



**Asia-Pacific
Economic Cooperation**

Advancing Free Trade
for Asia-Pacific **Prosperity**

Study of APEC Best Practices in Authorized Economic Operator (AEO) Programs

APEC Policy Support Unit
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EXECUTIVE SUMMARY

This work updates the APEC Authorized Economic Operator (AEO) Compendium, assembled in 2010, with results of a new survey. Based on this new survey, a matrix was created to determine where APEC AEO programs converge with or diverge from each other. The results were used to suggest ways to improve APEC AEO convergence and regional economic integration.

Aspects or components of AEO programs within APEC found to have high degrees of convergence were:

- Self-Assessment Mechanism;
- Physical Security Requirements;
- Compliance Requirements;
- Suspensions and Revocation; and
- Application, Verification & Authorization Procedures.

Various concerns and associated best practices were noted among certain APEC AEO programs in their survey responses. These concerns and best practices were:

- Stakeholder involvement and communication/understanding of benefits;
- Participation by small and medium enterprises in AEO programs;
- Training and capacity building;
- Mutual recognition agreements among economies; and
- Other government agency inclusion.

Additional concerns were voiced by respondents including: lack of analytical data regarding the impact of mutual recognition agreements and arrangements (MRAs), and the time it takes for an AEO program to be approved.

APEC customs authorities were provided a survey questionnaire to complete about their AEO program. Respondents were subsequently given an opportunity to review and comment on preliminary drafts of their report, and to provide clarifying data and/or additional information. The final version of this report incorporated or addressed all relevant member economy comments.

The recommendations in this report should be viewed as a general guide for APEC economies to further discuss. Economies should consider their individual domestic considerations and preferences before deciding to adopt these recommendations.

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ACRONYMS AND OTHER INITIALS

| | |
|-----------------|--|
| 3M | Mutual Recognition of Control, Mutual Assistance of Enforcement, and Mutual Sharing of Information |
| ABF | Australian Border Force |
| AEO | Authorized economic operator |
| AO | Authorized operator |
| APEC | Asia-Pacific Economic Cooperation |
| ASEAN | Association of Southeast Asian Nations |
| ASW | ASEAN Single Window |
| CBSA | Canada Border Services Agency |
| CBM | Coordinated border management |
| CBP | Customs and Border Protection |
| COMCE | Mexican Business Council for Foreign Trade, Investment and Technology |
| C-TPAT | Customs-Trade Partnership Against Terrorism |
| HKC | Hong Kong, China |
| ISCM Guidelines | Customs Guidelines on Integrated Supply Chain Management |
| MNC | Multi-national company |
| MRA | Mutual recognition agreement or arrangement |
| PSU | Policy Support Unit |
| RKC | Revised Kyoto Convention |
| SAFE | Standards to secure and facilitate global trade |
| SCCP | Sub-committee on Customs Procedures |
| SME | Small and Medium Enterprise |
| OGA | Other government agency |
| TFA | Trade Facilitation Agreement |
| U.S. | United States |
| WCO | World Customs Organization |
| WTO | World Trade Organization |

INTRODUCTION

On April 22, 2015, Asia-Pacific Economic Cooperation (APEC) Policy Support Unit contracted Nathan Associates to study the best practices of Authorized Economic Operator programs within APEC. The purpose of this study is to help APEC advance its aims for greater integration and harmonized customs procedures as articulated in the APEC Connectivity Blueprint for 2015–2025 and the APEC Customs 3M Strategic Framework. This study also supports the efforts of the Sub-committee on Customs Procedures and objectives of the AEO Action Plan, and updates the work of the AEO Compendium, which was published in 2010.

The Nathan team, led by Robert Holler and Calvin Chan with direction from Corporate Principal Rachid Benjelloun, did the following:

- Surveyed the AEO programs of APEC member economies (including SMEs, benefits, and MRAs);
- Assessed convergence in features and design elements of AEO programs in APEC member economies;
- Identified best practices;
- Recommended ways to expand the APEC network of AEO programs and increase their interoperability;
- Analyzed the current level of participation of small and medium enterprises (SMEs) in AEO programs; and
- Updated the information in the APEC AEO Compendium;

The team used survey responses and the resulting analysis to determine best practices and suggest recommendations based on the results that, if implemented, will increase AEO program convergence and regional economic integration. The team worked closely with the APEC Policy Support Unit in compiling the needed information, analyzing results, and drawing relevant conclusions. The report's terms of reference are attached in Appendix 1.

1. BACKGROUND

OVERVIEW OF AUTHORIZED ECONOMIC OPERATORS

Before September 11, 2001, Customs authorities focused on collecting revenue and combating illegal trade.¹ After the 9/11 attacks on New York and Washington, domestic security became an added Customs priority worldwide. In its response to 9/11, the United States created the Customs-Trade Partnership Against Terrorism (C-TPAT), a voluntary supply chain security partnership between U.S. Customs and traders. C-TPAT was developed as a counter-terrorism measure and was a predecessor to the WCO's Authorized Economic Operator (AEO) concept.

SAFE Framework

Concurrent with U.S. initiatives, the World Customs Organization (WCO) formed a task force in 2002 to examine how to balance supply chain security with trade facilitation. This examination led to the WCO's adoption in 2004 of the Customs Guidelines on Integrated Supply Chain Management (ISCM Guidelines), which emphasized reducing risks where cargo is most vulnerable along the supply chain, and the roles of actors in the international supply chain.² Based on these guidelines and the WCO's High Level Strategic Group insights on security and facilitation, as well as private sector stakeholder consultations, the WCO adopted the Standards to Secure and Facilitate Global Trade (SAFE) Framework in 2005. The SAFE Framework introduced the concept of an Authorized Economic Operator (AEO), defined as

*“a party involved in the international movement of goods in whatever function that has been approved by or on behalf of a national Customs administration as complying with WCO or equivalent supply chain security standards. AEOs may include manufacturers, importers, exporters, brokers, carriers, consolidators, intermediaries, ports, airports, terminal operators, integrated operators, warehouses, distributors and freight forwarders”*³

The SAFE Framework originally had two pillars: Customs-to-Customs arrangements and Customs-to-Business partnerships. The framework was updated in June 2015 to include a third pillar: Customs-to-Other Government and Inter-Government Agencies.

The Customs-to-Customs pillar emphasizes cooperation among customs administrations to increase security and facilitate trade. Customs agencies maximize use of automatic targeting tools and advance electronic information, and should have interoperable and harmonized data models. ISCM Guidelines are included as technical standards to be encouraged, along with standards on such areas as risk management, electronic information, and seal integrity.⁴

The Customs-to-Business pillar emphasizes collaboration between businesses and customs administrations to increase supply chain security and safety, with incentives for businesses to

¹Robert Ireland, “The WCO SAFE Framework of Standards: Avoiding Excess in Global Supply Chain Security Policy,” *Global Trade and Customs Journal* 4, no. 11/12 (2009): 2, <http://www.kluwerlawonline.com/abstract.php?area=Journals&id=GTCJ2009044>.

² *Ibid.*, 6.

³ World Customs Organization, *SAFE Framework of Standards to Secure and Facilitate Global Trade*, June 2015, Annex 1, http://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/tools/~/_media/2B9F7D493314432BA42BC8498D3B73CB.ashx.

