact Committee;
 - took note of the UPU membership of the reconstituted Contact Committee; and

- acknowledged the key achievements and progress to date by the Contact Committee and suggested continuing the work to address the current and emerging priorities identified.

Item XII – Cooperation with Railways

○ Panel discussion on Customs-Railway Cooperation

65. A growing portion of goods in international trade, especially in some regions and countries, was being transported by railway and thus crossing borders, consequently creating a need for cooperation between railway companies and Customs administrations. The WCO had not held extensive discussions on Customs-Railway Cooperation in recent times, either in the PTC or other WCO bodies. However, some initial steps had been taken to strengthen cooperation with international organizations dealing with railways, specifically on transit-related matters.
66. The topic was introduced by a panel discussion providing greater insight into current projects and initiatives, with a view to improving the facilitation and control of cross-border movements of goods transported by rail. The panel set the scene for a discussion that aimed to explore challenges and opportunities of Customs-Railway Cooperation at both national and regional levels.
67. Both the panel speakers and delegates were invited to address the following items:
 - national and regional experiences and railway-related projects;
 - main challenges faced and opportunities for improvements at national and regional level; and
 - the way cooperation at international level between the WCO and railway organizations could best support progress in this area.
68. The panel was moderated by Mr. Matome MATHOLE, Customs Counsellor at the Embassy of the Republic of South Africa in Belgium and Vice-Chairperson of the PTC.
69. The speakers on the panel were:
 - Mr. François DAVENNE, Secretary General, Intergovernmental Organisation for International Carriage by Rail (OTIF);
 - Mr. Wessel SIJL, Chairman of the Customs Working Group, Community of European Railway and Infrastructure Companies (CER);
 - Mrs. Zubaida ASPAYEVA, Chairperson of Commission on Freight, Organisation for Co-operation between Railways (OSJD) and Mr. Zurab KOZMAVA, Specialist of OSJD Commission on Transport Policy and Development Strategy; and
 - Ms. Maka KHVEDELIDZE, Deputy Head of International Relations Department, Georgia Revenue Service.
70. In his intervention, Mr. Davenne emphasized that one of the key issues in Customs-Railway Cooperation entailed developing a single contract for an entire train journey, from origin to destination, and interfacing between the transit countries along the way. The second issue he raised related to digitalization. Moving from manual and paper-based documents to electronic exchange of an agreed set of data was one of the main objectives. He also stressed that amongst the key challenges remaining was security of information and he therefore suggested that Blockchain technology could potentially be used to overcome this challenge.

71. Mr. Sijl mentioned that the first attempt at simplification of Customs had taken place in 1970. The CER Customs Working Group had grown in the meantime. He also mentioned the need to be able to acknowledge a set of data that would be acceptable along the whole route and to share the consignment notes for all sorts of Customs procedures. He described the benefits of implementing the Common Transit Convention by EU Members and other European countries as a huge advantage and suggested that a similar model be used in other countries. He encouraged the WCO to work with OTIF and OSJD to overcome these issues. He mentioned the benefits of the WCO Transit Guidelines, which should be promoted more heavily in the context of railways.
72. Mrs. Aspaveva and Mr. Kozmava emphasized that there were a lot of difficult questions which needed to be addressed at the legislative level. Pre-arrival information for Customs would offer major benefits in terms of speeding up the movement of trains across borders and, in that sense, it was necessary to hold technical meetings at expert level to discuss solutions. OSJD had set up a special group for cooperation with Customs. It was expected that detailed discussions on these issues would be held next year.
73. Ms. Khvedelidze thanked the WCO for opening the discussion on Customs-Railway Cooperation, as it was still proving challenging to develop a unified document for Customs with respect to carriage by railway. This challenge was very closely related to the different levels of maturity of Customs' and railways' IT systems. She suggested that these very technical aspects be addressed.
74. The PTC appreciated the initiation of a discussion on this topic and Members shared their experiences. A delegate explained that cooperation with railways at national level in his country was gaining momentum, with a special working group and action plan in place. One of the key objectives was to establish electronic exchange of an agreed set of data between Customs and railways.
75. One Member described some of the work being carried out in his country and mentioned the simplification of transit procedures in rail and a reduction in the percentage of inspections, as well as the introduction of tailor-made inspection for rail transport. Another delegate explained that his country had developed a pilot study on multimodal means of transport, including sea, rail and road, which could be used for exploring the challenges and developing solutions in Customs-Railway Cooperation.
76. There was general consensus that the WCO needed to intensify cooperation and dialogue with these inter-governmental and private sector railway organizations. If not, it would be difficult to compete with other modes of transport.
77. There was also common agreement on the need to promote the use of WCO instruments and tools such as the Transit Guidelines, Compendium on Coordinated Border Management, and Time Release Study Guide. It was also suggested that the WCO Data Model be used in the discussions on identification of a data set for Customs.
78. In conclusion, the PTC:
- took note of the panel discussion on Customs-Railway Cooperation and the key issues arising, such as the lack of an internationally agreed set of data for Customs purposes and lack of automation;
 - took note of the different national and regional experiences shared by delegates;
 - acknowledged the need to promote the use of WCO instruments and tools in the railway context, such as the Transit Guidelines, CBM Compendium, TRS Guide and the Data Model; and

- agreed that this important topic should remain on the PTC Agenda and be explored further at a more technical level.

