



**TRACECA: Harmonisation of
Border Crossing Procedures
Training for Customs
Working Groups
Modern Border Procedures**

- Case Studies**
- Discussion Papers**

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1.0 INTRODUCTION TO WORKING GROUP TRAINING MATERIAL

The three TRACECA Projects, that support the TRACECA Institution, need to be integrated within the Working Groups under the Chairmanship of the relevant National Secretary. Therefore, it is important, for the sustainability of the TRACECA Transport Corridor, that these Working Groups are fully informed on a variety of topics concerning Borders Transit, Tariffs and Common Legal basis of the Region.

To support these concepts the HBCP Project has prepared several Awareness Training Documents that will assist the Working Groups better understand some of the Modern Border Management concepts and practices.

The support of the National Secretaries and the Working Groups in their work is vital so the HBCP Project has prepared a series of Training Material Items. These include relevant Case Studies and Discussion Papers that will introduce aspects of Modern Border Procedures that are aligned to EU and World 'best practice'.

Some of the material has been carefully selected and reproduced, with permission, from the British International Freight Association (BIFA) and gives examples of current European Borders situations and legislation.

The Case Studies are factual examples of World, European and Regional Customs and Borders situations.

It is hoped that this Training Material will broaden the knowledge of the individual participant and the Working Group as a whole.

It is foreseen, that the Working Groups will expand their role to encompass all aspects of the three TRACECA Projects and evolve into Trade Facilitation Working Groups that will enhance trade their country and the TRACECA Corridor.

The CWG's Training Material will be augmented throughout the Project duration.

2.0 MODERN INTERNATIONAL BORDER HARMONISATION PRACTICES

2.1. CASE STUDIES

2.1.1. Integrated Border Management (IBM)

Joint Facilities between - Canada – United States of America

CONSTRUCTING THE WAY

Under the umbrella of the Accord on Our Shared Border, the objective of joint facilities is to reduce costs to both governments by exploring means of sharing facilities for border inspection services.

Over the past four years, several joint construction projects have been identified for key border crossings that were in need of replacement or major renovations. These projects will reduce the existing duplication of space and increase the use of those areas that are not normally used to their maximum capacity (such as training and meeting rooms). In addition, the new buildings will accommodate the border service agencies of both countries together under one roof or in closer proximity, thereby increasing security for the personnel and the travelling public. This will also strengthen our partnership and foster increased cooperation between Canada and the United States.

DESIGN STAGE

The design of three joint construction projects is nearing completion, with construction being the next step in the process. The locations are:

- Sweetgrass, Montana/Coutts, Alberta;
- Poker Creek, Alaska/Little Gold Creek, Yukon; and
- Oroville, Washington/Osoyoos, British Columbia.

Each project will replace outmoded buildings and infrastructure with state-of-the-art facilities to service both the commercial and passenger traffic well into the 21st century.

Sweetgrass, Montana/Coutts, Alberta

This location has the highest traffic volume in the state of Montana and the province of Alberta. The border crossing joins United States Interstate Highway 15 (one of the primary north-south highways commencing at the United States/Mexico border at San Diego and connecting to Los Angeles, Las Vegas and Salt Lake City) and Highway 4 (leading toward the city of Calgary).

A feasibility study recommended a joint facility for the passenger traffic building and two separate commercial traffic buildings. An architectural firm has been retained to develop the design, which will be completed by fall 2000. The date for the start of construction is April 30, 2001, and occupancy is scheduled for September 2003. This location will house the Customs, Immigration and Agriculture staff from both countries.

(Figure 1 is a draft sketch of what the new facilities may look like.) Concepts will be developed for a joint animal inspection facility adjacent to the United States Department of Agriculture facility in Sweetgrass, Montana.

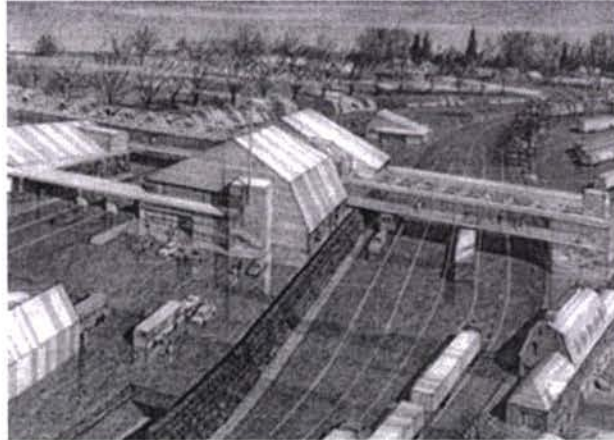


Figure 1.

Poker Creek, Alaska/Little Gold Creek, Yukon

This location is the northernmost land border crossing in North America. It links the city of Dawson Creek to Alaskan cities via the Taylor Top of the World Highway. The location is a seasonal port and only operates in the summer months, after which the road is impassable and the crossing is closed. The joint facility is relatively small, given that traffic volumes are light. Because of its remote location, it will also include residence units for staff. The design of this facility is complete and commenced in the spring of 2000, with occupancy in May 2001. (See figure 2.)