⁴ *Ibid.*, 6–23.

become AEOs. The pillar suggests creating a system for identifying private businesses with high security standards and having these businesses gain AEO status. Technical standards are included for implementing this partnership, including standards for authorization, communication, security, and technology.⁵

The Customs-to-Other-Government and Inter-Government Agencies pillar emphasizes harmonizing security requirements of border agencies within an economy and internationally. The pillar suggests cooperation at the domestic level among different agencies, as well as working bilaterally and multilaterally among different governments to harmonize international requirements and also at the multinational level. The pillar provides a number of technical standards for cooperation at all three levels.⁶

Revised Kyoto Convention

The Revised Kyoto Convention (RKC) is a trade facilitation agreement developed by the WCO that entered into force in 2006. It updated the 1974 International Convention on the Simplification and Harmonization of Customs procedures (Kyoto Convention), and includes multiple recommendations, along with technical standards, for modernizing customs procedures.

The SAFE Framework was developed based on the RKC, with the AEO concept originating from the RKC's provisions on "authorized persons." However, the "authorized persons" concept solely focuses on compliance—i.e., with customs laws, regulations, or procedures—whereas AEOs look at security standards. Despite this distinction, "most RKC Contracting Parties have expressed an intention to implement the SAFE Framework."⁷

WTO Agreement on Trade Facilitation

In December 2013, negotiations on the World Trade Organization's Agreement on Trade Facilitation (TFA) were successfully concluded. The TFA will be in force once two-thirds of WTO members have ratified it. The TFA provisions on Authorized Operators (AOs) in Article 7, Section 7 are particularly relevant to this study.

The TFA defines an AO as an entity complying with the WTO member's customs laws, regulations, or procedures. While AO programs focus on trade compliance—however the implementing government chooses to define this—and may include supply chain security as well, AEOs must always comply with set standards for supply chain security as detailed in the SAFE Framework of Standards.⁸ The TFA does not substitute for the SAFE Framework. Rather, the TFA and SAFE Frameworks should be implemented together so that all parties enjoy the trade facilitation and security benefits.

⁵ Ibid., 24–29.

⁶ Ibid., 30–37.

⁷ Tadashi Yasui, "Benefits of the Revised Kyoto Convention," World Customs Organization Research Paper, February 2010, 6, <http://www.wcoomd.org/en/topics/research/activities-and-programmes/~/media/D1549E77EF884FC7813E3AD2AB8C733D.ashx>.

⁸ World Customs Organization, Compliance and Facilitation Directorate, *Compendium of Authorized Economic Operator Programmes 2015 Edition*, June 2015, 130, <http://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/tools/~/media/B8FC2D23BE5E44759579D9E780B176AC.ashx>.

OVERVIEW OF AEO INITIATIVES IN APEC

In 2011, APEC adopted the Consolidated Counter-Terrorism and Secure Trade Strategy, noting the importance of customs administrations in securing the supply chain. The strategy calls for the implementation of the APEC Framework for Secure Trade, which emphasizes the AEO concept as a way for the Customs community to contribute to counterterrorism. The strategy also calls for “establishing common AEO guidelines and standards in the region.”⁹ Since 2003, AEOs have regularly appeared as a topic under the “Secure Trade in the APEC Region” (STAR) initiative.

On the trade facilitation front, APEC has promoted the AEO concept since the Second Trade Facilitation Action Plan (TFAP II), established in 2005. APEC’s Policy Support Unit estimated that the number of APEC AEOs increased 26 percent from 2007 to 2009, and that the share of merchandise trade handled under AEOs increased about 6.3 percent every year over this period.¹⁰

The Sub-Committee on Customs Procedures (SCCP) has emphasized the importance of AEO (or AEO-like initiatives) through additions to its Collective Action Plan. In 2001 SCCP included a section on “Customs-Business partnerships”; in 2005 it included the “APEC Framework based on the WCO SAFE Framework”; and in 2011 it included a section on “AEO and MRAs.”

In 2009 SCCP established an AEO Working Group to address the development of new programs and tackle the divergent array of existing programs. The objective of the AEO Working Group was twofold:

1. Work toward establishment of AEO programs, of equal caliber within each APEC economy; and
2. Encourage mutual recognition agreements or arrangements (MRAs) of AEO programs among interested economies within the Asia-Pacific region.

In March 2010 the SCCP endorsed an AEO Action Plan, and subsequently developed an AEO compendium in September 2010. This compendium laid out in detail the design elements of each AEO program within APEC member economies, including benefits and MRAs. In November 2011 APEC Ministers endorsed work on AEOs, including the Pathfinder on the Mutual Recognition of AEO programs.

At its 2014 Ministerial Meeting, APEC adopted the Customs 3M Strategic Framework.¹¹ This framework highlighted the short-term objective of formulating minimum standards for AEOs (including small and medium enterprises) and increasing the capacity of member economies having no AEO programs. The long-term objective of the framework is to continue capacity building, and to encourage MRAs among member economies by highlighting the benefits.

⁹ APEC, Counter-Terrorism Task Force, Chair, *APEC Consolidated Counter-Terrorism and Secure Trade Strategy*, February 8, 2012, 3, http://mddb.apec.org/Documents/2012/CTTF/CTTF1/12_cttf1_006.doc.

¹⁰ APEC, Policy Support Unit, *APEC’s Achievements in Trade Facilitation 2007–2010—Final Assessment of TFAP II*, January 2012, 8, http://publications.apec.org/publication-detail.php?pub_id=1211.

¹¹ 3M=Mutual Recognition of Control, Mutual Assistance of Enforcement, and Mutual Sharing of Information.

STATE OF AEO PROGRAMS IN THE APEC REGION

Seventeen APEC member economies advise that they have operational AEO programs in varying stages of development: Australia; Canada; China; Hong Kong, China (HKC); Indonesia; Japan; Korea; Malaysia; Mexico; New Zealand; Peru; Russia; Singapore; Chinese Taipei; Thailand; the United States; and Viet Nam.

STATE OF MUTUAL RECOGNITION AGREEMENTS AND ARRANGEMENTS WITHIN APEC

MRAs are vital to the success of AEO programs, especially within the APEC region. As of this report, APEC member economies had concluded 37 MRAs; of those, 25 were between APEC members. This compares with 11 MRAs in 2010; of those, 9 were between APEC economies. Appendix 6 lists all current MRAs signed by APEC economies.

Mutual recognition, broadly defined in the SAFE Framework, means that one customs administration recognizes another customs administration's AEO program as equivalent to its own.¹² These agreements enable customs officials to identify and target high-risk shipments more effectively, permit quicker release of goods for AEOs, and increase the economy's reputation and competitive advantage.¹³

MRAs will occur only if administrations and governments trust the other party's control mechanisms and program objectives/qualification requirements, especially with data protection. These issues hinder the ability to turn bilateral MRAs into multilateral agreements. In addition, existing MRAs have started to diverge on basic features. The WCO has begun compiling information to avoid a proliferation of wildly differing MRAs that would be counterproductive and could become a trade barrier.¹⁴

¹² Susanne Aigner, "Mutual Recognition of Authorised Economic Operators and Security Measures," *World Customs Journal* 4, no. 1 (March 2010): 48, <http://www.worldcustomsjournal.org/media/wcj/-2010/1/Aigner.pdf>.

¹³ World Customs Organization, Guidelines for Developing a Mutual Recognition Arrangement/Agreement, 2011, 2, http://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/tools/~/_media/29AC477114AC4D1C91356F6F40758625.ashx.

¹⁴ Aigner, Mutual Recognition, 51.

2. METHODOLOGY

APPROACH

At the beginning of this study, the Nathan team reviewed the most current literature on AEO programs, as well as the 2010 APEC AEO Compendium and its survey instrument. In addition, the team determined that the survey results in the Compendium should be refined to enable comparisons of the different programs and assess convergence variables. The team determined that a more detailed analysis was required to ensure that the information could be better disaggregated.

Using the 2010 survey as a base, the team created three different survey instruments:

- Survey I—For previous respondents in the 2010 survey;
- Survey II—For new APEC AEO programs (i.e., post-2010 survey), and;
- Survey III—For APEC members that have not created an AEO program.