Item XIII - Customs-Tax Cooperation

(a) Draft Guidance on Customs' role in the collection of indirect taxes

79. The Chairperson introduced this topic, underlining the importance of strengthening cooperation between Customs and Tax authorities. He was of the view that seamless exchange of information, subject to appropriate data privacy and confidentiality, could support efficient revenue collection (including indirect taxes on imports) and combat illicit financial flows.
80. The Secretariat presented Doc. PC0489E, providing the background to the work done and the future work envisaged in the area of Customs-Tax Cooperation. Delegates were reminded that at its April 2017 sessions, the PTC had discussed the topic of Customs-Tax Cooperation, including preliminary research on joint approaches/activities between Customs and Tax authorities, and had made suggestions for future work in this domain, such as a more detailed study of Members' practices. Following on from that, further work had been conducted on the sharing of data between Customs and Tax authorities through interoperable systems/databases or common databases, as well as on joint activities/initiatives (such as joint audit and joint risk management).
81. Going forward, when discussing additional cooperation opportunities between the two authorities, the July 2017 Policy Commission had tasked the PTC with developing Guidance on Customs' role in the collection of indirect taxes on imported goods, while approving its broad outline. To this end, the Secretariat invited delegates to consider the preliminary draft Guidance and provide thoughts on advancing the work on its further development.
82. While welcoming the WCO's work in the area of Customs-Tax cooperation, including the development of related tools, delegates underscored the need to strengthen cooperation between the two authorities in order to effectively meet some of the challenges concerning E-Commerce, special Customs zones, and financial crime (including illicit financial flows and tax fraud).
83. Several delegates described their national organizational structures of Customs and Tax authorities, working models, IT systems and connectivity thereof, and ongoing cooperation (including the exchange of information). They went on to suggest that the WCO continue working in close cooperation with the OECD and the IMF.
84. In a written intervention (circulated among delegates), the IMF commending the WCO's work on strengthening Customs-Tax cooperation and noted that Domestic Resource Mobilization (DRM) – through increasing the flow of taxes and other income into government treasuries – was key to achieving the ambitious Sustainable Development Goals (SDGs). It provided several suggestions on the envisaged Guidance. These included, among other things, enhancing the perspectives of developing countries; addressing the role of Customs in facilitating the capture of the downstream value; strengthening Trader Identification Number (TIN) management; and exploring Customs' potential role in collecting/ facilitating the collection of direct taxes.
85. Pakistan, the EU, India, Netherlands and the IMF volunteered to support further development of the Guidance.

86. In conclusion, the PTC:

- discussed and approved the structure and potential content of the envisaged Guidance, enriched by the delegates' suggestions; and
- established a group to further develop the Guidance, by leveraging existing resource materials and good practice in this domain. Interested Members and stakeholders should express their willingness to join the group by 15 December 2017.

(b) Presentation by IOTA

87. The Representative of the Intra-European Organisation of Tax Administrations (IOTA) gave a presentation sharing his Organization's perspective on Customs-Tax Cooperation. Outlining some of the global developments impacting Tax and Customs authorities, he noted some of the challenges such complex cross-border VAT fraud, export fraud and abuses of suspension schemes on imports, and small consignment exemptions that required a coordinated approach by both authorities.

88. Noting common interests in terms of compliance management by simplifying obligations and reducing administrative costs, he added that enhanced cooperation, exchange of information, access to shared databases (where possible) and joint training could help in efficient revenue collection, effective risk management and audits, and a cohesive fight against criminal activities. He concluded by saying that a silo approach should be bridged in order to leverage synergies and develop practical solutions that could be beneficial to both Customs and Tax authorities.

89. Thanking the Representative of IOTA for his presentation, delegates noted that Customs-Tax Cooperation could similarly support enforcement aspects such as curbing IPR infringements and illicit trade and backtracking associated incomes, alongside the financial aspects.

90. In conclusion, the PTC:

- took note of the presentation by IOTA and encouraged the WCO and IOTA to work collaboratively in further strengthening Customs and Tax Cooperation.

Item XIV – Special Customs Zones

○ **Progress report on potential guidance on special Customs zones**

91. The WCO Secretariat introduced this topic, stating that since 1975 there had been a proliferation of Special Customs Zones (SCZ) around the world. Equally, the policy objectives for establishing SCZs had spread from traditional trade facilitation to attracting foreign direct investment, combating unemployment, strengthening and diversifying exports, as well as experimenting with new policies. Accordingly, the challenges for Customs had also become more diverse, notably how to balance all these policies with the Customs tasks of collecting revenue, protecting society and ensuring supply chain security.

