



Permanent Technical Committee  
- HYBRID MEETING -  
-  
235<sup>th</sup>/236<sup>th</sup> Sessions  
-  
25 – 29 April 2022

PC0692Ea

Brussels, 10 March 2022.

## **E-COMMERCE**

### **Periodic review of the E-Commerce Package**

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

#### **SUMMARY**

##### **Purpose of document**

The purpose of this document is to report on the progress of work in the framework of the first four-year periodic review of the WCO Framework of Standards on Cross-Border E-Commerce (E-Commerce FoS) and Technical Specifications to the FoS, and to provide considerations for PTC's guidance on the way forward.

##### **Action required of the Permanent Technical Committee**

The Permanent Technical Committee is invited to:

- take note of the progress made;
- discuss the proposals for amendment of the E-Commerce FoS and Technical Specifications to the FoS that have been referred by the informal ad hoc meetings to the PTC for guidance and decision;
- endorse, as living documents, the revised versions of the E-Commerce FoS and Technical Specifications to the FoS resulting from the first periodic review of the Framework;
- identify at least two annexes to be subject to an annual review in Financial Year 2022-2023; and
- provide guidance on the way forward.

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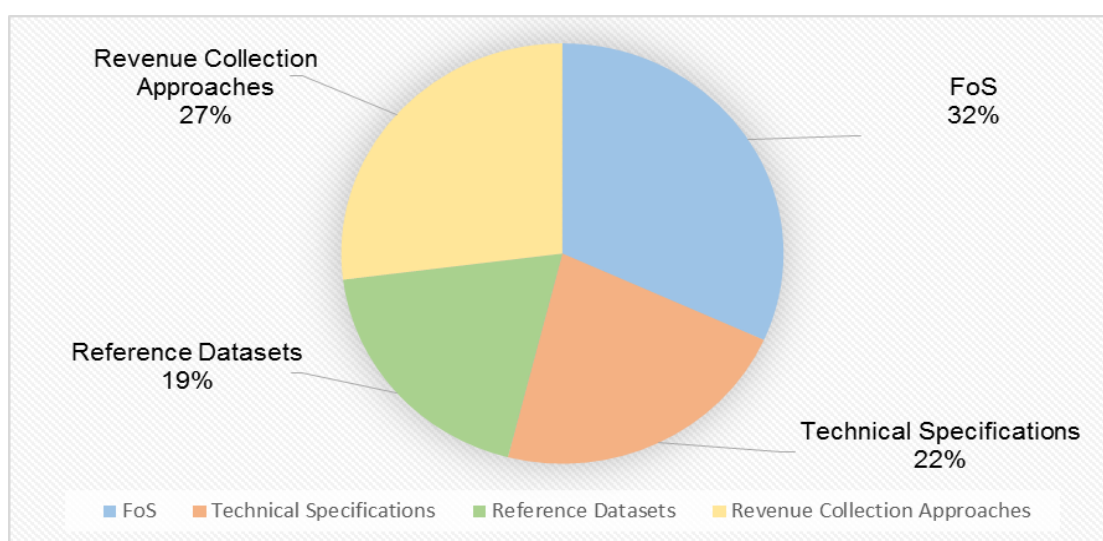
## I. Introduction