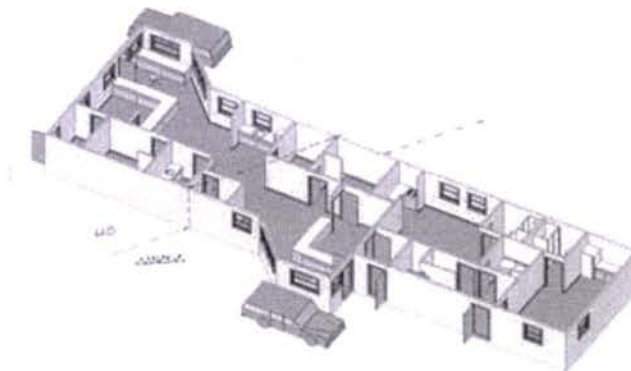


Figure 2.

Oroville, Washington/Osoyoos, British Columbia

This location services the interior of British Columbia into the Okanagan Valley, and the central region of Washington State. Passenger traffic is relatively high because of tourism. The details of the project have been under development since 1997, and the preliminary design has recently been approved. Construction commenced in July 2001, with completion targeted for the summer of 2003. (See figures 3 and 4.)



Figure 3.



Figure 4.

PLANNING FOR THE FUTURE

During the development of these projects, both countries have been faced with challenges, ranging from currency fluctuations to differences in policies and legislation. Once the construction projects are completed, the furthering of this initiative will be achieved through cooperative planning efforts and the assessment of potential efficiencies and opportunities. Despite these issues, both Canada and the United States remain committed to the concept of joint/shared facilities.

In-transit Highway Simplification Project

The Commissioner of the United States Customs Service, the Honourable Raymond W. Kelly, says:

"It's a win-win-win agreement. The Canadian government wins, the United States government wins, and the cross-border carrier industry wins."

WHAT IS THE IN-TRANSIT HIGHWAY SIMPLIFICATION PROJECT?

This is a joint undertaking by the United States Customs Service and the Canada Customs and Revenue Agency to streamline documentation requirements for the in-transit movement of highway cargo through Canada and the United States. It was piloted at ports along the Southern Ontario/Michigan and Southern Ontario/New York points of entry. The process was then implemented nationally along the Canada-United States border.

OLD PROCESS-FOUR STOPS

The former customs process consisted of four stops:

1. carriers stopped at Customs as they left the country of export to have their documentation and load verified;
2. then stopped again at Customs as they arrived in the country of transit;
3. reported at export as they left the country of transit; and
4. stopped again at Customs as they re-entered the original country of export.

NEW PROCESS-TWO STOPS

The In-transit Highway Simplification Project introduced a two-step process where the carrier presents documentation for in-transit movement upon arrival at Customs in the transiting country and stops at Customs again upon re-entry into the original country of export.

The two-step process was implemented nationally as a result of the Joint Statement on United States/Canada Cooperation Regarding the In-transit Simplification Pilot Project that was signed in Washington on May 17, 1999, by the Honourable Herb Dhaliwal, former Minister of National Revenue, and the Honourable Raymond W. Kelly, Commissioner of the United States Customs Service.

What Does It Mean for Shippers and Carriers?

- Less congestion in the export lanes, allowing for a better flow of traffic.
- Reduction in the health and safety risks to drivers who had to cross export lanes to present documentation.
- Significant savings in time and money for highway carriers-about 30 minutes per trip.

Both the highway carrier industry and the two customs administrations benefit from the implementation of this project since they are able to reassign resources to more value-added tasks.

"The single stop at the border certainly saves time ... and the fact that drivers do not have to get out of the tractor and walk across several lanes of vehicular traffic is certainly safer. We used to have difficulty getting our drivers to haul loads which went into and through Canada because of the time delay at the border gateways. We do not seem to have those issues any longer."

-- Manager of a transportation company

Liaison Officer Exchange

In 1999, given the complexity and the long-range scope of some Accord initiatives, the CCRA and the USCS introduced the Liaison Officer Program to obtain a better understanding of each other's operations and seek better cooperation and coordination on the development of these initiatives.

This program provides for an exchange of experts for specific periods of time, giving officers the opportunity to gain an in-depth understanding of both the technical and corporate cultural approaches to Accord initiatives. The officers are then tasked with the responsibility of ensuring that the technical side of the initiatives is well understood by their home administration.

Four exchanges took place in 1999. USCS officers learned about Canada's travellers and commercial programs while a CCRA officer reviewed the approach of the United States to post-audit risk management.

The Liaison Officer Program is an example of the CCRA's and the USCS' commitment to move ahead cooperatively with Accord initiatives.

Joint Review of Border Security Study

The United States and Canada are facing external threats related to international terrorism, transnational crime, and drug and people smuggling. These common concerns make it paramount for both countries to work together to develop a coordinated strategy.