92. Delegates were reminded that Phase III of the ECP Action Plan addressed the possible development of an instrument for SCZs. In order to determine whether changes needed to be made to current instruments, such as the RKC and its Guidelines, or whether a completely new tool needed to be developed to provide guidance in dealing with the myriad SCZs, the WCO Secretariat was planning to hold regional workshops and asked Members if they were willing to host such workshops. The workshops would enable the

WCO to take an informed decision about the actual need to revise instruments, amend existing guidance material or draft completely new Guidelines. The workshops were intended to explore the benefits of SCZs in general and, more specifically, to look at the associated risks for Customs not only in the Customs domain, but also in other policy areas including a range of different taxes and the Customs procedures in place to service SCZs.

93. Several Members took the floor, saying that this was a timely initiative and that they were interested in participating in such a workshop or contributing to the work of drafting guidance material. They also shared their national experiences. A delegate felt that rather than developing a brand new tool, the guidance should be developed under the RKC. In addition to sharing its national experience of SCZs, India kindly offered to host the workshop for the WCO Asia/Pacific region.
94. In conclusion, the PTC:
- took note of the Secretariat's presentation;
 - took note of Members' experiences; and
 - took note of the guidance offered regarding the scope of the workshops.

Item XV – Integrated Supply Chain Management (ISCM)

o Update of the ISCM Guidelines

95. The Secretariat presented Doc. PC0491E, explaining the background and discussions held thus far with regard to the work on the update of the ISCM Guidelines that had been launched under the SAFE Mini Group led by the Netherlands.
96. Highlighting the importance of ISCM Guidelines and some of the initiatives/projects (e.g., SSTL, CORE), the Delegate of the Netherlands (Facilitator of the Mini Group) shared the preliminary work done to date. He then informed the meeting that the SAFE Sub-Group had suggested adopting a two-phase approach to (i) carry out the necessary updates of the Guidelines reflecting new developments and initiatives in the area of ISCM and making various terminologies consistent with the SAFE FoS and other related tools, and (ii) examine the Guidelines holistically and incorporate them into the SAFE FoS, as appropriate, together with related working examples and initiatives, whilst removing duplications and redundancies during the 2021 SAFE Review Cycle. Delegates were invited to consider the suggested approach and provide guidance going forward.
97. During the ensuing discussion, there was overall support for the two-phase approach, given that the current review cycle would soon come to an end. Delegates also suggested focusing on the implementation of these Guidelines and presenting some successful examples, lesson learned, and associated legal frameworks at the next PTC/SAFE Working Group meetings.
98. In terms of the way forward, it was agreed that the draft updated Guidelines would be presented to the SAFE Review Sub-Group in December 2017 for further development, with a view to finalizing them early next year for consideration and potential endorsement by the February 2018 SAFE Working Group.

99. In conclusion, the PTC:

- took note of the work carried out so far and agreed to the suggested approach regarding the future work on the update and eventual integration of the ISCM Guidelines into the SAFE Framework of Standards during the next SAFE review cycle; and
- provided further guidance, including suggestions (e.g., legal frameworks, data exchange mechanisms) to be enhanced/adjusted during the current update process.

Item XVI – Glossary of International Customs Terms

o New proposed terms for inclusion in the Glossary

100. The WCO Secretariat presented Doc. PC0492 and the seven new terms proposed therein for inclusion in the Glossary of International Customs Terms, as well as the proposed revision of the Glossary definition of the 'SAFE Framework of Standards'.
101. A delegate suggested changes to the draft definition of 'Advance ruling' so that the definition read as follows: "A written decision issued by a competent authority to the applicant prior to an import or export transaction of goods covered by the application that sets forth the treatment that the Member shall provide to the goods at the time of an import/export transaction, for a specified period."
102. Another delegate, who was also involved in the intersessional work on the update of the Glossary, was of the opinion that terms from the WTO Agreement on Trade Facilitation ought to be incorporated in the Glossary. However, the delegate felt that the WCO did not have the authority to define terms originating from other organizations' instruments and the PTC needed to take a decision on how to incorporate such terms in the Glossary. This work would be taken forward at the next sessions of the PTC.
103. In conclusion, the PTC:
 - approved the following terms: 'Advance ruling', 'Checking the Goods declaration', 'Customs formalities prior to the lodgement of the Goods declaration', 'Omission', 'Outward processing', 'Transfer pricing' and 'WTO Valuation Agreement' with a view to incorporating them in the Glossary, subject to amendments to the draft definition of 'Advance ruling' as proposed during the meeting;
 - approved the proposed revised definition of the 'SAFE Framework of Standards';
 - decided that the next update of the Glossary was to be prepared by the Secretariat with the support of volunteers from Member Customs administrations and would be placed on the Agenda for the April 2018 sessions of the PTC

Item XVII – Customs’ Treatment of Return-Refill Containers○ **Customs’ Treatment of Return-Refill Containers**