Surveys I & II built on the previous 2010 survey and went into greater depth about specific issues surrounding MRAs, SMEs, and capacity-building initiatives. The surveys were also based on identified variables and sub-variables to help determine similarities among AEO programs. Survey III looked at what customs administrations of member economies have done to introduce an AEO program, what challenges they have faced, and what the administrations need to do to implement the programs. Surveys I, II, and III are included in this report as appendixes 2, 3, and 4, respectively.

After presenting the surveys to APEC PSU, the team circulated them to member economies for comment and review. These comments were incorporated and merged, and the finalized survey instruments were sent out on June 21, 2015. Nineteen of 21 member economies had responded to the survey as of this report, and 17 of those surveyed had a working AEO program.

IDENTIFYING THEMES, VARIABLES

In conjunction with survey creation and deployment, the team created a qualitative convergence matrix centered on 7 major themes, 15 variables and 94 sub-variables. The team reviewed both the 2010 APEC AEO Compendium and external resources to identify these themes and determine the extent to which APEC AEO programs converged. The themes were:

1. Scope of AEO program
2. Application, verification, and authorization procedures
3. Security and compliance requirements
4. Post-authorization policies on audit and revalidation, suspension, and revocation
5. Customs organizational structure for AEO programs and their major roles
6. Partnership between customs authority and the private sector
7. Accessibility of information on customs authority's website about the AEO program

The team centered on these themes due to their prevalence in the 2010 APEC AEO Compendium and the literature as important concepts when developing and implementing an AEO program. In order to create a convergence analysis, these themes were disaggregated into the 15 variables, per Figure 1 below. The variables were chosen based on the 2010 APEC AEO Compendium, the SAFE Framework, and the team’s experience analyzing AEO programs globally.

| Convergence Analysis |
|--|
| The convergence percentage is an illustrative tool to assess the convergence of the AEO programs implemented in APEC member economies in their design elements and features. It is not meant as a ranking for AEO programs and their features. |

Figure 1: Themes and Associated Variables

| <u>Theme</u> | | <u>Variables</u> |
|---------------------|---|--|
| 1 | Scope of AEO program | Scope of AEO Program (including multiple tiers) |
| | | Types of Operators |
| 2 | Application, verification, and authorization procedures | Application, Verification & Authorization Procedures |
| | | Self-Assessment Mechanism |
| 3 | Security and compliance requirements | Compliance Requirements |
| | | Physical Security Requirements |
| 4 | Post-authorization policies on audit and revalidation, suspension, and revocation | Post-Authorization Audit |
| | | Suspension and Revocation |
| 5 | Customs organizational structure for AEO programs and their major roles | Customs Organizational Structure of AEO Program |
| | | Training of Customs Officers |
| 6 | Partnership between customs authority and the private sector | Partnership Initiatives |
| | | Benefits for AEOs |
| | | Mutual Recognition Agreements |
| | | Small & Medium Enterprises |
| 7 | Accessibility of information on customs authority’s website about the AEO program | Electronic Promotion of the Program |

In order to operationalize the variables and create the convergence percentage, the team created 94 sub-variables. The full list of sub-variables and their respective variables and themes can be found in Appendix 7. While member economies have been rated on their convergence levels the team understands that each economy has its own unique attributes and trading environment and that members’ customs authorities have tailored programs to suit their needs. As such, this study does not seek to be a gap analysis. Rather, this analysis is designed to ascertain which elements of APEC member economy AEO programs have converged.

What follows is a brief discussion of the seven themes, the underlying variables, and how both were developed.

Scope of AEO program. Sectors and types of operators were disaggregated to determine the extent to which AEO program design and the intended audience are similar among member economies, are open to both importers and exporters or have a specific focus, and whether multiple tiers of benefits have been established for different operators.

Application, verification, and authorization requirements. Specific variables and sub-variables were identified within members' customs authorization and verification procedures and the operators' self-assessment mechanisms. These variables are based on best practices that the team identified in the 2010 Compendium responses, including the experiences of Canada, Japan, and the United States.

Security and compliance requirements. Variables and sub-variables were determined by analyzing customs authorities' requirements for compliance and physical security. Development of the physical security compliance sub-variables was based on the different standards described in the SAFE Framework.

Post authorization audit/revalidation, suspension and revocation. Variables and sub-variables were identified based upon different member economies' audit mechanisms. In addition, the team analyzed the AEO suspension and revocation process, and considered relevant steps that customs administrations took when determining disciplinary measures.

Customs organizational structure for AEO programs and their major roles. The team identified how each customs authority formalized its operating mechanism for AEO programs and whether, internally, the customs authority was set up to ensure a program's success. The variables and sub-variables also involved identifying whether customs officers and traders are adequately trained and understand new roles the AEO program had created.

Partnership between customs and private sector. The team determined variables and sub-variables by analyzing types of partnership initiatives between the public and private sector, benefits that member-economy AEOs provided (including to SMEs), and how MRAs were created and implemented. This theme enables APEC to understand the different incentive structures among different AEO programs, and how to better harmonize incentives to ensure there are more MRAs. The long-term objective of the APEC Customs 3M Strategic Framework is to maximize MRA benefits in order to foster intraregional trade.

The team examined a theme in addition to those from the 2010 Compendium and survey: **accessibility of information about the AEO program on the Customs' website.** We reviewed the customs authority websites of member economies for the following information (sub-variables):

- Is there explanatory information on the AEO program?
- Is there contact information on the AEO program?
- Are AEO forms available online?
- Can businesses apply online for the AEO program?
- Is there an FAQ section?
- Are the requirements to join listed?

- Are the benefits to joining highlighted?

By analyzing these websites, the team could observe how and to what extent each customs authority promoted its AEO program and the degree of convergence.

CREATING THE MATRIX

After determining topics and creating the associated variables and sub-variables, the team created a matrix to ascertain the degree of convergence. Each AEO program was compared against this matrix and, based on the survey responses, the team determined whether specific features were identified by the respondents as being present in their programs. If the feature was present, the team gave the program a point. If not, the team moved to the next feature. This was repeated for each AEO program within APEC to create a comprehensive dataset.

A “convergence percentage” was calculated for each variable by dividing the total number of AEO programs having that sub-variable by the total number of member economies with AEO programs. In addition, a “total convergence percentage by APEC member economy” was calculated by counting how many identified sub-variables each AEO program has, and comparing the percentage against the maximum possible score (where a program has all sub-variables).¹⁵ Please note that under the variable “scope of the AEO program,” only “import/export” and “multiple 'classes' in program” were counted for the percentage scores. Programs that were only import or only export lost a convergence point.

The team understands that each economy has unique attributes that the economy’s customs authority factored into the economy’s AEO programs. This factoring helps to explain some levels of lower convergence. Generally speaking, however, the level of convergence throughout APEC on most variables is relatively high.

After calculating convergence percentages, the team identified which sub-variables were the most and least commonly incorporated into member economy AEO programs. This enabled the team to identify key features that member economies could incorporate into their programs to further harmonize AEO programs APEC-wide.

The survey responses and convergence results were used to identify areas in which best-practice examples would be of most benefit. Detailed information provided by many of the respondents clearly demonstrated that there are excellent sources of best practices within APEC that can be replicated for capacity building. Associating, or pairing, best practices with specific opportunities for improvement identified in the survey responses offers APEC a unique opportunity to take advantage of in-house expert experience to increase harmonization of AEO programs. Increased harmonization should facilitate MRA negotiations and implementation, and further enhance regional economic integration across the Asia-Pacific region. The following sections highlight the results of this analysis.

¹⁵ The sectors of current operators were not included in the calculation of the “total convergence percentage by APEC member economy.”