Canada and the United States have established a broad range of mechanisms to strengthen their security. To better face these challenges and better position ourselves to counter these threats, the four inspection agencies (CCRA, CIC, USINS and USCS) have undertaken a review of the customs and immigration processes related to communications, training, border integrity, intelligence sharing and screening as they apply to threats of terrorism, criminality and contraband.

The aim of this study is to identify and provide for the sharing of best practices for the targeting of the illicit movement of goods and people, and enable a more effective response to future situations of threat. The initial focus will be on air and sea ports. This will allow the agencies to look at further opportunities for cooperation in the areas of information sharing and intelligence analysis, and to more effectively manage security issues jointly.

CROSSING THE BORDER MADE EASIER FOR TRAVELLERS

For the past five years, Canada and the United States have been working to streamline customs and immigration processes for travellers. We have implemented a number of technology-based programs and services that expedite the clearance of preapproved, low-risk travellers and tourists. Through the use of leading-edge technology, we have been able to tailor programs to the specific needs of certain traveller groups and certain areas along the Canada-United States border. The programs vary in detail, depending on the mode of transportation and the location of the entry point, but all are based on facilitating the movement of low-risk travellers, while maintaining the security and integrity of the border. Our long-term objective is to harmonize Canadian and United States alternative inspection processes, including air, sea and land, with regard to technology and the utilization of cards.

CANPASS HIGHWAY PORTPASS DEDICATED COMMUTER LANES (DCL)

The highway traveller programs are designed to expedite border crossings for low-risk, frequent commuters. Travellers benefit from reduced inspection time through the use of special vehicle access lanes. In Canada, the program is called CANPASS Highway and, in the United States, it is referred to as PORTPASS Dedicated Commuter Lanes (DCL).

The CANPASS Highway/PORTPASS programs are open to citizens or permanent residents of Canada and the United States. Individuals wishing to participate in the program simply submit an application form and undergo a security check. Once accepted into the program, participants receive a package that includes a decal for their vehicle.

Currently, there are many differences between the CANPASS and PORTPASS programs, such as that applicants must submit a separate application form for Canada and the United States. We are working to harmonize these two processes and develop a joint process to permit the

entry of low-risk pre-approved travellers entering both countries. While harmonization may appear simple, it is in fact a challenging undertaking. Nevertheless, we are committed to developing simpler and more efficient processes that benefit travellers.

HARMONIZED HIGHWAY PILOT (NEXUS)

We are currently working on a project to develop a harmonized border-crossing pilot program for low-risk, preapproved travellers entering Canada and the United States. The pilot project will involve the use of licence plate readers and identification cards on the Canadian side of the border, and proximity card technology on the United States side. We expect to implement this pilot program on both sides of the border at Sarnia, Ontario/Port Huron, Michigan in the fall of 2000.

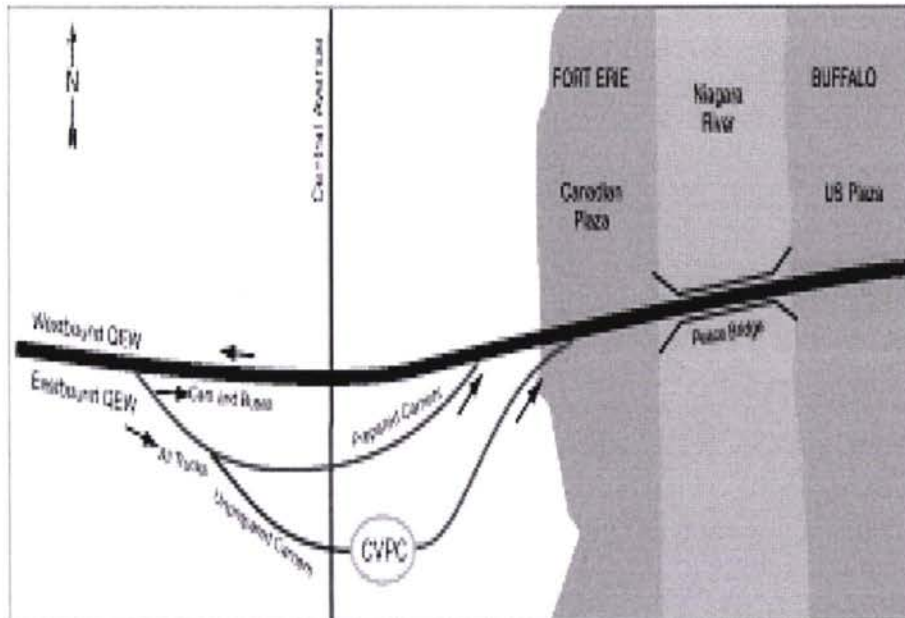
The harmonized features of the NEXUS program include common eligibility requirements, a common sanctions regime, a joint enrolment process, a common card, and a single application form and instruction sheet. The NEXUS pilot project offers benefits to both the inspection agencies and the travelling public.