1. At its June 2018 Sessions, the Council approved the Framework of Standards on Cross-Border E-Commerce (hereafter “E-Commerce FoS”) and the accompanying Council Resolution. Subsequently, in June 2019 and December 2020, the Council approved a number of tools that support an effective and harmonized implementation of the E-Commerce FoS, among which the Technical Specifications (TS) to the E-Commerce FoS.
  2. When they were first submitted to the Council for approval in June 2019, the TS to the E-Commerce FoS were devised to include a body and six annexes: 1) E-Commerce Business Models; 2) Reference Datasets for Cross-Border E-Commerce; 3) E-Commerce Flow Charts, as examples; 4) Return Flow Chart, as an example; 5) Revenue Collection Approaches; and 6) E-Commerce Stakeholders: Roles and Responsibilities. As three of those annexes (Reference Datasets for Cross-Border E-Commerce; Revenue Collection Approaches; and E-Commerce Stakeholders: Roles and Responsibilities) did not receive the Council approval in 2019, the TS and the approved annexes were uploaded as separate documents on the WCO web-site.
  3. In addition to the E-Commerce FoS, the TS and the documents designed as annexes thereto, the Council approved documents containing Definitions; Implementation Strategy, Action Plan and Capacity Building Mechanism; and two templates for collecting Members’ case studies, as well as took note of key performance indicators (KPIs) for possible monitoring and evaluation of the E-Commerce FoS implementation. In December 2020 and June 2021 respectively, the Council endorsed the 1<sup>st</sup> and 2<sup>nd</sup> editions of a Compendium of Case Studies on E-Commerce. The WCO E-Commerce Package can be consulted via the following link: <http://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/frameworks-of-standards/ecommerce.aspx>.
  4. Moreover, in December 2020, the Council approved the E-Commerce FoS update/maintenance mechanism and took note of a broad capacity building action plan for e-commerce and the finalization by the Permanent Technical Committee (PTC) of the above-referred KPIs.
  5. Taking into account that e-commerce is a dynamically evolving environment and aiming to ensure that the WCO tools in the area of e-commerce remain up-to-date and relevant to the needs of all stakeholders, the E-Commerce FoS update/maintenance mechanism, approved by the PTC in June 2020 and by the Council in December 2020, specifies a two-tier review mechanism that includes an annual review of at least two documents/annexes and a four-year periodic review of the entire Framework. As per the update/maintenance mechanism, the review should be discussed and conducted mainly during the PTC meetings together with necessary intersessional work.
  6. The first annual review of the documents on Reference Datasets for Cross-Border E-Commerce and Revenue Collection Approaches was carried out by the PTC in the first half of 2021. The PTC considered proposals submitted by Members, international organizations and the private sector, and concluded that the two documents did not need to be revised at that stage. The proposals submitted in the context of the first annual review were carried forward for consideration as part of the first four-year periodic review of the entire Framework. The PTC also decided to combine financial year 2021/2022 annual review with the first four-year periodic review of the Framework.
  7. The first four-year periodic review of the entire Framework was launched on 27 January 2021 when the WCO Secretary General invited the WCO Membership, the members of the Private Sector Consultative Group (PSCG) and other observers,
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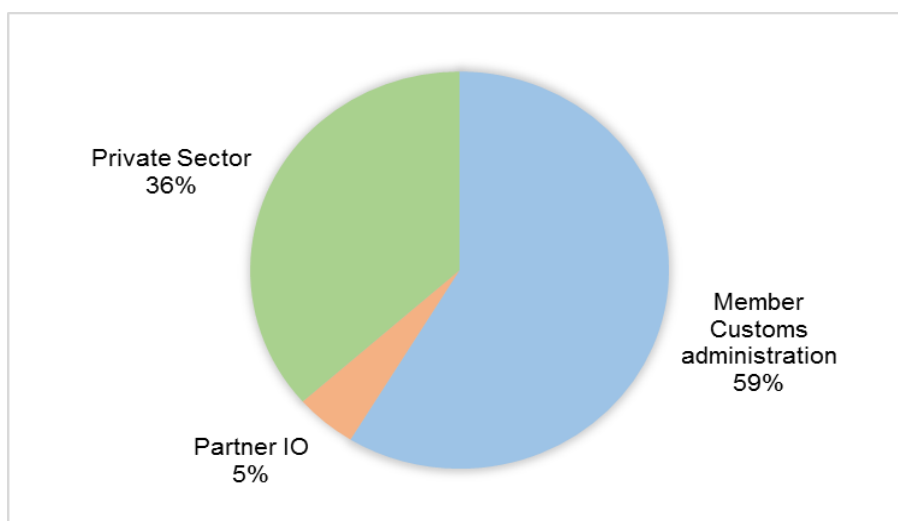
including e-commerce stakeholders, to submit proposals for the periodic review of the Framework. It should be noted that, in practice, the duration of the first periodic review is 18 months due to the PTC decision to consider June 2018 as the start of the review cycles, but to launch the first four-year periodic review after approval of the three outstanding annexes. As this approval was granted by the Council in December 2020, the first periodic review was launched in January 2021 and is due to be completed in June 2022.