The methodology for calculating convergence scores was circulated and recognized by SCCP members prior to the analysis. The convergence matrix data results are included in Appendix 7 for review.

3. APEC AEO PROGRAM CONVERGENCE RESULTS AND SURVEY HIGHLIGHTS BY THEME

After designing and deploying the survey, the team analyzed results using the methods described in Chapter 2. By disaggregating sub-variables, the team determined convergence percentages for each economy. The overall convergence results by economy are attached in Appendix 5.

While the overall convergence percentage of each economy is enlightening, it is important to analyze the component convergence percentages. Figure 2 below gives those percentages by variable. The percentages are given by variable instead of theme, in order to provide a more granular analysis

Figure 2: APEC AEO Program Convergence by Variable

| | Variable | Convergence Percentage |
|----|--|-------------------------------|
| 1 | Self-Assessment Mechanism | 92.2% |
| 2 | Physical Security Requirements | 89.8% |
| 3 | Compliance Requirements | 88.2% |
| 4 | Suspension and Revocation | 80.4% |
| 5 | Application, Verification & Authorization Procedures | 79.8% |
| 6 | Customs Organizational Structure of AEO Program | 76.5% |
| 7 | Post-Authorization Audit | 75.3% |
| 8 | Electronic Promotion of the Program | 74.8% |
| 9 | Benefits for AEOs | 73.8% |
| 10 | Mutual Recognition Agreements (MRAs) | 72.2% |
| 11 | Partnership Initiatives | 67.7% |
| 12 | Scope of AEO Program | 64.7% |
| 13 | Training of Customs Officers | 59.8% |
| 14 | Types of Operators | 55.9% |
| 15 | Small & Medium Enterprises (SMEs) | 29.4% |

The low levels of convergence in the bottom three variables were notable, especially considering the importance APEC has placed on SMEs in AEO programs. To analyze these results, the variables were further disaggregated to determine the amount of variation in each sub-variable. Doing this also enabled the team to fully understand how member economy AEO programs have converged. The results of this analysis follow.

SCOPE OF AEO PROGRAM (THEME 1)

As mentioned previously, analyzing the scope of the AEO program included looking at the sectors and types of operators involved and the manner in which each AEO program was initially designed. The convergence percentage for the *scope of the AEO program* variable was 64.7 percent. The *types of operators* variable had a 55.9 percent convergence. Among the various AEO programs:

- 88.2 percent of programs were open to importers and exporters. The exceptions were New Zealand and Peru, where the program is designed only for exporters. While the U.S. C-TPAT program was previously open only to importers, U.S. CBP recently released security criteria letting exporters apply. Exporters are represented in every economy analyzed, and importers were represented in every program that was open to importers.
- 64.7 percent of the programs included customs brokers, 58.8 percent included warehouse operators, and 52.9 percent included manufactures. All other operator types identified (logistics, terminal operators, and other operators,) were represented in less than half of the surveyed AEO programs.
- 41.2 percent of programs had multiple classes in the program with multiple tiers of benefits and associated security/compliance standards. The low level of convergence may be due to different priorities in each member economy from a security standpoint. The existence of multiple classes may harm the security considerations and ease of negotiating MRAs by member economies. On the other hand, the lack of multiple classes may disincentive SMEs from joining, as physical security requirements tend to require a large amount of investment.

A wide range of sectors was represented in the various AEO programs. Although every AEO program included manufacturing, other sectors diverged.¹⁶ Mining/quarrying was the least represented sector; only 18.2 percent of economies responded that those sectors participated in the AEO program. Results by sector are shown in Figure 3.

¹⁶ The sectors of current operators were not included in the calculation of the “total convergence percentage by APEC member economy.”

Figure 3: APEC AEO Program Convergence Percentages by Sector¹⁷

| Economy | Agriculture Forestry, & Fishing | Mining & Quarrying | Manufacturin g | Energy | Wholesale & Retail Trade | Transportation & Storage | Other Services |
|-----------------------------------|---------------------------------------|-----------------------|-------------------|--------|-----------------------------|-----------------------------|----------------|
| Australia | ✓ | | ✓ | | ✓ | | |
| Canada | ✓ | | ✓ | | ✓ | ✓ | |
| Hong Kong, China | | | ✓ | | ✓ | ✓ | ✓ |
| Indonesia | ✓ | | ✓ | | ✓ | ✓ | |
| Korea | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Malaysia | | | ✓ | | ✓ | | |
| Mexico | | | ✓ | ✓ | | ✓ | ✓ |
| Peru | ✓ | ✓ | ✓ | | | ✓ | ✓ |
| Chinese Taipei | | | ✓ | | | ✓ | ✓ |
| Thailand | ✓ | | ✓ | ✓ | ✓ | ✓ | |
| Viet Nam | ✓ | | ✓ | | ✓ | ✓ | |
| Convergence Percentage | 63.6 | 18.8 | 100.0 | 36.4 | 72.7 | 72.7 | 45.5 |

¹⁷ The data excludes China, New Zealand, Russia, Singapore, and the United States, which did not identify which sectors the AEOs were engaged in.

APPLICATION, VERIFICATION AND AUTHORIZATION REQUIREMENTS (THEME 2)

Analysis of sub-variables within authorization and verification procedures and the self-assessment mechanism yielded a number of striking findings.

Although most AEO application processes were similar, the timeframes for authorization diverged. Most AEO programs estimate that authorization should take up to 6 months on average, with Japan noting that completing its process usually took only 1-2 months due to voluntary consultation and preparation prior to application.

The majority of AEO programs required some form of the following documentation when submitting the application:

- Application forms
- Supplementary documents validating the information.
- Self-assessment checklist

Among the *application, verification, and authorization* sub-variables, there was a wide range for convergence. The overall convergence on this variable was 79.8 percent. For example:

- All APEC AEO programs required the applicants to submit their application and their company background/operating environment, to undergo an onsite validation and verification audit, and to review the security procedures.
- 94.1 percent of AEO programs required a comprehensive compliance assessment.
- 35.3 percent of AEO programs conduct a risk check on applicants with other ministries/databases beyond the customs authority. This number is expected to increase, as the emphasis on OGA coordination in the SAFE Framework was recently added in June 2015.
- 29.4 percent of AEO programs had a formalized process where applicants consulted with the customs authority before applying. This consultation took the form of a mandatory expression of interest before applying, or a formalized voluntary meeting between potential applicants and the customs authority. It ensures applicants understand the application requirements and can make the requisite preparations, significantly accelerating the authorization timeline.

The *self-assessment checklist* variable had an overall convergence of 92.6 percent. Among member economy AEO programs:

- All economies except Viet Nam provided a self-assessment checklist for operators during their application.
- 82.4 percent of AEO programs required operators to submit accounting information for verification.

SECURITY AND COMPLIANCE REQUIREMENTS (THEME 3)

All programs surveyed had extensive physical security and compliance requirements. All standards listed by the member economies in their AEO programs could be linked back to the overarching theme of supply chain security as noted by the WCO in the SAFE Framework.

The convergence rate for *compliance requirements* among different AEO programs averaged 88.2 percent. Also:

- Among compliance sub-variables, all AEO programs required that the AEO comply with security/safety standards and have a positive compliance history.
- 88.2 percent of AEO programs required provision of audited financial statements
- 82.4 percent of AEO programs required internal controls (including systems for management of commercial records) and demonstration of financial viability.
- 76.5 percent of AEO programs required an electronic data exchange system between Customs and the operators.