104. In his introductory remarks, the Chairperson reminded delegates that, as a result of a suggestion put forward by a Member, an item on the Customs treatment of return-refill containers had been included on the Agenda for the April 2017 sessions of the PTC. Awareness had been raised of business concerns in terms of facilitating the use of return-refill containers and packaging in cross-border trade.
105. The WCO Secretariat presented Doc. PC0493 highlighting developments since the last sessions of the PTC. Delegates were informed that the International Chamber of Commerce (ICC) had issued a news release and a set of business recommendations on the issue, which called on the WCO to develop international Guidelines on return-refill container systems in close cooperation with the private sector. The PTC was also informed that, in July 2017, Australia had put forward a proposal for temporary admission of containers, pallets and packings with the objective of having the proposal considered at the 11th WTO Ministerial Conference in Buenos Aires in December 2017.
106. As a final point, the Secretariat presented the progress achieved within the WCO Virtual Group on the Customs treatment of return-refill containers. The Virtual Group comprised 18 members from 15 entities - Member Customs administrations and the private sector - and had worked under the Chairmanship of the United States. However, the United States was no longer in a position to chair the Virtual Group and the Secretariat invited Members to consider volunteering to lead the Group’s work. In its progress report, set out in the Annex to Doc. PC0493, the Virtual Group had identified three options for the way forward to be considered in greater depth by the Group. The three options were: (i) amend the Customs Convention on Containers, 1972 (Container Convention) and the Convention on Temporary Admission (Istanbul Convention) and promote accession to and implementation of the two Conventions; (ii) develop a WCO Recommendation, and (iii) develop technical guidelines.
107. During the ensuing discussion, several delegates felt that the three options outlined in the Annex to Doc. PC0493 required further examination at the technical level, while one of the delegates suggested that the Administrative Committee for the Customs Convention on Containers was the appropriate forum for that task. Another delegate, who was also the Chairperson of the Administrative Committee, was of the opinion that the Private Sector Consultative Group needed to submit a paper to the Administrative Committee to facilitate future discussions and that, if necessary, the Secretariat ought to consider scheduling a meeting of the Administrative Committee before the expiry of the two-year term prescribed by the Convention.
108. A delegate requested the deletion from the Annex to Doc. PC0493 of the paragraph beginning “The WTO is starting to look at temporary admission as they see the limitations connected with the existing instruments...”, arguing that this paragraph referred to prospective developments.
109. A private sector representative recommended that the work not be limited to containers alone, but also cover other types of return packaging. Another private sector representative, representing an entity mentioned in a footnote in the Annex to Doc. PC0493, fully supported the examination of this important issue and the general approach to that examination, but considered that amendments to the Container Convention and the Istanbul Convention had to be considered carefully. The representative also stressed that some WCO recommendations served as a good

example of how to resolve similar issues, such as the WCO Recommendation dealing with container security devices.

110. The Secretariat suggested also considering the inclusion of this issue on the Agenda for the Administrative Committee of the Istanbul Convention.

111. In conclusion, the PTC:

- took note of Doc. PC0493 and the suggestions and input provided by delegates, and instructed the WCO Virtual Group on the Customs treatment of return-refill containers to continue examining the issue at the technical level and present reports, including guidance by the Virtual Group on the options for the way forward, to the Administrative Committee for the Customs Convention on Containers, the Administrative Committee of the Istanbul Convention and the next sessions of the PTC.

Item XVIII – Any Other Business

(a) Proposals for Agenda items for the next PTC meeting

112. The Chairperson invited delegates to suggest Agenda items for the next PTC meeting, reminding them of the Committee's decision to be more strategic in its work.

113. A Member stressed that, bearing in mind that the WCO was a Member-driven Organization and based on practical needs and developments, it was necessary to raise a potentially rather sensitive and provocative issue that should be discussed at a strategic and fundamental level within the WCO. She stressed that Member administrations made up the WCO and should consequently have a pivotal role in any developments, improvements and even changes within the Organization.

114. The WCO served as the centre of Customs excellence for the international Customs community, striving for the establishment of international standards. She nevertheless stressed that international tax organizations had been forging ahead in establishing a mechanism for monitoring the implementation of standards, such as the OECD Global Forum. The lack of these kinds of mechanisms in the Customs environment undermined a number of WCO trade facilitation and compliance instruments and tools, as the quality of their implementation was scarcely measurable and verifiable. Accordingly, the results might be less reliable for the private sector when compared to tools such as, the World Bank's Doing Business and Logistics Performance Index and others, despite the fact that WCO tools and instruments could be considered more precise and professionally-oriented from both a methodological and procedural perspective. She felt that this issue should be addressed as part of the WCO strategy and should be raised at a number of levels.

115. A number of delegates supported this proposal. The Secretariat informed the PTC that this issue would also be discussed under the item on 'Performance Measurement' at the next Policy Commission meeting.

116. Two delegates suggested that the outcomes of the recently-held Asia-Europe Meeting (ASEM) and its newly developed Action Plan should be shared at the next PTC as they addressed a number of similar topics, such as DTs, virtual borders, etc.

117. The Chairperson also recalled that, in addition to the proposals put forward, it had already been agreed that a whole day would be spent on DTs.

118. In conclusion, the PTC:

- took note of the proposals regarding items to be discussed at the next PTC meeting, such as measuring performance and the ASEM Action Plan, in addition to the proposal to dedicate a whole day to DTs.

(b) Upcoming events

119. The Secretariat announced the WCO meetings to take place before the next PTC, which was scheduled for 16 to 20 April 2018, as well as a number of WCO events including the E-Commerce side event at the 11th WTO Ministerial Conference in Buenos Aires (11 December 2017), the AEO Conference in Kampala (14 to 16 March 2018), the IT Conference in Lima (6 to 8 June 2018) and the Knowledge Academy in Brussels (2 to 11 July 2018).