8. Details about the proposals compiled by the Secretariat in the context of the first periodic review were presented to the 233<sup>rd</sup>/234<sup>th</sup> PTC Sessions in October 2021 (doc. PC0674). The following charts illustrate the breakdown of the 63 compiled proposals according to the document to which the proposals refer and according to type of proponent (Member, other international organization (IO) or private sector).

**Figure 1: Breakdown of proposals according to the document to which the proposal is made**



**Figure 2: Breakdown of proposals per type of proponent**



9. It should be noted that some of the 63 proposals were inter-related, i.e. proposals pertaining to certain Standards of the FoS were related to proposals to the technical specifications for those particular Standards. As can be seen from figure 1, proposals were submitted to four out of the eleven documents outlined in paragraphs 1 to 3 above (the latter number does not include the case study templates and the

Compendium of Case Studies). During the informal virtual ad hoc meetings held to discuss the review proposals, the documents on Definitions and E-Commerce Business Models were also considered for possible revision. Further details are provided in Section II of the present document. On the other hand, figure 2 shows the considerable interest of the private sector in contributing to the maintenance of the E-Commerce FoS.

10. None of the 63 proposals required a major amendment of the E-Commerce FoS and associated documents. This fact confirmed the relevance of the key principles on which the FoS is based. A number of proposals highlighted the importance of the quality of the advance electronic data that is submitted to Customs. Other proposals confirmed the challenges Members are facing when it comes to illicit trade and efficient revenue collection in the e-commerce environment, and highlighted the importance of applying advanced risk management techniques and leveraging on the tools that the WCO offers to its Members, such as the Customs Enforcement Network (CEN). A number of proposals highlighted the importance of interoperability of technological solutions being deployed.

## **II. Intersessional progress**

11. On 1 September 2021, the WCO Director for Compliance and Facilitation wrote to the WCO Membership, the PSCG members and other observers, including e-commerce stakeholders, to invite them to nominate participants that would take part in informal ad hoc meetings aimed at discussing the 63 proposals compiled in the context of the first periodic review of the E-Commerce FoS. As a result, as of 27 January 2022, the Secretariat had received 109 nominations for participation coming from 38 entities, among which 32 Member Customs administrations, private sector entities (such as the International Chamber of Commerce (ICC), the Global Express Association (GEA) and the International Federation of Freight Forwarders Associations (FIATA)), international organizations (such as the Universal Postal Union (UPU)), and other observers (such as the Eurasian Economic Commission (EEC) and the Inter-American Development Bank (IADB)).
12. From September 2021 to February 2022, the Secretariat organized three series of informal virtual ad hoc meetings, providing more than 14 hours of meeting time in total for discussion of the review proposals. In addition to the participants nominated by Members and observers, the Secretariat invited also the proponents of the review proposals. Moreover, the Secretariat sent invitations for all three series of ad hoc meetings to a number of e-commerce platforms (Alibaba, Amazon, eBay, Rakuten and Mercado Libre). However, the involvement of e-commerce platforms in the review process was very limited. The first series of ad hoc meetings was moderated by the Secretariat, while the other two were moderated by a representative of the Canada Border Services Agency (CBSA).
13. In addition to the three series of ad hoc meetings, the review work was pursued also through a dedicated group on the WCO CLiKC! platform, in which all nominated participants and proponents with an active CLiKC! account were enrolled. The dedicated CLiKC! group (<https://clikc.wcoomd.org/course/view.php?id=1350#section-0>) features a discussion forum and a file repository, whereas the file repository contains the full documentation of the review, including the reports of the three series of ad hoc meetings. At this point the Secretariat will not be enrolling additional participants in the dedicated CLiKC! group. However, PTC delegates that are not part of that group, but would like to review the reports of the ad hoc meetings, available in both English and French, are invited to write to [e-commerce@wcoomd.org](mailto:e-commerce@wcoomd.org). Preliminary comments, questions or concerns can also be sent to the above e-mail address.