For *physical security requirements*, convergence averaged 89.8 percent among the sub-variables identified. Also:

- All programs required physical site security, procedural security, and data/document security, while 94.1 percent of the programs demonstrated access controls, personnel security, goods security (including storage), transportation/conveyance security, and required container/trailer/rail car security (e.g., ISO/PAS 17712—International Organization for Standardization requirements for high-security seals).
- 82.4 percent of programs required AEOs to have security and awareness training.
- 76.5 percent of programs required AEOs to have security standards of business partners.
- 58.8 percent of APEC AEO programs required a crisis management/incident recovery plan modeled on the SAFE Framework Annex IV Standard L.

The high levels of convergence in security and compliance requirements are commendable. These results highlight how closely APEC AEO programs have adhered to the SAFE Framework.

POST-AUTHORIZATION, AUDIT/REVALIDATION, SUSPENSION, AND REVOCATION POLICIES (THEME 4)

Throughout the post-authorization audit and suspension process there were a number of significant findings. While some economies required the AEOs to reapply, other economies based their revalidations on identified changes in the business's operations, paired with ongoing monitoring. From the results of the survey, revalidation rather than reapplication appears to be the most beneficial to both the customs authority and the private sector, as revalidation lowers the burden on both actors.

There was an average convergence of 75.3 percent in the *post-authorization audit process*. Among the sub-variables:

- All AEO programs had regular re-validation and auditing mechanisms.
- 82.4 percent of programs required the AEO to submit statements to the customs authority regularly, and to submit statements for post-authorization audits if there were any changes in the AEO program's operating environment.
- 76.5 percent of programs required a field/site audit.
- 64.7 percent of AEO programs required some form of risk profiling/assessment, and a field audit.
- 52.9 percent of programs require AEOs to conduct an internal audit.

There was an average of 80.4 percent convergence in the *suspension and revocation* process:

- All AEOs programs within APEC had mechanisms to suspend or revoke the AEO status.
- 82.4 percent of programs allowed for customs authorities to issue administrative orders for improvements, which if not met could lead to suspension.
- Only 58.8 percent of AEO programs had an appeals process to handle suspensions or administrative orders issued by the customs authority.

CUSTOMS ORGANIZATIONAL STRUCTURE FOR AEO PROGRAMS AND THEIR MAJOR ROLES (THEME 5)

Under theme five, there was an average 76.5 convergence percent within the APEC *customs organizational structure of their AEO programs* variable. The development of AEO programs tended to involve consultations with stakeholders. Among the sub-variables:

- All AEO programs surveyed responded that there were formal reporting systems within customs authorities for internal management purposes.
- 94.1 percent of AEO programs had internal checks and controls, a dedicated program office for the administration of the program, and created standard operating procedures and AEO manuals to ensure uniformity of operations.
- 88.2 percent of AEO programs involved the risk management department.
- 82.4 percent of programs were open to foreign companies and multinational companies (MNCs).
- 76.5 percent of programs had initiated formalized procedures in communicating with other government agencies. This number is notable, since the third pillar of the SAFE

Framework which focuses on other border agency cooperation was only incorporated in June 2015. Member economies are at different stages of implementation.

- 70.6 percent of programs were implemented through legislation, while 41.2 percent of programs were implemented through administrative initiative.¹⁸
- 23.5 percent of AEO programs said that they created a dedicated Customs Technical Specialty Position for AEO program administration, though Thailand intended to create one in the near future.

In addition to conducting the convergence analysis, the team analyzed the organizational level of the APEC customs authority in charge of the AEO program. There was a wide variety in the organizational levels authorizing and validating AEOs. The level depended in part on economies' decentralization policies and unique operating environments (Figure 4).

Figure 4: Customs Organizational Structure of AEO Program

| Economy | Office(s) Where Application Submitted, Processed | Office(s) Conducting On-site Visits | Office(s) Authorizing, Suspending, Revoking AEOs | Office(s) Conducting Post-Authorization Audit/Re-validation | Office(s) Coordinating AEO Benefits with OGAs |
|-------------------------|--|-------------------------------------|--|---|---|
| Australia | HQ | FO, OT | HQ | FO, OT | HQ, FO, OT |
| Canada | FO | FO | HQ, FO | FO | HQ |
| China | OT | FO | FO | FO | HQ |
| Hong Kong, China | HQ | HQ | HQ | HQ | HQ |
| Indonesia | HQ | HQ | HQ | HQ | HQ |
| Japan | FO | FO | FO | FO | HQ |
| Korea | HQ | FO | HQ | FO | HQ |
| Malaysia | HQ | HQ, FO | HQ | HQ, FO | HQ |
| Mexico | HQ | HQ | HQ | HQ | HQ |
| New Zealand | FO | FO | FO | FO | NA/NR |
| Peru | HQ | HQ | HQ | HQ | HQ |
| Russia | NA/NR | NA/NR | NA/NR | NA/NR | NA/NR |
| Singapore | HQ | HQ | HQ | HQ | HQ |
| Chinese Taipei | FO | FO | FO | FO | HQ |
| Thailand | HQ | HQ | HQ | HQ | HQ |
| United States | HQ, FO | HQ, FO | HQ, FO | HQ, FO | HQ, FO |
| Viet Nam | FO | HQ | HQ | HQ | HQ |

HQ = Headquarters

¹⁸ Indonesia and Viet Nam noted that their AEO programs were implemented through both passed legislation and administrative initiative.

FO = Regional/Field Offices

OT = Other

NA/NR = Not Applicable/No Response

Some customs authorities preferred to centralize their entire AEO program within headquarters; others devolved AEO authority to regional and field offices, with potential guidance and oversight by dedicated AEO specialists at headquarters. The third model, applied in the United States, for example, allowed AEO authorization and validation processes to be performed at headquarters and regional customs offices. The range of customs organizational structures is unsurprising, as each authority takes into account their economy's unique environment when designing how the AEO program is overseen.

Customs training programs for the AEO program were also analyzed as the second variable under theme five. Based on the completed surveys, overall convergence of *training of customs officers* was at 59.8 percent. There was a high degree of variance among the sub-variables identified, namely:

- 88.2 percent of programs gave AEO-specific training.
- 82.4 percent gave skills training.
- 58.8 percent gave specific supply chain security training and had regular training programs.
- 35.3 percent of programs gave academic classroom-based training and audit training.

While member economies have their own capacity-building initiatives and hold workshops, there appears to be no comprehensive, AEO capacity-building initiative led by APEC despite the existence of the APEC AEO Action Plan. Under SAFE Framework's Pillar 1, Standard 2.10.2, training should be regularly provided to ensure that customs staff can work in the AEO environment. While some APEC members' AEO programs contained guidelines and training mechanisms for employees, other programs provided neither comprehensive training nor testing of employees.

Formalized training is even more important if the AEO program requires creating an AEO technical specialist. There are numerous examples of best practices within APEC on how to add such positions. These practices receive further elaboration in Chapter 4.

PARTNERSHIP INITIATIVES BETWEEN CUSTOMS AND PRIVATE SECTOR (THEME 6)

Since AEO programs are voluntary, customs authorities and the private sector must form strong partnerships to ensure the programs' success. From the analysis, overall convergence of the *partnership initiatives* variable under theme six was 67.7 percent. Among the sub-variables:

- 64.7 percent of customs authorities consulted with private sector stakeholders during the *AEO program design stage*,

- 88.2 percent of customs authorities consulted with private sector stakeholders with regard to *AEO program implementation*.
- 76.5 percent of AEO programs were promoted by customs authorities to traders through advertising, seminars, etc.
- 70.6 percent of AEO programs utilized an account manager approach to their program.
- 58.8 percent of programs had a dedicated AEO enquiry phone number or email.
- 47.1 percent of APEC economy AEO programs used a formal survey to gauge trader satisfaction

Lack of consultation with the private sector in the design stage is problematic. There may be potential misconceptions by the private sector about the anticipated benefits, which would disincentive other companies from becoming an AEO. The SAFE Framework is conceived as a partnership approach, and the WCO suggests incorporating the private sector from the beginning of the program, creating a customs-to-business dialogue to discuss the idea of an AEO and how to move forward.¹⁹ The WCO also recommends active consultations with the private sector, and adopting a segmented approach to identify tangible benefits for different economic operators. The results also imply a need for more direct communication between customs authorities and stakeholders, as less than half of economies have formally surveyed the private sector.