An evaluation of the project, along with other selected alternative inspection systems currently at land border locations, will be conducted. This will assist us in determining the best approach for the future harmonization and expansion of Canadian and United States alternative highway inspection programs.

COMMERCIAL VEHICLE PROCESSING SYSTEM

The Commercial Vehicle Processing Centre (CVPC) was developed to address processing delays and congestion that are directly attributable to the lack of document preparation on the part of trucks heading toward the United States from Canada. In essence, the CVPC separates prepared and unprepared carriers. Prepared carriers are allowed to proceed directly to the United States for customs processing without encountering delays that unprepared drivers are subject to.

This initiative, designed to minimize lengthy delays at bridge crossings along the border, was under development during most of 1999 and implemented for United States-bound commercial trucks at the Peace Bridge in Fort Erie, Ontario, Canada, on November 1, 1999. The Fort Erie CVPC is operated by the Peace Bridge Authority and acts as a staging facility for commercial vehicles to control traffic and ensure that proper import documentation is available for review by the USCS. The CVPC does not have United States or Canadian customs officers on site.



Before proceeding to the United States, unprepared drivers must stop, park their trucks at a staging area, deliver paperwork to a document processing attendant, await affixation of a unique bar code to each commercial invoice and truck manifest, and make sure paperwork is faxed to customs brokers in the United States. Once the documentation has been submitted to the USCS, drivers are allowed to proceed.

The implementation of the CVPC concept provides significant benefits to carriers, Customs, shippers, importers and bridge authorities. Faster border crossings, and increases in productivity and equipment efficiency are all made possible. In addition, traffic congestion and delays caused by unprepared carriers are minimized.

The application of the CVPC concept at other high-volume cross-border sites is under consideration.

2.2. DISCUSSION PAPERS

2.2.1. Discussion Paper I - A convenient frontier¹

Progress with the NCTS Project has recently been dependent on key strategic business decisions, relating to trader interface solutions and to system scope, which have resulted in some revision to the NCTS Project plans and to the operational application of the NCTS in the UK.

The NCTS Project Team can now take the introduction of the NCTS forward so that the UK can successfully meet the European Commission's deadline for implementation of mid-2003. This article will be the start of continuing information and liaison campaign.

What is the New Computerised Transit System?

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The New Computerised Transit System (NCTS) is a European-wide system, based on electronic declaration and processing, designed to provide better management and control of Community and Common Transit.

It involves all EU member states, the EFTA and V4 countries – some 22 countries in all. The national administration of each country will develop its own NCTS structure, which will be connected through a central domain in Brussels to all of the other countries.

The NCTS will link some 3,000 European customs offices and eventually replace the existing paper-based system.

Why is the NCTS being introduced?

The NCTS is a key recommendation of the report resulting from the European Parliament's inquiry into transit fraud and is seen as an essential element of the reforms intended to make the transit systems more secure. The current paper-based systems were found to be open to fraud and incapable of providing a reliable level of management and control of the movement of goods in transit. There is also a growing lack of clarity and consistency in the procedures and lack of effective administrative communication and co-operation between customs authorities. This has led to expensive delay and confusion for the trader, along with an increased risk of fraud.

The main objectives of the NCTS are:

- To increase the efficiency and effectiveness of transit procedures;
- To improve both the prevention and detection of fraud;
- To accelerate transactions carried out under a transit procedure and to offer security for them.

What are the benefits of the NCTS?

For the trader, the advantages of the NCTS will include:

- Improved quality of service-less time waiting at customs, greater flexibility in presenting declarations;
- Quicker control and release of goods at the office of destination leading to earlier discharge of the transit procedure and faster release of the guarantee;
- Reduction in the costs, time and effort associated with the lengthy paper-based procedures for declaring goods, eventually resulting, through electronic interface with traders, in a largely paperless environment for transit;
- Opportunity to integrate electronic transit declaration procedures with the traders' existing computerized systems;
- Greater clarity of the transit operation and consistency in requirements;
- Additional advantages for those using Simplified Procedures as authorised consignors and consignees.

For HMCE, benefits will include:

- Improved communication and co-ordination between the customs authorities;
- Reduction of repetitive activities and quicker processing of data, saving time;
- Greater consistency in operating criteria and the application of transit rules;

- More reliable data and better monitoring of movements, providing greater security and better management of transit.

When will it happen?

The NCTS has already been successfully introduced and is in operation in, and between, several member states, including Netherlands, Spain and Germany, and some other contracting parties, such as Norway, Switzerland and the Czech Republic. All other countries, including the UK, are committed to connect to the central NCTS system by the end of June 2003. This does not mean that all European customs offices will switch to NCTS by this date. This will only be the start of a phased roll-out, over several years, during which the current paper-based 'old transit system' (OTS) will continue to operate in parallel with the NCTS. [The scope of the NCTS does presently include goods moving under the established Simplified Procedures for Air, Sea and Rail.]