14. The review process included four steps. In step 1, each of the 63 proposals was discussed during one of the ad hoc meetings, where an opportunity was provided for the proposal proponent to present the proposal and to provide clarifications, as required. A few proposals were either withdrawn by the respective proponent or not retained due to the non-availability of the proponent to provide clarifications or additional information. Fifteen proposals (five to the Reference Datasets document and ten to the Revenue Collection Approaches document) were considered to be comments/statements rather than amendment proposals and, as such, not requiring any further action. A few proposals were rejected already at step 1. For the rest of the proposals, the ad hoc meetings formulated recommendations as to how to address the proposal further in the review process.
15. In step 2 of the review process, texts were drafted for amendment of the respective parts of the FoS, TS and the document on Revenue Collection Approaches. The work between the series of ad hoc meetings was organised in nine small groups on the CLiKC! platform, each of those dedicated to a specific topic, such as data quality and advance electronic data, risk management, advanced technologies, revenue collection, etc. The first drafts of the amended texts were developed either by the Secretariat, by Members or, in some cases, by observers. The discussion forum in the dedicated CLiKC! group provided an opportunity for Members and observers alike to provide comments and suggestions with regard to the texts for amendment of the E-Commerce FoS and associated documents.
16. In step 3 of the review process, the input received through CLiKC! or through the ad hoc meetings was incorporated in the next version of the texts for amendment of the E-Commerce FoS and associated documents. In step 4, the revised texts for amendment of the FoS and associated documents were discussed in the ad hoc meeting held on 3 February 2022.
17. As a result, nine amendments are proposed to the E-Commerce FoS and associated documents as outlined in Annexes I and II to the present document. For the majority of these proposed amendments, consensus was achieved in the ad hoc meetings. However, four proposed amendments, require discussion and decision by the PTC. These are identical amendments 4 and 12, and amendments 13, 17 and 18. The decision whether to have a new standard on data quality (as per amendments 4 and 12) will impact other proposed amendments, such as renumbering of the standards, and moving or deleting parts of the old technical specifications related to data quality.
18. The proposed amendments are not done in track changes in the Annexes to the present document. The amendments for which consensus has been achieved are inserted in green font colour and the amendments requiring discussion and decision by the PTC are inserted in red font colour. The number and short description of each amendment are highlighted in yellow. Formatting changes, such as having all Standards in bold and italic, etc., have not been marked as proposed amendments. The table below provides a summary of the proposed amendments, as well as the considerations the PTC needs to take into account when discussing the four proposals that did not obtain consensus in the ad hoc meetings.

