

14th Economic Forum, Part II
“Transportation in the OSCE area: Secure transportation
networks and transport development to enhance regional
economic co-operation and stability”
Prague, 22- 24 May 2006

EF.IO/22/06
22 May 2006

ENGLISH only

Plenary Session II
Mr. Michael Schmitz, Director, Compliance and Facilitation,
WCO



**WCO SAFE Framework of Standards
Security and Facilitation in a Global Environment**

Remarks by
Michael Schmitz
Director Compliance & Facilitation
World Customs Organization

Global Conference on Customs-Trade Security,
Prague, Czech Republic
Organization for Security and Co-operation in Europe (OSCE)
24 May 2006.

Distinguished delegates, it is a pleasure to be here in Prague with the (OSCE), to address you on the status of the World Customs Organization (WCO) SAFE Framework of Standards for Security and Facilitation in a Global Environment.

In today's world of a globalized economic community, nations seek from their Customs services security, both economic and physical, while international traders are looking for uniformity, predictability, transparency and efficiency in their dealings with Customs. The WCO, therefore, finds itself largely in the business of globalizing and to the extent possible standardizing Customs enforcement efforts to improve both the security and facilitation of the global supply chain. Our most visible effort to this end is the SAFE Framework of Standards. The WCO Framework is the pre-eminent global supply chain security initiative, developed at the WCO by the international trade community and WCO Member Customs administrations, to ensure and facilitate the global supply chain. The WCO sincerely appreciates the strong support the OSCE has given the SAFE Framework of Standards.

BACKGROUND :

After 9/11, the stark recognition of the terrorist threat to the security of the international trade supply chain lead the United States and others to seek the assistance of the World Customs Organization (WCO) in securing the global supply chain.

The WCO responded and in June 2002, a WCO Council Resolution established a Joint Customs/Industry Task Force on Security and Facilitation of the Global Supply Chain.

The Joint Custom/Industry Task Force produced recommendations and guidelines on :

- Integrated Supply Chain Management
- A revised Data Model containing 27 essential data elements
- The development of a Unique Consignment Reference (UCR) policy

The WCO Council endorsed the work of the Joint Customs/Industry Task Force in June 2004.

The WCO Council by a Resolution in June 2004 formed the WCO High Level Strategic Group (HLSG) to take forward the work of the WCO Joint Custom/Industry Task Force on Security and Facilitation.

The HLSG was directed to establish “standards” based on the work of the WCO Joint Customs/Industry Task Force, the Revised Kyoto Convention and other WCO instruments and initiatives.

The HLSG produced what is now called the SAFE Framework of Standards for Security and Facilitation in a Global Environment. The SAFE Framework of Standards was unanimously adopted by the WCO Council in June 2005. The theory underlying the WCO SAFE Framework is that appropriate, focused and layered trade security measures will actually facilitate the movement of legitimate trade across national boundaries. The SAFE Framework of Standards is the realization of the fact that security and facilitation are inextricably intertwined or as Michel Danet, Secretary General of the WCO, would say “different sides of the same coin”.

The SAFE Framework of Standards has four core elements :

- Advance electronic manifest information
- Consistent risk management approach
- Outbound Inspection of high risk cargo using non-intrusive detection equipment
- Enhanced trade facilitation for legitimate trade that meets certain security standards.

The SAFE Framework of Standards has two pillars :

- Customs-to-Customs network arrangements
- Customs-to-Business partnerships

The SAFE Framework of Standards :

- Gives equal importance to revenue collection, trade facilitation and security
- Incorporates modern Customs principles like the Revised Kyoto Convention and the Recommendations and Guidelines produced by the Joint Customs/Industry Task Force on Security and Facilitation

The SAFE Framework of Standards is a comprehensive instrument that covers all areas of Customs control and provides a new and consolidated platform that will enhance world trade, ensure better security against terrorism and increase the contribution of Customs and its trade partners to the economic and social well-being of nations.

The SAFE Framework is a concept that moves Customs focus from importation to exportation for security purposes. However, by focusing on the exportation of goods Customs will actually increase facilitation of legitimate trade upon importation. The concept is to identify high risk shipments early in the global supply chain, i.e. at or before exportation, to allow for appropriate and timely control of high risk cargo and the more rapid release of legitimate cargo upon its importation by identifying international traders that demonstrate an appropriate degree of security within their supply chain. This concept pushes security further back in the global supply chain by involving private sector AEOs who have increased security at the point of origin and exportation.

The objectives of the SAFE Framework of Standards are :

- End to end security of the international supply chain
- Certainty and predictability of Customs procedures at a global level
- Integrated supply chain management for all transport modes
- To position Customs to meet the challenges and opportunities of the 21st Century
- Closer co-operation among Customs administrations
- Stronger Customs-to-Business co-operation
- Seamless movement of goods in international trade

Benefits

- **Nations :**

- Security and facilitation of trade
- Economic growth and development
- Improved revenue collect and proper application of national laws and regulations
- Economic and social protection
- Support of foreign investment

- **Customs :**

- Exchange of accurate information in a timely manner
- Improved control of imports and exports
- Better allocation of resources
- Customs reform and integrity improvement

- **Business :**

- Secure, facilitate and promote international trade
- Standardized Customs procedures
- Authorized Economic Operators with defined benefits :
 - Reduced examination
 - Faster processing of legitimate cargo
 - Lower administrative costs
 - Lower insurance rates for cargo

The implementation of the SAFE Framework of Standards will involve building sustainable capacity in some Customs administrations. However, before capacity building can go forward in a given country a foundation of political will and a commitment to integrity must already exist at the highest levels of government :