120. In conclusion, the PTC:

- took note of the WCO meetings and events announced by the Secretariat.

Item XIX – Closing

121. The Deputy Director thanked all the delegates for the extremely lively discussions on a number of important subjects and mentioned some of the key outputs, including the discussions on DTs and agreement to develop a Study Report and dedicate a whole day to this topic at the next PTC, as well as the launch of a more comprehensive discussion on Customs-Railway Cooperation.

122. The Chairperson thanked the WCO Secretariat for its hard work and the delegates for their active participation in the meeting. He then invited the delegates to attend the next PTC sessions to be held from 16 to 20 April 2018, before closing the meeting.

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DRAFT RESOLUTION OF THE POLICY COMMISSION
OF THE WORLD CUSTOMS ORGANIZATION
ON THE GUIDING PRINCIPLES FOR CROSS-BORDER E-COMMERCE

(Luxor, December 2017)

THE POLICY COMMISSION

ACKNOWLEDGING that the digital transformation of the economy is one of the key drivers in the global trade environment,

NOTING that the digitalization of the economy has revolutionized the way businesses and consumers are selling and buying goods, providing wider consumer choices and broader access to customers by Micro, Small and Medium Enterprises (MSMEs),

BEARING IN MIND that E-Commerce offers a huge opportunity for the economic growth and competitiveness of nations, providing new growth engines, developing new trade modes, driving new consumption trends and creating new jobs, and that it is important to be innovative, inclusive, prudential and collaborative in order to leverage opportunities brought by E-Commerce,

ACKNOWLEDGING that the exponential growth of E-Commerce, in particular new trade patterns including the growth in direct business-to-consumer (B2C) and consumer-to-consumer (C2C) transactions and an increased role of consumers in individual transactions, is presenting several challenges to governments and businesses alike, in terms of trade facilitation, safety and security, society protection, and accurate and efficient collection of duties and taxes,

CONSIDERING that key issues stemming from increasing volumes of mainly small B2C and C2C E-Commerce shipments and the time sensitivity thereof pose unique challenges to all E-Commerce stakeholders under the current conditions,

OBSERVING that the current methods of revenue collection might not be efficient and effective enough for the dynamics and trends of E-Commerce flows,

RECOGNIZING that cross-border E-Commerce is characterized by, among other things : online initiation; cross-border transaction/shipment; physical goods; and destined to consumers (commercial and non-commercial),

ACKNOWLEDGING the need to adequately measure cross-border E-Commerce flows and the importance of Customs' role therein for well-informed policy decision making, risk assessment, analysis of trade and revenue statistics, performance measurement including the cost of revenue collection, and the exchange of information,

TAKING INTO ACCOUNT the different levels of digitalization and associated gaps as well as challenges in IT preparedness and accessibility to IT solutions (digital divide) among Members and business stakeholders,

HAVING REGARD to the WCO Revised Kyoto Convention (RKC), the WTO Agreement on Trade Facilitation (TFA), the WCO SAFE Framework of Standards (SAFE FoS), Annexes 9 and

17 of the ICAO Chicago Convention, the UPU Convention (specifically Article 8) and Security Standards (S58 and S59) and other relevant international standards,

AIMING to adapt, embrace and leverage opportunities presented by E-Commerce, and find solutions collaboratively between government and non-governmental stakeholders to challenges using modern technologies to facilitate legitimate trade, in particular for MSMEs,

ENDEAVOURING to adopt streamlined and simplified Customs and other border formalities in order to strengthen security and safety (including product safety and compliance with intellectual property rights) and to establish fair and efficient revenue collection mechanisms,

AIMING to develop and deliver common standards, guidelines, and tools for Customs clearance and data harmonization, to the extent possible, to address challenges relating to certain high-risk consignments, whilst facilitating legitimate E-Commerce flows,

ENDEAVOURING to develop a harmonized approach to E-Commerce, in close coordination with other international organizations, that provides flexibility and customization for future developments and emerging business models, and

DESIRING to contribute to the development of this new trade channel and improve the effectiveness and efficiency of related processes of Customs administrations and other relevant agencies,

RESOLVES that the WCO :

Endorses the principles for cross-border E-Commerce (as outlined in the Annex) for establishing an E-Commerce framework of standards;

Invites Customs administrations to work in partnership with relevant stakeholders to apply these principles in a harmonized manner by developing an implementation strategy and action plan;

Advocates a deeper engagement with partner intergovernmental organizations, using all relevant bilateral and multilateral platforms; and

Provides technical assistance/capacity building based on the existing WCO instruments and tools, the tools being developed/updated and the expertise/best practices in Member administrations that will include tailor-made assistance to meet Members' identified and specific needs.