| Amendment No | Annex to the PTC doc. | Page No             | Short description and considerations brought to the attention of the PTC  |
|--------------|-----------------------|---------------------|---|
| 1            | I                     | p. 2                | <u>Short description:</u><br>Update of the date on the cover page of the FoS from June 2018 to June 2022  |
| 2            | I                     | p. 3-4              | <u>Short description:</u><br>Update of the Foreword by the Secretary General<br>Does not require endorsement by the PTC   |
| 3            | I                     | p. 7                | <u>Short description:</u><br>Minor changes to the Introduction part of the FoS  |
| 4            | I                     | p. 12               | <b>This is the first proposed amendment that requires discussion and decision by the PTC.</b><br>Identical to amendment 12 in the TS.<br>Proponent of the original proposal: Australia<br><u>Short description:</u><br>The proposal is for insertion of a new Standard (Standard 3) on Data Quality.<br><u>Considerations to be taken into account:</u><br>While data quality is of paramount importance, it is not specific to e-commerce. The idea of the FoS and the TS is considered to be not to address issues that are issues of general concern to Customs. Having technical specifications on data quality under Standard 2 is ok, but adding a specific standard on data quality would bring some imbalance in the FoS. There is already a WCO Recommendation on data quality. There is a footnote with the link to that Recommendation in the TS.<br><b>The proposal to add a new standard on data quality is being referred to the PTC for a decision whether to have such a standard or not.</b> |
| 5            | I                     | 12-16               | Identical to amendment 14 in the TS.<br>Interlinked with amendments 4 and 12.<br><u>Short description:</u><br>Renumbering of the rest of the standards due to the insertion of a new Standard 3   |
| 6            | I                     | 12                  | Identical to amendment 15 in the TS.<br><u>Short description:</u><br>Changes to the wording of the former Standard 3, now Standard 4 - <i>Risk Management for Facilitation and Control</i>  |
| 7            | I                     | 16                  | Identical to amendment 23 in the TS.<br><u>Short description:</u><br>Changes to the wording of the title of the former Standard 15, now Standard 16 - <i>Explore and Leverage Technological Developments and Innovation</i>   |
| 8            | II                    | 1                   | <u>Short description:</u><br>Adding a date on the cover page of the TS: June 2022   |
| 9            | II                    | 2                   | Interlinked to amendment 4 and 12.<br><u>Short description:</u><br>Moving a paragraph from section 2.1.1 <i>Regulated Data Set</i> to the technical specifications for the new standard on data quality   |
| 10           | II                    | 2, 9, 11, 16, 22 to | <u>Short description:</u><br>Reintroducing the annexes into the Technical   |

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|    |    | 62   | Specifications, as follows: Annex I: E-Commerce Business Models; Annex: II Reference Datasets for Cross-Border E-Commerce; Annex III: E-Commerce Flow Charts, as examples; Annex IV: Return Flow Chart, as an example; Annex V: Revenue Collection Approaches; and Annex VI: E-Commerce Stakeholders: Roles and Responsibilities   |
| 11 | II | 3  | Interlinked to amendment 4 and 12.<br><u>Short description:</u><br>Deleting section 2.2.2. of the TS, subject to the PTC endorsement of the proposal for a new standard on data quality. If that proposal is not retained, the existing specifications on data quality would need to be amended as per proposal 12.  |
| 12 | II | 4  | Identical to amendment 4 (see details above).  |
| 13 | II | 4  | <b>Part of the proposed text, i.e. last sentence, constitutes the second proposed amendment that requires discussion and decision by the PTC.</b><br>Proponent of the original proposal: Australia<br><u>Short description:</u><br>Technical specifications for the new standard on data quality.<br>The problematic sentence reads as follows: "This could include the use of public and/or voluntary sources of data, which could minimise the need for mandatory data across the E-Commerce supply chain."<br><u>Considerations to be taken into account:</u><br>The source of data is considered to be the most complex issue.<br>During the ad hoc meetings, the proponent of the original proposal (Australia) provided an example illustrating the idea behind the problematic sentence: the Australian Border Force (ABF) leverages the postal data through the UPU Customs Declaration System (CDS), which is considered to be a voluntary source of data. Concerns expressed by Members included that mandatory data cannot be replaced by voluntary data, as this would pose challenges to implementation, and that Customs might not always have the capacity to search for additional data in a wide range of data sources. The wording of the sentence was changed during the ad hoc meeting to add "could" in front of "minimise", but the wording might still not be reflective of the intent.<br><b>The PTC is invited to consider the problematic sentence and take a decision whether to keep it in the current wording, modify the wording or delete it.</b> |
| 14 | II | 4, 6, 7, 9, 10, 12, 13, 15, 16, 17, 19, 20 | Identical to amendment 5 (see details above).  |
| 15 | II | 4  | Identical to amendment 6 (see details above).  |
| 16 | II | 4  | <u>Short description:</u><br>Change in the wording of section 2.3.1 - <i>Assessment of risks in a dynamic manner</i>   |