- For the SAFE Framework of Standards to make an impact, Customs administrations in developing nations will need diagnostic services, training and technical assistance, acquisition of technology and equipment
- No one source can provide all of this modernization assistance but there must be co-operation and co-ordination among international capacity building partners and institutions
- There is a need for a coherent strategy for the implementation of assistance
- The strategy must allocate resources efficiently to avoid duplication
- Modernization projects must be sustainable

ACTIVITIES CONCERNING THE SAFE FRAMEWORK SINCE THE JUNE 2005 COUNCIL SESSIONS :

- Private Sector Consultative Group for the HLSG was approved and Terms of Reference agreed
- The Private Sector Consultative Group (PSCG) : 30 of our Business Partners who represent a broad spectrum of the world business community were selected by the WCO Secretary General in order to :
 - Raise awareness of the SAFE Framework of Standards and promulgate its implementation within the international business community;
 - Improve understanding of the issues and concerns of the private sector and to develop practical solutions to meet their needs;
 - Develop business security solutions for each mode of transport involved in the supply chain;
 - Optimize the use of technology which can contribute to supply chain security and keep pace with the development of new technologies;
 - Predict future supply chain security and facilitation issues, as well as, new Customs and business requirements.

- WCO hosted the first meeting of the PSCG on March 30-31, 2006 in Brussels
- The PSCG held its first joint session with the HLSG on April 26 - 27, 2006 in Shanghai, China.
- A revised document that supports and provides elements of detail to the SAFE Framework of Standards is in the process of finalization between the HLSG and the PSCG :
 - Authorized Economic Operator (AEO) Requirements, Conditions and Benefits.
 - Validation and Accreditation of AEO Status.
 - Mutual Recognition of AEO Status and Customs Controls.
- WCO attended the December 2005 WTO Ministerial in Hong Kong to promote the SAFE Framework as supportive of the WTO trade facilitation negotiations. According to the EU the WCO worked the margins of the Ministerial Meeting very effectively by organizing a meeting of Customs representatives from the national delegations thereby showing its commitment to and constructive relevance to the trade facilitation negotiations. The WCO will maintain its constructive engagement with the WTO on trade facilitation matters and continue to encourage WCO Members to participate in their national delegations to the WTO trade facilitation negotiations.
- The Declaration of the Ministerial Conference on International Transport Security, Tokyo Japan, January 2006, recognized and endorsed the setting of Standards and Recommended Practices by the WCO, IMO and ICAO and encouraged those international organizations to continue their close collaboration on transportation and trade security. The WCO Framework of Standards was specifically recognized as a new approach to Customs/business partnership. The Ministerial Conference also supported capacity building to improve the security of the global supply chain.
- At the East-West Institute's 3rd Annual Worldwide Security Conference in Brussels on February 21, 2006, Mr. Jose Barroso, President of the EC, endorsed the WCO SAFE Framework.
- Revised Kyoto Convention entered into force on February 3, 2006 with 46 signatories. Kyoto Management Committee met in Brussels on 6-8 March 2006 and examined the interplay between the Revised Kyoto Convention and the SAFE Framework.

THE NEXT CHALLENGE – IMPLEMENTATION :

Since the SAFE Framework of Standards is a living document and its implementation is critical to global supply chain security, the WCO will :

- Finish the work on the AEO and mutual recognition issues
- Flesh out those parts of the SAFE Framework of Standards that still need specificity

- Make sure SAFE Framework of Standards stays aligned with the Revised Kyoto Convention
- Support new technologies that enhance security and facilitation.

Capacity Building :

- As of this date, 133 of our 169 Member administrations have formally indicated to the Secretariat their intention to implement the SAFE Framework of Standards.
- The remaining 36 Members are being asked to submit formal commitment to implement the SAFE Framework of Standards
- Representation amongst our six global Customs Regions is broad:
 - South America, North America and the Caribbean – 20 Members.
 - Far East, South and Southeast Asia, Australasia and the Pacific Islands – 24 Members.
 - East and Southern Africa – 19 Members.
 - Europe – 41 Members.
 - West and Central Africa – 17 Members.
 - North Africa, Near and Middle East – 12 Members.
- The WCO's immediate strategy is to assess the need to assist in building the capacity of Members to implement the SAFE Framework of Standards under a programme called Columbus.
- 53 Members have submitted the self-assessment checklist prepared by the WCO Secretariat.
- 51 Members will get a Diagnostic evaluation by 6/07 and 14 will have been completed by June 2006.
- WCO Members representing more developed Customs administrations have volunteered to conduct additional missions to assist in the process by visiting less developed administrations to assess their capacity. 41 WCO Members will receive the Diagnostic evaluation from donor WCO Members.
- WCO Donors have created a dedicated fund to help finance assessment missions by the WCO.
- The WCO and several of its Members have had a series of meetings on capacity building with international and regional lenders and development agencies. There is general agreement to use the WCO Diagnostic Framework to assess a Customs administration's capacity to implement the SAFE Framework of Standards.

- An ambitious program is underway to train officers from the WCO and various WCO Member administrations in the methods of properly conducting meaningful in-country assessments, and 2-person teams have already begun to conduct those assessment missions. Since June 2005 the WCO has conducted 13 Training Workshops on the WCO Diagnostic Framework evaluation tools. We have trained English, French, Spanish and Russian speakers to date.

The WCO is duly proud of the SAFE Framework of Standards which has been developed and is in the initial stages of implementation. It is proud of and pleased with its membership which has broadly embraced the tenets of the program and committed to do all possible to make it work. We are also grateful to the assistance and level of commitment received from members of the business community, our partners in this effort, without whom the program could not exist. Finally, we appreciate the support of organizations like the OSCE as they add political will to the WCO's global supply chain security efforts and we are open to discuss proposals for joint projects or programs aimed at awareness raising and capacity building.