A phased introduction of the NCTS in the UK is due to commence in January 2003, at nominated pilot sites, restricted to particular traffic and particular traders. NCTS usage will then be extended to involve more UK offices, more traders and more offices in other NCTS countries, from April 2003. General UK implementation of the NCTS is planned for 30th June 2003, by which time all UK CT offices should be connected to the NCTS network.

Which traders can use the NCTS?

All traders that use, or wish to use, Community/Common transit can use the NCTS. It is only necessary to have the facility to send and receive electronic messages to and from the UK- NCTS.

During its primary implementation, the only trader interface option for UK-NCTS will be by an e-mail channel, via EDCS (Electronic Data Capture System), the Departmental e-mail gateway. Declarations, and other specific messages, may be submitted directly by e-mail, using Edifact attachments. It must be emphasised that traders will not be able to interface directly with the NCTS, to input or amend data or to access records and standing data, but will simply exchange defined structured messages with the system.

The aim is that all traders will eventually input all transit declarations, and any other necessary messages, such as arrival of goods, to the NCTS, electronically. Connected traders will receive electronic responses advising of key decisions during the procedure, such as acceptance of declaration, release of goods, notification of discharge of liability, etc, at both departure and destination.

In certain circumstances, where Simplified NCTS Procedures are used by Authorised Consignors/Consignees, processing and release will be automatic and allow, depending upon the conditions of authorisation, for 'out-of-hours' clearance.

What options will exist for UK traders?

NCTS in the UK will provide the flexibility to extent the facility to use Simplified NCTS Procedures to most traders connected to the system, provided that they meet certain criteria. This will allow for selective, risk-based controls, and for the processing of declarations and the release of goods to become largely automatic.

It is intended that there should be three types of trader using the NCTS system. The options are:

1. NCTS Trader
2. Authorised Consignor/Consignee;
3. NCTS Consignor/Consignee.

Each of these trader types will benefit, to a different extent, from connecting to the system. For example, an NCTS trader, which means any trader connecting electronically to NCTS, will be able to lodge declarations at any office of departure and will have the facility to 'pre-lodge' – to input a declaration prior to physical presentation of goods.

Authorised Consignors/Consignees will, as at present, be able to carry out Community transit operations without presenting the goods and corresponding documents at the customs office. They must, however, become connected to the NCTS system and make their declarations electronically.

[Existing Authorised Consignors, authorised after 31st March 1999, must take NCTS declarations as soon as their controlling office of departure becomes connected to the system. Consignors authorised prior to 31st March 1999 must do so by a date to be decided by customs, which must be by 31st March 2004 at the latest.]

Approval as an NCTS Consignor/Consignee will allow traders with goods in temporary at ports/airports or with export goods already presented at an office of departure, some of the benefits allowed to Authorised Consignors/Consignees, particularly timeout release of goods and self-authentication of documents, removing the need to attend at the customs office.

A full description of these trader types, and of the procedures they will use, is contained in an associated project document, NCTS - An Introduction for the Transit Trader.

Can paper declarations still be used?

Yes, but only for a transitional period. The NCTS will run in parallel with current paper-based 'old transit system' (OTS), until such time as NCTS achieves full connectivity throughout Europe and the OTS is withdrawn. No date can yet be put against such an eventuality. Until this time, traders will still be able to lodge paper transit declarations at offices of departure in the UK, but can expect that these declarations will not be processed as quickly as those made electronically. The office of departure may, at its discretion, input these declarations to the NCTS, in which case, an NCTS generated accompanying document will be returned to the trader instead of SAD Copies 4&5.

Can paper load lists still be used?

Yes, but only for a time. The European Commission has decided that the continued use of paper load lists for transit is not in step with the objective of a paperless transit system and proposes to remove the facility to use paper load lists from transit legislation with effect from 1st January 2005.

The NCTS has the facility for the creation of an electronic load list, the List of Items, which can form part of the declaration and, in the future, this facility will be the only method of making multi-item declarations.

During the transitional period, paper loads lists may still be used to supplement transit declarations.

Declarations may still be made electronically to the NCTS, but will not be accepted or processed until the paper load lists are lodged at the office of departure. Again, it must be expected that declarations with paper load lists will not be processed as quickly as those made electronically and including a List of Items. Furthermore, the use of paper load lists will inhibit the use of Simplified Procedures within NCTS.

Will the accompanying document still need to be stamped at the office of departure?

Yes, for traders using the normal procedure. Traders authorised to use Simplified NCTS Procedures, who may generate the transit accompanying document (TAD) at their premises, will be able to self-authenticate the document, either with a special stamp or by an electronic 'imprint' of the stamp.

Traders using the normal procedure will have the facility to pre-lodge the declaration at the office of departure, so that clearance can be immediate upon presentation of goods.

Can electronic NCTS declarations be combined with electronic export declarations?

No, at least not in the immediate future. The UK NCTS will be an independent computed system neither part of, nor connected to, CHIEF or, thereby, to the New Exports System (NES).

It is not possible, therefore, for data included in an NES declaration to be automatically sent to the NCTS, or for NCTS to extract it from the NES.