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| 17 | II | 5 | <p><b>This is the third proposed amendment that requires discussion and decision by the PTC.</b><br/> Proponent of the original proposal: GS1<br/> <u>Short description:</u><br/> Possible addition of a sentence on product identification.<br/> <u>Considerations to be taken into account:</u><br/> While a couple of Members recognized the usefulness of product identification numbers in the context of risk assessment, another Member was of the opinion that this is an issue of risk indicators and should be discussed in the context of the Risk Management Compendium. In the future, product identification numbers can be included as part of the reference data elements, but no specific examples of risk indicators should be provided in the TS.<br/> <b>The PTC is invited to consider the addition of a sentence on product identification and take a decision whether to keep it in the current wording, modify the wording or delete it.</b></p>   |
| 18 | II | 8 | <p><b>This is the fourth proposed amendment that requires discussion and decision by the PTC.</b><br/> Proponent of the original proposal: FIATA<br/> <u>Short description:</u><br/> Possible addition of a sentence on consultation with the private sector and other relevant government agencies.<br/> <u>Considerations to be taken into account:</u><br/> As a result of the discussions in the February 2022 ad hoc meeting, the Secretariat was tasked with checking whether the proposed sentence does not duplicate other parts of the TS.<br/> The Secretariat checked whether the proposed addition would duplicate specifications from other sections of the TS. The TS prescribe consultation with the private sector in section 10.1.1 <i>Cooperation partnerships</i> (consultation with relevant parties to determine incentives for the voluntary submission of additional data), and section 16.1.1 with regard to Standard 15 (consultation and cooperation with relevant E-Commerce stakeholders to identify and explore emerging technologies and innovative solutions). The TS also contain various provisions on the cooperation with e-commerce stakeholders with regard to the submission of data, the sharing of information with e-commerce stakeholders, and the improvement of the detection architecture. There is no provision in the TS on consultation with the private sector and other government agencies with regard to defining simplified clearance procedures. Such provisions exist in the Revised Kyoto Convention (RKC) (Standard 1.3 and Standard 9.2 of the General Annex (GA) and the Guidelines to Chapters 1 and 9 of the GA), the Transparency and Predictability Guidelines, the Customs-Business Partnership Guidance and the Model Business Lens Checklist for Small and Medium Sized Enterprises (SMEs).<br/> <b>The PTC is invited to consider whether to retain the proposed addition, modify the wording or delete it.</b></p> |



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|    |    |    | <b>The PTC may also decide to make an addition in this sense to another section of the TS.</b>   |
| 19 | II | 8  | <u>Short description:</u><br>1 <sup>st</sup> change in the wording of section 4.1.3  |
| 20 | II | 9  | <u>Short description:</u><br>2 <sup>nd</sup> change in the wording of section 4.1.3  |
| 21 | II | 18 | <u>Short description:</u><br>Change in the wording of section 12.1.2 to add “consumer campaigns”   |
| 22 | II | 19 | <u>Short description:</u><br>Adding a sentence on MSMEs  |
| 23 | II | 20 | Identical to amendment 7 (see details above).  |
| 24 | II | 20 | <u>Short description:</u><br>Adding “revenue collection” to the text in section 16.1.1   |
| 25 | II | 20 | <u>Short description:</u><br>Amendments to the first sentence of the second paragraph of section 16.1.1  |
| 26 | II | 20 | <u>Short description:</u><br>Adding a sentence on interoperability of technological solutions at the end of paragraph 16.1.1                                 |
| 27 | II | 33 | <u>Short description:</u><br>Adding information on the EU datasets for cross-border e-commerce in the Annex on Reference Dataset for Cross-Border E-Commerce |
| 28 | II | 53 | <u>Short description:</u><br>Adding a sentence at the end of paragraph 1.8 of the Annex on Revenue Collection Approaches                                     |
| 29 | II | 55 | <u>Short description:</u><br>Updating the link at the end of the Annex on Revenue Collection Approaches  |