The second variable under theme six was *benefits for AEOs*. Survey responses pointed to a wide range of benefits available to AEOs within APEC. Because the programs are voluntary, a robust and targeted benefits list is required to encourage the private sector to pursue AEO status. Among AEO programs, overall convergence of benefits offered was 73.8 percent. Potential answers varied widely, with some sub-variables included in all AEO programs and others only available in one. Among the benefits:

- All AEO programs shortened the time for shipment clearance, increased predictability, provided expedited cargo release/lowered transit time/lowered storage cost, and provided results for traders gained through trade barrier simplification.
- For economies with AEO program MRAs, all programs included access to MRA partner benefits. The remaining programs are looking to negotiate MRAs with partner economies.²⁰
- 88.2 percent of programs included simplified data requirements and data submission.
- 82.4 percent gave AEOs access to specialized assistance or customs specialists.
- 76.5 percent gave AEOs access to the AEO program logo.

¹⁹ World Customs Organization, *AEO Implementation Guidance: How to Develop an AEO Programme*, May 2010, 4, http://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/tools/~/_media/4448CE5B00DB422FA89A29AA447A4F22.ashx.

²⁰ Economies that had not yet negotiated a MRA (Australia, Indonesia, Peru, Russia, and Viet Nam) were not included in this convergence percentage.

- 64.7 percent of programs surveyed provided extra access to information of value to AEOs.

While there was overall convergence, there were a few divergent sub-variables noted among the benefits offered.

- 52.9 percent of AEO programs provided different benefits for different types of operators or operating sector.
- 35.3 percent of programs provided special measures for AEOs during elevated threat levels.
- 11.8 percent of programs provided first consideration for participation in new cargo-processing programs.

One recurring theme was that customs authorities were having difficulty identifying benefits to encourage traders to join an AEO program. This difficulty is amplified if the overall trade facilitation environment is extremely efficient. After all, the top three *World Bank Trading Across Borders* economies are in APEC (Singapore, HKC, and Korea respectively).²¹ The high level of trade efficiency means that AEO participation might provide a marginal benefit for firms. Increasing tailor-made benefits to attract more AEOs could decrease the convergence percentage; this is one area where a high convergence percentage might not necessarily be conducive to trade facilitation.

The third variable under theme six was ***mutual recognition agreements***. As stated in the APEC Customs 3M Strategic Framework, MRAs are a long-term goal to foster regional economic integration. From the survey results, there was an overall convergence of 72.2 percent among APEC MRAs.²² Among the sub-variables identified:

- All APEC member economies with AEO program MRAs required the operational data to be exchanged digitally, with periodic consultations with partner customs authorities.
- 91.7 percent of AEO programs conducted joint validation visits before the MRA could be signed.²³
- 75.0 percent used different trader identification mechanisms; 41.7 percent used common trader identification.²⁴

²¹ World Bank Group, *Trading Across Borders, Doing Business*, June 2014, <http://www.doingbusiness.org/data/exploretopics/trading-across-borders>.

²² Economies that had not yet negotiated a MRA (Australia, Indonesia, Peru, Russia, and Viet Nam) were not included in this convergence percentage.

²³ Peru noted that future MRAs will require joint validation/observation visits prior to signature. However, since Peru does not currently have a signed MRA its answer was not included in the percentage at this time.

²⁴ Japan and the United States noted they have used both forms of trader identification.

- The majority of MRAs appeared to be negotiated and signed mainly by the customs authority, with 25.0 percent of programs requiring domestic legislation or OGA approval to sign.²⁵

Although the number of MRAs within APEC members increased from 9 in 2010 to 25 as of writing, there is room for more agreements to be signed. From the survey results, MRA convergence should be increased by streamlining the negotiation and adoption process. Economies can also facilitate MRAs by ensuring security requirements and the capacity to control AEOs is stringent. By doing this, APEC members will meet the WCO's Resolution on the SAFE Framework, which calls for increasing the number of MRAs.²⁶ Chapter 4 includes recommendations and best practices for this endeavor.

The last variable under theme six was *small and medium enterprises*. Throughout APEC, there is an emphasis on SMEs and how they interact with the global trading system. SMEs contribute between 20 and 50 percent of GDP in the majority of APEC economies. However, these firms only contribute up to 35 percent of direct exports in the region.²⁷ Since the AEO program is an export/import and security-oriented endeavor, it is unsurprising that overall convergence rate of SMEs was relatively low, with 29.4 percent converging on this factor. In addition, there is no single definition of SMEs in APEC. The definition can be based on different criteria and can differ among different agencies. It could include "number of employees or maximum levels of capital, assets, or sales, and can also be further defined by sector."²⁸ Using each economy's self-reported definition of a SME, among the sub-variables analyzed:

- 35.3 percent of programs specifically enumerated benefits for SMEs (including at the application stage). Without targeted outreach, SMEs will be less inclined to join the program.
- 29.4 percent of programs specifically solicited SME inputs during the AEO program design.
- 23.5 percent had a specific SME outreach plan.

Aside from the convergence analysis, the survey responses from customs authorities highlighted a number of other barriers to SMEs joining the AEO program. Among the barriers:

- SMEs were more likely to view the AEO program as favoring large businesses. With the cost involved in upgrading security systems to meet AEO requirements, SMEs did not view the return on investment in the same light that a larger company would. This

²⁵ Indonesia noted that future MRAs require domestic legislation or OGA/Working Group approval. However, since Indonesia does not currently have a signed MRA its answer was not included in the percentage at this time.

²⁶ World Customs Organization, SAFE Framework of Standards to Secure and Facilitate Global Trade, June 2015, Annex V, <http://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/tools/~media/2B9F7D493314432BA42BC8498D3B73CB.ashx>.

²⁷ "Small and Medium Enterprises," Asia-Pacific Economic Cooperation, accessed October 13, 2015, <http://www.apec.org/Groups/SOM-Steering-Committee-on-Economic-and-Technical-Cooperation/Working-Groups/Small-and-Medium-Enterprises.aspx>.

²⁸ APEC, Policy Support Unit, SME Market Access and Internationalization: Medium-term KPIs for the SMEWG Strategic Plan, by Ramonette B. Serafica, Tammy L. Hredzak, and Bernadine Z. Yuhua, June 2010, 3, http://publications.apec.org/publication-detail.php?pub_id=1050.

is especially the case in economies where SMEs have already enjoyed large trade facilitation benefits.

- There was inadequate evidence to show liaison between SMEs and customs authorities during design and implementation. The percentage of programs with specific SME outreach plans during design and implementation was very low. Without this feedback, customs authorities are unable to clear up any misconceptions about the program, or to encourage adoption by the private sector.
- The time between application and authorization ranged from 1–2 months to 6 months. A long timeframe could serve as a disincentive for SMEs, as it could affect their perceived return on investment.
- There were numerous examples of overly inflexible and prescriptive security requirements. This included requiring perimeter fencing for all AEOs, 24-hour security services, and satellite tracking technology for cargo, among others. This can be contrasted with the recommendations in the SAFE Framework, which suggests a flexible approach to security.