The facility to accept a combined declarations remains an option for future development, for both the NES and NCTS projects, but this requirement must be considered in the light that combined export/transit declarations, already diminished by the removal of the requirement to use transit for CAP exports, may continue to decline as more countries accede to full EU membership.

How can traders prepare and what are the cost implications?

Traders seeking to connect to the system will need to have an IT capability sufficient to send and receive messages, by e-mail, in the proper form – Edifact – containing the data required under European Union legislation.

The structures of the Edifact transit declaration and other NCTS messages are set out in an associated project document, Technical Interface Specification (TIS).

If they wish to use the Simplified Procedure, with the facility to print the TAD at their own premises, they must also have a printer properly configured to print it, in the legally required format, including barcode, and where necessary, to self-authenticate it.

The UK NCTS project development, in common with NCTS installations in other countries, will not include any trader function facility – declaration capture screens. Commercial solutions for trader interface with the NCTS will have to be developed that will enable capture of the required declaration, the 'List of Items', and various other messages, based on existing paper SAD box criteria, its transportation to the required Edifact format and its despatch to the

NCTS, together with the capability to receive and translate responses from the NCTS.

This preparation has implications for the trader, not only in the cost of this software development/procurement, but also in possible start-up cost, depending on his current IT capability and, in the longer term, connectivity costs, depending on the frequency of his transit consignments.

Set against this will be the benefits of the system already set out above, which should result in considerable savings in resource time and effort, quicker control and release of goods at departure and at destination, earlier discharge of the transit procedure, faster release of the guarantee, and the opportunity to use Simplified Procedures that can deliver a virtually paperless system.

2.2.2. Discussion Paper II - World Customs Organization (WCO)

The World Customs Organization (WCO) is an independent intergovernmental body with world-wide membership whose mission is to enhance the effectiveness and efficiency of customs administrations in the areas of compliance with trade regulations, protection of society and revenue collection, thereby contributing to the economic and social well-being of nations.

In order to fulfil his mission the WCO:

- Establishes, maintains, supports and promotes international instruments for the harmonization and uniform application of simplified and effective Customs systems and procedures governing the movement of commodities, people and conveyances across Customs frontiers;
- Reinforces Members' efforts to secure compliance with their legislation, by endeavouring to maximize the level and effectiveness of Members' cooperation with each other and with international organizations in order to combat Customs and other trans-national offences;
- Assists Members in their efforts to meet the challenges of the modern business environment and adapt to changing circumstances, by promoting communication and co-operation among Members and with other international organizations, and by fostering integrity, human resource development, transparency, improvements in the management and working methods of Customs administrations and the sharing of best practices.

The WCO has been established in 1950 as the Customs Cooperation Council and it has 146 Member States. The WCO is the only international inter-governmental organization specialized only in Customs matters.

The main objectives of its training and technical assistance programs are:

- To ensure the implementation and uniform application of Customs conventions administered by the WCO (e.g. the Harmonized System for the classification of goods under Customs tariffs and for the production of foreign trade statistics the WTO valuation system; the harmonized

Rules of Origin; the Kyoto Convention on the simplification and harmonization of Customs procedures; and other international Customs conventions governing standard procedures);

- To ensure the application of recommendations (e.g. the Single Goods Declaration);
- To improve the effectiveness and efficiency of Customs administrations in the enforcement of regulations and in the delivery of quality service to society, to governments and to the business community;
- To help Member Customs administrations to reform and modernize their organizations, to employ modern technologies, to introduce better management practices and human resource management including training system development, greater transparency in procedures, and to improve the integrity of their staff.

The WCO offers 38 standard training programs and 68 training modules. It carries out 250 seminars and expert missions annually with a budget of USD 2 million.

2.2.3. Discussion Paper III - Revised Kyoto Convention - Frequently Asked Questions

List of Questions

Section 1 Revised Kyoto Convention

1. Will implementation of the revised Kyoto Convention allow Customs to maintain controls while focusing on trade facilitation?
2. Does the revised Kyoto Convention benefit all modes of transport?
3. Is the revised Kyoto Convention adapted to the needs of developing countries?
4. Does the revised Kyoto Convention help governments to deal with the new challenges of electronic commerce?
5. Is it realistic to anticipate that all WCO Members will accept revised Kyoto Convention?
6. Is it reasonable to expect Customs administrations to commit to implementing all of the 600 Standards and Recommendations and Practices contained in the revised Kyoto?
7. Does acceding to the revised Kyoto Convention gives a Customs Administration less autonomy?
8. Does the revised Kyoto Convention apply to all geographic regions?
9. Can a single General Annex really cover every aspect of trade facilitation as well as targeted control procedures in order to permit smoother legitimate trade?

Section 2 Harmonized System

1. How can a private sector firm or trade association get a classification issue considered by the Harmonized System Committee (HSC)?
2. How can a private sector firm or trade association make suggestions for the amendment of the Harmonized System?