PRINCIPLE I - Advance Electronic Data and Risk Management

This principle is cross-cutting and supports trade facilitation, security and safety, revenue collection and measurement and analysis.

i. Advance electronic data

- Establish a legal and policy framework allowing for the electronic exchange of data between all parties involved in the international supply chain, taking into account the applicable laws, in particular, data governance including data security, privacy, protection, and competition law;
- Implement solutions to facilitate the submission of timely and accurate advance electronic data using, inter alia, relevant WCO instruments and tools with due regard to :
 - Timeliness of data (pre-arrival - Customs clearance)/(pre-loading - security risk assessment),
 - Standards for the exchange of electronic messages, and
 - Data quality (including product description);
- Take possible sources of data into account, including :
 - New business models of E-Commerce which process data from various sources on transactions, payments, and logistics (e.g., deliveries),
 - Parties that can provide data include inter alia : e-vendors/e-platforms, shippers, exporters, importers, and intermediaries (e.g., express services, postal operators, Customs brokers, and payment service providers), and
 - Data provided voluntarily to improve facilitation;
- Establish mechanisms for the exchange of advance electronic information between Post and Customs for the purpose of targeting and facilitation, leveraging the work already undertaken in the framework of the WCO/UPU Contact Committee including the Joint WCO-UPU Customs-Post Messaging Standards;
- Ensure reconciliation of data from the front (advance reporting) to the back end (accounting) and re-use of data through the supply chain.

ii. Risk Management

- Leverage the vast volume of data generated in the E-Commerce environment when developing and implementing automated risk management processes based on WCO tools;
- Apply advance cargo information and screening methodologies across all modes of transportation to the extent possible with a view to strengthening Customs controls;

- Apply non-intrusive inspection (NII) technologies and risk-based interventions using modern methods of data analytics to facilitate legitimate E-Commerce and, at the same time, identify and stop illicit trade. This could include for example comparing declared information with scanned images of goods. Risk management based on knowledge of entities and patterns/trends should be at the heart of this process;
- Identify all relevant stakeholders; including “unknown players” (e.g., individuals, occasional mailers) to address related challenges through :
 - Data validation model - robust identity management system;
 - Trusted data sources that are globally recognized;
- Promote cooperation and consistency between Customs and other governmental agencies at different levels (national/regional), including the exchange of information, capacity building and the sharing of good practices to adopt/enhance risk management systems of these agencies;
- Explore opportunities for information sharing between the government and the private sector, within the boundaries of applicable laws, in particular, data governance including data security, privacy, protection, and anti-trust (competition) law. Cooperation in the exchange of data could facilitate the blocking of websites/platforms/access of vendors that are involved in the trading of illicit goods.

PRINCIPLE II - Facilitation and Simplification

- i. Establish simplified clearance procedures for dealing with the increasing volumes of small shipments/parcels based on the following :
 - Account-based consolidated entry/exit summaries by enterprises/individuals and intermediaries, with periodic payment of all relevant duties and taxes, subject to the compliance with regulatory requirements and the provision of financial security/guarantee, as appropriate;
 - Where appropriate, simplified requirements regarding origin, value, and classification;
- ii. As needed, in support of risk management, incentivize electronic access by Customs to relevant data or documents held on E-Commerce operators' systems or a centralized national electronic platform connected to E-Commerce operators' platforms;
- iii. Adopt or enhance Customs procedures that provide for the expedited release of shipments, while maintaining appropriate Customs controls, based on the WCO Immediate Release Guidelines, including the use of reduced data requirements for specified flows of goods, by taking into account the categorization of shipments provided in the Guidelines;
- iv. Carry out data processing and other formalities before arrival, with the aim to expedite the release of all low-risk shipments on arrival;

- v. Coordinate release among all relevant border agencies through a Single Window environment;
- vi. Set out simplified return/refund procedures, such as :
 - Control of return shipments by reconciling the inbound with the outbound shipment and granting duty exemption on re-importation;
 - Post-submission of supplementary documents (proof such as export declaration and/or proof of order cancellation);
 - Electronic drawback/refund system based on consistent data requirements and efficient reconciliation between the imported and the returned shipment (if/when taxes and duties have already been paid), including allowing authorized intermediaries to apply for drawback/refund on behalf of customers;
- vii. Enhance data submission, exchange, processing, and release through a Single Window paperless environment;
- viii. Revise existing formalities and/or adopt new procedures, as appropriate, concerning item level data reporting, taking into account existing and evolving E-Commerce business models, as well as considering the needs of MSMEs and individual buyers (consumers) and sellers;
- ix. Strengthen partnerships with E-Commerce vendors/platforms, for example by including them in Authorized Economic Operator (AEO) programmes and Mutual Recognition Arrangements/Agreements (MRAs) or other commodity-driven facilitation measures.

PRINCIPLE III - Safety and Security

- i. Develop and apply risk profiles that identify high-risk shipments that pose safety and security risks in E-Commerce channels, noting that security and safety risk factors are not perceived equally in all States. Once safety threat indicators (e.g., dangerous goods, strategic trade control goods) are defined, this would allow sharing between Customs authorities where appropriate and to the extent that administrations are able to improve their risk-analysis processes and indicators;
- ii. Improve Customs-E-Commerce operators cooperation : Customs administrations and E-Commerce operators should continue to work in partnership supporting risk management;
- iii. Develop and exploit IT capability that identifies illicit trade channels (e.g., dark web) to understand its impact on legitimate E-Commerce channels and take appropriate countermeasures;
- iv. Use various WCO tools to support profiling and risk assessment;
- v. Leverage WCO regional structures and trade associations to help filter and collect best practices and ensure practices are organized effectively to make them useful and accessible.