SMEs should be encouraged to apply for AEO programs. As long as security concerns are addressed, the barriers identified above should have increased flexibility to ensure that the trade-facilitation gains are maximized. As the WCO has noted, the AEO concept is intended to embrace and secure all elements in the international supply chain.²⁹ Low SMEs participation in AEO programs decreases the value-added of the initiative, especially since “in some cases the vast majority of a supply chain may be composed of SME economic operators.”³⁰ Chapter 4 includes best practices and recommended solutions for encouraging SME participation.

ACCESSIBILITY OF INFORMATION ON CUSTOMS’ WEBSITE ABOUT THE AEO PROGRAM (THEME 7)

A website can provide a centralized, easily accessible, comprehensive repository of knowledge about the program. This centralized information is critical to the success of an AEO program. A complete website also serves as a promotional tool for the program.

All AEO programs had websites in their local language. The team analyzed the features of each website and found an overall 74.8 percent convergence. Among the sub-variables:

- 94.1 percent of programs had explanatory information on their website and listed the requirements to join..
- 88.2 percent of programs listed the benefits traders gained from AEO status.
- 82.4 percent of websites listed a contact point at the customs authority for inquiries.
- 70.6 percent included online forms.

²⁹ World Customs Organization, “The Authorized Economic Operator and the Small and Medium Enterprise—FAQ,” May 2010, 5, http://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/tools/~/_media/93162547322F462A97F8767D0987A901.ashx.

³⁰ Ibid.

- 52.9 percent had a FAQ section on the website.
- 41.2 percent allowed for an online application (including email submission).

4. BEST PRACTICES AND RECOMMENDATIONS

Using the SAFE Framework, Revised Kyoto Convention (RKC), and various compendiums, the team developed and administered three questionnaires to gather data on specific activities where a best-practice approach would have a particularly positive impact among the greatest number of members. Based on the member economy survey responses and the convergence analysis, a number of best practices were noted among APEC AEO programs, including:

- Stakeholder involvement and benefits;
- SME participation
- Training and capacity building;
- Negotiating MRAs
- OGA participation; and
- Other themes (e.g., lack of research and length of AEO approval time).

The following sections highlight the potential best-practice examples within APEC, as well as potential recommendations to be adopted by APEC customs administrations and the SCCP. The breadth and depth of APEC AEO programs made it possible to identify best practices within the region without a need to consult externally. These best practices were chosen based on the team's review of the survey responses, and what economies described as working well within their individual programs.

By identifying best practices within APEC, member economies can work with the APEC Secretariat to share lessons learned. Also, it is easier for APEC members to arrange access among one another due to well-established working relationships. At the same time, the team did identify potential partner economies where a member's AEO program concerns could be addressed by studying the partner's AEO program.

STAKEHOLDER INVOLVEMENT AND BENEFITS

AEO programs are fundamentally voluntary and collaborative partnerships between customs authorities, other government agencies and the private sector. Throughout the responses received, customs authorities noted there were numerous examples of private sector skepticism of the benefits of the program. Commonly expressed concerns included:

- The AEO program only provides customs authorities with additional audit opportunities;
- There is little or no return on investment for participating, especially for SMEs; and
- The benefits of joining an AEO program are not worthwhile and do not offset costs, especially if the economy already has a streamlined trade-facilitation environment.

These concerns highlight the need to fully engage with the private sector during all phases of the program, as exemplified throughout Pillar 2 of the SAFE Framework. Open communication between customs authorities and the private sector is essential to ensuring the success of any AEO program. The WCO also released its newly developed Customs-Business partnership guidance in 2015. This manuscript details different best practices and case studies, as well as general guiding principles on how to create a beneficial engagement with the private sector.

Only 8 of the 17 current APEC AEO programs have implemented a survey to gauge trader satisfaction, with Australia and Thailand saying they were planning to introduce one in the near future. Surveying traders and users of the AEO program is important to ensuring that customs authorities receive an unvarnished view of how traders see the program. While formal working groups and public-private sector consultations allow for some discussion and feedback, there is always the concern that these instruments do not convey the private sector's true thoughts. This is especially true if the private sector views the AEO program as nothing more than an extra auditing tool for the customs authority to wield. In addition, smaller businesses may not have the clout or ability to attend these sessions, and their thoughts and feedback are left unheard.

Member economies also noted that it was difficult identifying tangible benefits to attract the private sector. This concern is amplified if the economy's trade facilitation environment is already streamlined, particularly for economies that operate essentially as free ports where reduced and prioritized inspections are not a strong incentive to join. In addition, there were concerns that no matter what benefits were provided, traders would be unsatisfied since there will always be some form of control on the flow of goods, especially if other border agencies put holds on the transactions.

Through the survey, the team identified a need for lessons learned and best-practice sharing throughout APEC. There also needs to be more formalized feedback from the private sector on the AEO program, particularly with methodological rigor and not through ad hoc mechanisms. Finally, tangible benefits need to be identified APEC-wide to ensure that operators adopt the voluntary program.

APEC Best-Practice Examples

While there are concerns regarding stakeholder engagement, there are a number of potential best-practice examples throughout APEC, with some listed below.

- Australia has comprehensive formal and informal consultations throughout both the design and the implementation stages of the AEO program. Prior to the implementation of the AEO program, there were negative private sector preconceptions that AEOs favored big businesses because they had the most to gain financially from participation, and public sector concerns that AEOs would not be scrutinized adequately. To overcome this, the Australian Border Force (ABF) convened an industry advisory group during the design stage to formally solicit recommendations to the AEO program from the private sector. This group met bi-monthly to ensure that the private sector was notified and engaged throughout the process. In addition, the benefits were developed in close consultation with the industry advisory group. The ABF also proactively and directly explained to other government agencies and traders how the AEO program would increase supply chain security for all through better oversight of trading. Australia also has a dedicated email so that the private sector can communicate specifically about the AEO program, and has formed a stakeholder communication and engagement team specifically within the ABF to track and coordinate all AEO-related communication(with both the private sector and OGAs).
- Canada took a similar approach by communicating constantly with stakeholders and by fostering high-level collaboration among the Canada Border Services Agency (CBSA), OGAs, and businesses to ensure buy-in during the development stage. Currently, CBSA

and industry communicate through a formal mechanism called the Border Commercial Consultative Committee. There are several sub-committees dedicated to specific topics, including one for the AEO program. The success of the AEO programs also relied on the support of senior level officials within the customs administration and key industry stakeholders. Collaboration between the CBSA and industry remains important in promoting compliance with Customs regulations and to ensure the safety and security of cross border trade.

- Chile has taken comprehensive steps to engage the private sector through all aspects of the design process. Chile's AEO working group has been in constant contact with private sector stakeholders throughout the process, and feedback has been incorporated or addressed during consultations. Chilean Customs conducted benchmark research with the private sector to determine what benefits would most interest operators, and continues to liaise with the private sector informally. In addition, Chile has a two-tier capacity-building plan to ensure that operators and stakeholders are properly informed of AEO issues. Since 2013, online courses, workshops, and onsite lectures have been available to those interested in this certification. Technical capacity improvements will be pursued once the program has been widely adopted, including process automation and online applications. Chile also has taken into account SME inputs since, in its current plan, attaining AEO status will require mainly process improvements, not large investments in new systems for the operator. This mechanism should be replicated among other member economies that are considering adopting an AEO program, to ensure that there is buy-in among all private sector stakeholders during design of the process.
- Japan integrated its preexisting compliance-based program called the "Simplified Declaration System" for authorized importers into an AEO program in line with the WCO SAFE Framework by adding security requirements. In order to encourage private sector participation in the program, Japan did not utilize multiple classes due to concerns that multiple classes could discourage operators from joining. Japan obtained private sector input on its program and incorporated feedback into the program's implementation. Notably, Japan amended the Customs Acts legislation governing the program itself, in order to enhance the program to meet traders' needs. In addition, Japan Customs has government-private sector consultation mechanisms to discuss promoting and implementing the AEO program. The AEO Center within Japan Customs has also been invited to business seminars, and has presented on the AEO program to private sector counterparts. Finally, Japan provides voluntary consultation and preparation to potential operators prior to AEO application. This ensures that the private sector understands the process involved, and leads to a quicker turnaround time.
- Mexico initially faced private sector skepticism about the AEO program. These doubts were overcome through formalized groups consisting of private sector associations working with the Mexican Business Council for Foreign Trade, Investment and Technology (COMCE), to analyze supply chain security procedures. Mexico also closely collaborated with the U.S. AEO program C-TPAT to become familiar with it, adopt C-TPAT's best practices, and improve internal capacity to carry out AEO programs. After the AEO initiative was adopted by the Presidential National Development Plan, Mexico collaborated with the private sector to identify safety standards and benefits and to analyze other economies' AEO programs. Every applicant and participant is assigned a specific account manager, with numerous workshops on