3. Why is the Harmonized System not amended more often to meet the needs of the trade?
4. Do you think that there will ever be just one code for goods traded internationally?
5. How can someone obtain the opinion of the Secretariat with regard to the classification of a product under the Harmonized System?
6. Can representatives of the private sector participate in meetings of the Harmonized System Committee?
7. Can the private sector get copies of WCO documents from the Secretariat?
8. How can we speed up the decision making process of the Harmonized System Committee?
9. Can you give some guidance on the structure and the length of the HS code?
10. Are HS codes always numbered consecutively?

Questions and answers

Section 1 Revised Kyoto Convention

1. Will implementation of the revised Kyoto Convention allow Customs to maintain controls while focusing on trade facilitation?

The principles in the revised Kyoto Convention promote trade facilitation, but also ensure that the statutory functions of the Customs are not compromised. Cross-border movement of goods is the key element in any international trade transaction and Customs presence is an essential and statutory feature for the movement of such goods. The manner in which Customs provide for swift and efficient clearance of these goods reflects the quality of service provided by the government to the public.

The revised Kyoto Convention provides a comprehensive set of uniform principles for simple, effective and predictable Customs procedures with effective Customs control. It thus responds to the key needs of both modern day Customs administrations and the demands of the international trade by providing a balance between the Customs functions of control and revenue collection and that of trade facilitation.

This assurance of standard and simple procedures harmonized across administrations will facilitate and boost international investment and trade

2. Does the revised Kyoto Convention benefit all modes of transport?

The principles for efficient and simple clearance procedures in the revised Kyoto Convention apply equally to all goods and all means of transport (carriers) that convey the goods into or out of a Customs territory.

The formalities for all carriers on entering or leaving a Customs territory are also uniform.

3. Is the revised Kyoto Convention adapted to the needs of developing countries?

Encouraging national economic growth is one of the key objectives for developing countries. To achieve this, developing countries must play a greater role in international trade. Simplifying the procedures to move goods across borders will reduce administrative barriers, thereby encouraging small

and medium-sized enterprises to become involved in international trade and attracting foreign investment. This results in greater economic development. The revised Kyoto Convention is designed to ensure that Customs is able to carry out their responsibilities more efficiently and effectively. A number of developing countries played an active role during the revision of the Convention. This has ensured that the revised provisions take into account their contributions and address their particular concerns.

4. Does the revised Kyoto Convention help governments to deal with the new challenges of electronic commerce?

The expression "electronic commerce" refers to the method of conducting business today and is the technique for the exchange of information in trade. Today's Customs administrations have to accommodate modern business practices and the impact e-commerce can have on Customs procedures in order to keep up with the increased need for swift and efficient clearance of goods.

Recognizing these changes in today's business practices and the role of electronic commerce, the revised Kyoto Convention requires Customs to apply information technology to support Customs operations, wherever it is cost-effective and efficient for both Customs and the trade. It provides administrations with detailed guidelines on how to apply and implement information technology for the clearance of goods, carriers and persons, thus assisting Customs to deal with the demands generated by electronic commerce.

5. Is it realistic to anticipate that all WCO Members will accept revised Kyoto Convention?

The Member Customs administrations of the WCO invested 4 years in updating and modernizing this important instrument. By unanimously adopting the revised Convention in June 1999, all 151 WCO Members signalled their approval of these new principles and rules for simplified and harmonized Customs procedures and with this, their willingness to work towards full implementation.

6. Is it reasonable to expect Customs administrations to commit to implementing all of the 600 Standards and Recommendations and Practices contained in the revised Kyoto?

As a modern contractual tool successfully negotiated by the WCO Members, the revised Kyoto Convention has the flexibility to take account of the particular situation of each administration. Yet, at the same time it ensures a high degree of uniformity in Customs procedures.

The new structure of the Kyoto Convention provides a comprehensive package of up-to-date Customs procedures but its content can be considered separately. The Body of the Convention (relating to the procedures for its adoption and administration) and the General Annex are binding on Contracting Parties and form the minimum requirement of the contract. This is essential to ensure the harmonisation of procedures in all countries that become contracting parties. However, any Contracting Party can choose which Specific Annexes or Chapters to accept.

This structure permits a flexible choice of commitments by a Contracting Party. This flexibility makes it possible to take account of the peculiarities of each administration, yet without losing sight of the final objective, which is total and definitive accession to the whole Convention.

7. Does acceding to the revised Kyoto Convention give a Customs administration less autonomy?

The revised Kyoto Convention meets the definition that a good agreement is an effective compromise; its structure is solid yet supple. It imposes obligations but provides flexibility and different time limits for implementation:

- The General Annex forms the basic core and roots, while the Specific Annexes are branches that can be added at the pace desired or required by a Customs administration.
- There are new features such Transitional Standards and Guidelines to aid governments to meet the obligations undertaken, and a Management Committee to give all Contracting Parties a voice in the development and administration of the agreement.

8. Does the revised Kyoto Convention apply to all geographic regions?

The core principles of the Kyoto Convention have been developed for universal standardization and harmonization of Customs procedures. They apply in the territory of each Contracting Party that accedes to it regardless of their geographical location.