19. It should be noted that one of the original review proposals referred to an emerging business model (drop shipping). After discussing the proposal, the respective ad hoc meeting recommended that the proposal should be considered in the context of amending the document on E-Commerce Business Models. Extensive discussions on the proposal were held in the dedicated CLiKC! group. The ad hoc meeting held on 3 February 2022 invited the proponent (Sri Lanka) to propose specific texts for the amendment of the Business Models document and to seek consensus by 1 March 2022 at the latest.
20. On 16 February 2022, Sri Lanka Customs posted in CLiKC! a proposal for a revised version of the E-Commerce Business Models document. The text proposed by Sri Lanka describes seven business models, namely 1) direct to consumer; 2) drop shipping; 3) white labelling; 4) private labelling; 5) wholesaling and warehousing; 6) subscription service; and 7) on-demand manufacturing (print on demand). The business models described in the original version of the document, namely 1) self-run model, 2) e-platform/marketplace model, and 3) hybrid model are considered by Sri Lanka Customs to be e-commerce operating models. By 1 March 2022 no confirmation for the proposed text was obtained by the other nominated participants and proponents. Hence the proposal is not included for consideration by the PTC as part of the outcome of the first periodic review.

### III. Way forward

21. Subject to the respective decisions and endorsement by the PTC, the revised E-Commerce FoS and TS will be submitted to the June 2022 Policy Commission and Council for approval.
22. 1 July 2022 will mark the beginning of a new review cycle, entailing both an annual review of at least two documents/annexes, and a new four-year periodic review of the entire Framework due to be completed in June 2026.
23. For the purposes of the launch of the next annual review, the PTC needs to identify at least two documents/annexes to be subject to the annual review. The options are the annexes to the TS, namely: 1) E-Commerce Business Models; 2) Reference Datasets for Cross-Border E-Commerce; 3) E-Commerce Flow Charts, as examples; 4) Return Flow Chart, as an example; 5) Revenue Collection Approaches; and 6) E-Commerce Stakeholders: Roles and Responsibilities, as well as the Definitions; the Implementation Strategy, Action Plan and Capacity Building Mechanism; and the KPI for possible monitoring and evaluation of the E-Commerce FoS implementation. Based on the information outlined in paragraphs 19 and 20 above, it might be feasible to identify the E-Commerce Business Models document as one of the documents to be subject to the 2022/2023 annual review.
24. Post-June 2022, the Secretariat will launch also the second four-year periodic review. Members and observers will be invited to assess their implementation of the FoS and the major challenges they face and make well-considered suggestions. A second call for proposals might be launched half-way through the review cycle, i.e. in mid-2024.
25. During the February 2022 Munich Security Conference, the WCO Secretary General pointed out that the WCO-coordinated enforcement operations have demonstrated that e-commerce has become one of the major conduits for illicit trade. Therefore, it has become essential to obtain access to good quality data for risk management purposes, using digital technology in a paperless trade environment. Like in the case of traditional containerized trade, where there is an established data flow from the trade community to Customs, there is also a need for Customs to enhance cooperation with the e-commerce operators, including e-commerce platforms. The development of Public-Private Partnerships with e-commerce actors for the purpose of data sharing, in addition to the ongoing cooperation with other law enforcement agencies to identify high-risk packages, has been considered a matter of urgency.
26. In this context, the PTC is also invited to consider and provide guidance on the way forward, including the possibility of pursuing a global agreement obligating e-commerce platforms to share data with Customs or of defining a standard of data that needs to be provided automatically by e-commerce platforms to Customs.

**IV. Action required**

27. The PTC is invited to :

- take note of the progress made in the framework of the first four-year periodic review of the WCO E-Commerce FoS and Technical Specifications to the FoS;
- discuss the proposals for amendment of the E-Commerce FoS and Technical Specifications to the FoS that have been referred by the informal ad hoc meetings to the PTC for guidance and decision;
- endorse, as a living documents, the revised versions of the E-Commerce FoS and Technical Specifications to the FoS, as outlined in Annexes I and II hereto and resulting from the first periodic review of the Framework;
- identify at least two annexes to be subject to an annual review in Financial Year 2022-2023; and
- provide guidance on the way forward.

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