PRINCIPLE IV - Revenue Collection

- i. Capture relevant and reliable data as early as possible before the importation, as this will facilitate identification of the nature of the goods and their value, thus permitting accurate and efficient revenue collection;
- ii. Apply, as appropriate, alternative models of revenue collection (e.g., vendor collection, intermediary collection, and consumer collection) using IT solutions and test them through pilot projects or other means. The Models should be effective, scalable, and flexible, and promote a level playing field;
- iii. Define the roles and responsibilities of e-vendors/platforms and intermediaries in the supply chain concerning revenue collection and authorize them accordingly;
- iv. Review/adjust, following a comprehensive analysis, for example through a study, *de minimis* thresholds, as appropriate, based on but not limited to the following considerations:
 - o National specificities, economic environment, and geographical context,
 - o Simplified revenue collection models,
 - o Cost of intervention and duty collection,
 - o Compliance costs,
 - o Revenue concerns,
 - o Needs of Customs supervision,
 - o Potential distortionary impact on domestic retailers and producers,
 - o Fair, transparent, consistent application.

PRINCIPLE V - Measurement and Analysis

- i. Establish a set of common terminologies and reliable mechanisms to accurately measure and analyse cross-border E-Commerce in close cooperation with international organizations such as the WTO, UNSD, OECD, UNCTAD, UPU, ICAO, WEF, World Bank Group, as well as with national statistical organizations and E-Commerce stakeholders;
- ii. Use Data Analytics (including “Big Data” modules) and the existing capabilities of international organizations, e-vendors/e-platforms, and other stakeholders, with a view to generating trends and analysis for evidence-based decision making to support the implementation of the Guiding Principles and the efficient and sustainable growth of cross-border E-Commerce;
- iii. Establish mechanisms, including supporting legal framework, to capture data at item level to facilitate the development of E-Commerce trade statistics, while implementing simplified clearance processes, for example the consolidated simplified summary declaration.

PRINCIPLE VI - Partnerships

- i. Develop and enhance coordination and partnerships between relevant stakeholders (including Customs, other government agencies, e-vendors/e-platforms, logistics service providers, international organizations, academia, trade associations, non-governmental organizations, social media, financial intermediaries, postal operators, express service providers, individual buyers (consumers) and sellers). This could include

more formal arrangements such as Memoranda of Understanding and Trusted Trader Programmes.

PRINCIPLE VII - Public Awareness, Outreach and Capacity Building

- i. Publish in an open and transparent manner all appropriate regulatory, policy, and procedural information including best practices concerning cross-border E-Commerce;
- ii. Raise public awareness and outreach to address issues such as compliance with Customs and other regulatory requirements, as well as potential threats to safety (including product safety) and security in the E-Commerce supply chain. Administrations and stakeholders should strive to raise awareness on goods presenting a safety issue in accordance with national safety regulations, by making information available at a single access point on their websites in order to educate all stakeholders on safety requirements;
- iii. Use all possible means, such as website, mass media, and social media, to share and disseminate related information with stakeholders. Customs should also encourage other partners (such as e-vendors/e-platforms, Post, express carriers) to further disseminate this information through their own platforms;
- iv. Develop a communication strategy for engaging with other agencies/organizations and relevant stakeholders to ensure regular and consistent messaging on opportunities and challenges presented by E-Commerce;
- v. Build capacities including bridging the digital divide through technical assistance, training, and education, integrating the experience of various stakeholders to keep up with rapidly evolving E-Commerce. Some examples include online training and international events which leverage the first-hand experiences of frontline officers and operators.

PRINCIPLE VIII - Legislative Frameworks

- i. Enable harmonized legislative frameworks, as appropriate, by leveraging existing tools/instruments in addressing security and facilitation challenges, such as the WCO Revised Kyoto Convention (RKC), the WTO Agreement on Trade Facilitation (TFA), the WCO SAFE Framework of Standards, Annexes 9 and 17 of the ICAO Chicago Convention, and the UPU Convention (Article 8) and Security Standards (S58 and S59);
- ii. Review and, where required, make changes/adjustments to procedures and practices by leveraging best practices in order to ensure a level playing field for all economic operators, to the extent possible.

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Eleventh WTO Ministerial Conference, Buenos Aires, 10-13 December 2017
Draft Communication from the International Customs Community
on Cross-Border E-Commerce

The growing trade in electronic commerce (E-Commerce) has generated enormous opportunities for the global economy, providing new growth engines, developing new trade modes, driving new consumption trends and creating new jobs. The unprecedented growth in E-Commerce has revolutionized the way businesses and consumers market, sell, and purchase goods, providing wider choices, advanced shipping, payment, and delivery options. It has also opened up global economic opportunities to micro, small and medium enterprises (MSMEs) in terms of wider access to overseas markets by lowering entry barriers, thus leading to an inclusive and robust globalized trade. At the same time, E-Commerce, in particular Business-to-Consumer (B2C) and Consumer-to-Consumer (C2C) transactions, is posing several challenges to governments and businesses alike.