International trade statistics reveal that economic growth and the volumes of imports and exports are increasing in all the different regions of the world. For example, during the last decade the South American continent saw 8.5 % average growth in volume of exports and 12.5 % for imports. This is one of the highest growth rates in the world.

The revised Kyoto Convention is the ideal tool for harmonizing the elements of this trade, and thereby consolidating and expanding each Contracting Party's share of world trade. The certainty that can be offered by having standard procedures will further increase economic growth and international trade volumes.

9. Can a single General Annex really cover every aspect of trade facilitation as well as targeted control procedures in order to permit smoother legitimate trade?

The General Annex is the nucleus of how modern Customs administration operates. Its principles for clearance, duties and taxes, guarantees, controls, information technology, relationships with third parties, information and decisions, and appeals are common to every Customs activity worldwide.

It can also be a useful reference guide for Customs policy-makers.

Section 2. Harmonized System

1. How can a private sector firm or trade association get a classification issue considered by the Harmonized System Committee (HSC)?

Since the WCO is an intergovernmental organization, such questions should first be brought to the attention of the national Customs administration

concerned or another intergovernmental organization, which will then ask the Secretariat to place the issue on the agenda of the HSC.

2. How can a private sector firm or trade association make suggestions for the amendment of the Harmonized System?

The same answer as above applies with regard to suggestions for the amendment of the HS.

3. Why is the Harmonized System not amended more often to meet the needs of the trade?

The Harmonized System is only amended every 5 years. There are several reasons and, frankly, competing interests. The drafting of amendments usually takes several years of deliberation by the Committees concerned and consultations with the trade. Thereafter, the HSC and the Secretariat need several years for revision of the HS publications, whereas Member administrations need time for GATT negotiations, national legislative procedures, translation into languages other than French and English, etc.

4. Do you think that there will ever be just one code for goods traded internationally?

While this is certainly a laudable goal and we should strive to move in that direction, it may be a goal that is very difficult, if not impossible to achieve. The HS was designed to be a framework for use as a multipurpose nomenclature. It has been very successful in that way. However, the many applications of the HS for Customs, statistical, transport, tax, regulatory, national and international purposes militate against agreement on one code.

5. How can someone obtain the opinion of the Secretariat with regard to the classification of a product under the Harmonized System?

Because we are an intergovernmental organization, we are not in a position to reply directly to classification enquiries from the private sector, but only from our Member administrations. We would therefore ask you to work through your Customs administration in order to submit a request for the classification opinion of the Secretariat and/or the Harmonized System Committee.

6. Can representatives of the private sector participate in meetings of the Harmonized System Committee?

The basic answer is no. However, we have invited the ICC to participate as an industry representative and observer in our meetings. We would also be pleased to welcome representatives of other international organizations as observers. However, we cannot invite representatives of individual companies or regional organizations.

7. Can the private sector get copies of WCO documents from the Secretariat?

At the moment the answer is no, as our documents are considered confidential. However, we are exploring the possibility of creating a document database for sale to the private sector with our Member administrations.

8. How can we speed up the decision making process of the Harmonized System Committee?

An excellent question and one, which the Harmonized System Committee has been grappling with. We have recently taken steps to expedite the reservation procedure, which should result in a quicker reconsideration of decisions, which one or more countries cannot accept. The best way to ensure a quick response by the HSC is for Customs administrations to submit questions on a timely basis with all of the information necessary for a considered decision. Economically important questions such as those usually considered by the HSC require time for trade consultations. It is therefore imperative that sufficient time be given to administrations for that purpose.

9. Can you give some guidance on the structure and the length of the HS code?

The HS provides a logical structure within which over 1,200 headings are grouped in 96 Chapters, the latter being themselves arranged in 21 Sections. Each heading is identified by a four-digit code, the first two digits of which indicate the Chapter wherein the heading appears, while the latter two indicate the position of the heading in the Chapter. Thus, heading 10.01 ("wheat and meslin") is the first heading of Chapter 10, which, in its entirety, covers "cereals". In addition, most of the headings are subdivided into two or more 1-dash subheadings, which, where necessary, are themselves, further subdivided into two or more 2-dash subheadings and which are identified by a 6-digit code (HS code).

The HS comprises over 5,000 separate groups of goods identified by a 6-digit code, the first four digits thereof correspond to the relevant heading number, while the fifth and sixth digits identify the one- and two-dash subheadings respectively. The absence of such subheadings is indicated by a zero.

For example :

(i) HS code 0803.00 means : the third heading of Chapter 8, which has not been subdivided;

(ii) HS code 0101.10 means: the first heading of Chapter 1, first subheading which has not been further subdivided;

(iii) HS code 0303.21 means: the third heading of Chapter 3, first two-dash subheading of the second one-dash subheading.

10. Are HS codes always numbered consecutively?

In principle, headings and subheadings are numbered in a consecutive way. However, this principle is interrupted as from 1996, due to the fact that HS codes should be amended when its content is changed.