This fast evolving trading environment requires a comprehensive and well-considered response from all stakeholders, including Customs authorities, to address increasing concerns regarding the unprecedented growth in volumes, lack of global standards and guidelines, and increasing border risks. To this end, the World Customs Organization (WCO)¹ established a Working Group on E-Commerce (WGEC) comprising representatives from governments, the private sector, international organizations, E-Commerce operators/intermediaries, and academia to discuss opportunities and challenges presented by E-Commerce and develop collaborative solutions for addressing current and emerging challenges more effectively and efficiently. It is important to be innovative, inclusive, prudential and collaborative in order to leverage opportunities brought by E-Commerce.

Working closely with the private sector and stakeholders over the last 15 months, the WCO has explored in detail the key drivers of E-Commerce, examined existing business models and considered current and likely future trends based on extensive research and consultation. It has been developing Standards, guidelines and recommendations to facilitate cross-border E-Commerce in a way that meets the needs of industry, consumers and regulatory agencies alike.

On the occasion of the Eleventh WTO Ministerial Conference in Buenos Aires, the international Customs community :

Reaffirms that it is committed to facilitating the legitimate cross-border E-Commerce, acknowledging that the digital transformation of the economy is one of the key drivers in the global trade environment.

Notes that E-Commerce is providing unparalleled opportunities to businesses, in particular Micro, Small and Medium Enterprises (MSMEs), to connect with global value chains.

Understands that E-Commerce dynamically supports the economic growth and competitiveness of nations.

¹ The World Customs Organization is the only inter-governmental organization with competence in Customs matters and is the voice of the international Customs community. Its Members cover more than 98 % of world trade.

Acknowledges that exponential growth in E-Commerce, in particular phenomenal growth in low-value and small B2C and C2C transactions and an increased role of consumers in individual transactions, is presenting several challenges to governments and businesses alike, in terms of trade facilitation, safety and security, society protection, and accurate and efficient collection of duties and taxes.

Recognizes that current mechanisms do not adequately capture data on cross-border E-Commerce flows.

Takes into consideration the WCO Revised Kyoto Convention (RKC), the WTO Agreement on Trade Facilitation (TFA), the WCO SAFE Framework of Standards (SAFE FoS), Annexes 9 and 17 of the ICAO Chicago Convention, the UPU Convention (specifically Article 8) and Security Standards (S58 and S59) and other relevant international standards.

Aims to adapt, embrace and leverage opportunities presented by E-Commerce, and find solutions collaboratively between government and business stakeholders to challenges using modern technologies to facilitate legitimate trade, in particular for MSMEs.

Appreciates the ongoing cooperation and coordination between the WCO, the WTO and all relevant stakeholders at international, regional and national levels in developing and implementing simplified solutions relating to facilitation and control (where needed) of growing E-Commerce.

Emphasizes the importance of a harmonized approach to E-Commerce in close coordination with other international organizations and the private sector, at international, regional and national levels, that provides flexibility and customization for future developments and emerging business models to deliver common standards and guidelines to address challenges relating to certain high-risk consignments, whilst facilitating legitimate E-Commerce flows.

Encourages WTO Members to continue working constructively in addressing some of the E-Commerce/Digital Trade issues.

Commits to adopt an E-Commerce framework of standards based on the following key principles :

Principle I - Advance Electronic Data and Risk Management

Frameworks are established that support the timely and accurate exchange of advance electronic data between Customs and E-Commerce operators for effective risk management and Customs control.

Principle II - Facilitation and Simplification

Simplified clearance procedures, as appropriate, are adopted for dealing with the increasing volumes of low-value and small shipments/parcels.

Principle III - Safety and Security

Government and industry should work collaboratively to use technology, intelligence, non-intrusive intervention methodology, and risk profiling based on advance electronic data (pre-loading/pre-arrival), to identify and intercept high-risk shipments.

Principle IV - Revenue Collection

Advance relevant and reliable electronic data from E-Commerce operators and alternative models of revenue collection should be adopted to facilitate accurate and efficient revenue collection with minimum intervention (streamlined and automated), while at the same time applying appropriate Customs controls to identify and prevent fraud.

Principle V - Measurement and Analysis

Reliable mechanisms should be established to accurately measure and analyse cross-border E-Commerce in close cooperation with international organizations and private sector stakeholders to facilitate trade statistical analysis that informs policy, supports risk management and contributes to the rapid clearance of legitimate trade.

Principle VI - Partnerships

All stakeholders should work in partnership to develop business solutions that meet individual and collective needs of all actors in the supply chain.

Principle VII - Public Awareness, Outreach and Capacity Building

Awareness and outreach programmes, together with appropriate capacity building mechanisms, should be in place to ensure that all stakeholders understand their obligations regarding compliance with Customs and other regulatory requirements.

Principle VIII - Legislative Frameworks

National legislation should be adjusted/adapted, as appropriate, that complements related international instruments, conventions, agreements, and WCO tools and guidelines, in order to facilitate cross-border E-Commerce, collect revenue payable and protect society, while ensuring a more level playing field for all economic operators, to the extent possible.

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