the program held every year in different regions of Mexico. Besides publicly promoting the program, these workshops enable the private sector to resolve inquiries and exchange ideas, opinions, or best practices. There is also an annual AEO conference with the United States (C-TPAT-NEEC Conference), which allows for cross-border dissemination of ideas and feedback from both economies' private sector representatives.

- Singapore formed an inter-ministry committee to ensure that all OGAs coordinated formally and consulted with the private sector, and to ensure that supply chain security standards were in compliance with international standards. Industry feedback was incorporated during the design of the AEO program, in order to take into account their concerns about costs, effects on competitiveness, and business productivity. During implementation, Singapore Customs conducted a series of joint outreach seminars with various associations and trade promoting agencies to continue increasing supply chain security awareness and to promote the AEO program to the private sector. Singapore Customs also sought feedback from the industry through emails and one-on-one meetings on the proposed AEO criteria and processes. The private sector's inputs and feedback were incorporated into the finalized version of the AEO Criteria.
- The United States also has a formal engagement mechanism with the private sector for the AEO program. Under the auspices of the Commercial Operations Advisory Committee, the United States created a sub-committee specifically dedicated to advising CBP about supply chain security issues. This partnership was most recently used to advise C-TPAT on how to expand export criteria for the program. During design, the United States also used formal and informal mechanisms to communicate with traders, conducting a series of brainstorming sessions to solicit their advice. CBP also conducts an annual C-TPAT Supply Chain Security Conference to ensure continued outreach to the private sector.

Recommendation 1: Conduct Private Sector Satisfaction and Inclusion Surveys

All APEC customs authorities should conduct a methodologically rigorous, independent, and anonymous survey of the private sector about the AEO program. This tool will also enable all participants in trade to convey their impressions, allowing customs authorities to understand the private sectors' thoughts on the program. The results of these surveys should be aggregated at the APEC level, to see if there are any general thoughts or preconceptions throughout APEC about the program that need to be addressed.

Customs authorities in member economies that have not conducted surveys should communicate with customs authorities that have already done so. In particular, Singapore and the United States have conducted comprehensive surveys, with interesting results. The Singaporean survey noted that operators desired more tangible benefits from the program. The United States worked with the University of Virginia to implement their survey, which found high satisfaction by the private sector with the AEO program. These surveys should be replicated APEC-wide, to determine what concerns are commonly shared in the region.

When designing this survey, economies should look to the WCO for guidance. The WCO has previously privately surveyed companies in nine economies about their AEO programs (including Canada, China, Korea, and the United States).

Recommendation 2: Consider Stakeholder Outreach Study Tours and Workshops

There are numerous APEC examples of private sector outreach in the design and implementation of the AEO program. These practices and approaches have apparently not been actively shared regionally. One way to narrow this gap would be for AEO programs in developing economies to learn best practices from existing programs in other member economies. For example, Chile and Peru may gain from the Mexican experience, in particular with regard to the private sector outreach initiatives and how to operationalize the AEO program. The Philippines, when designing its program, may look regionally at the Singaporean and HKC experience in outreach to the private sector, especially since there does not appear to have been any regular consultations between customs authorities and businesses in the Philippines.

One concern raised in the responses was that the private sector lacked knowledge and training on security issues. To ease this concern, the proposed study tours can also look at how customs authorities have worked with the private sector to identify security oriented capacity-building opportunities. Through these initiatives, traders can learn about different security concerns, including internal threats to security and unauthorized access controls.

Another component of private sector outreach is identifying tangible benefits APEC-wide for operators. SCCP should arrange a facilitative workshop where members discuss the different benefits their respective AEO programs provide to the private sector. This way, customs authorities can discuss why providing tangible and targeted benefits is needed. Otherwise, the customer and client of the program (the private sector) will not have an incentive to join this voluntary initiative, impeding its ability to improve supply chain security.

While this workshop should start with all APEC economies involved, there should also be a follow-on session with only the developed APEC economies. It is harder to identify tangible benefits if there is already a streamlined trade facilitation environment. More fully developed economies need to discuss how they have tried to overcome this constraint. By identifying additional overall benefits for AEOs, Customs authorities will be able to encourage the private sector to join, increasing supply chain security.

SMALL AND MEDIUM ENTERPRISES

Although APEC comprises a wide range of economies, a striking commonality is the prevalence of SMEs. Although there is no single definition of SMEs adopted by all APEC economies, “most enterprises within each economy are classified as SMEs.”³¹ AEO programs impose particular burdens on SMEs. As the WCO says unequivocally, “the proportionate cost impact of security investments on SMEs is greater than on larger companies.”³²

To ensure that these enterprises contribute to supply chain security and have a chance to gain from an AEO program, customs authorities should work to promote SMEs obtaining higher compliance and meeting security requirements. Pillar 2, Standard 1 in the SAFE Framework

³¹ APEC, Policy Support Unit, SME Market Access and Internationalization: Medium-term KPIs for the SMEWG Strategic Plan, by Ramonette B. Serafica, Tammy L. Hredzak, and Bernadine Z. Yuhua, June 2010, 4, http://publications.apec.org/publication-detail.php?pub_id=1050.

³² World Customs Organization, “The Authorized Economic Operator and the Small and Medium Enterprise—FAQ,” May 2010, 5, <http://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/tools/~media/93162547322F462A97F8767D0987A901.ashx>.

states that “a Customs-to-Business partnership programme should allow for the flexibility and customization of security plans based on the AEO’s business model.”³³ As such, customs authorities should take a flexible approach to security standards rather than a prescriptive one. This approach would involve acknowledging the economic limitations of SMEs when evaluating SMEs for AEO status. Customs authorities would take this into account during the evaluation phase, and auditors would be trained to evaluate the company’s overall security actions and determine if they are adequate to meet the risk factors facing it.³⁴

Despite the SAFE Framework promoting flexibility in AEO eligibility, a number of respondents reported specific and apparently inflexible compliance and security standards. These standards include requirements to have paid at least a certain amount in customs duties/taxes before being eligible as an AEO, have specific amounts of turnover per year, track cargo by satellite, and have 24-hour security guards on premises. This appears to run contrary to what the SAFE Framework intends, and is an element that should be addressed. Otherwise, SMEs face disincentives to join.

Relevant APEC Best-Practice Examples

APEC has many examples of customs authorities taking a holistic and flexible approach to security standards where SME concerns are addressed from the beginning. Australia; Canada; HKC; New Zealand; Singapore; and the United States take a flexible approach to physical security rather than follow the prescriptive security standards other economies have used. This flexible approach to security standards means that applicants are judged holistically based on their own unique operating environment and business needs, rather than given specific security standards to meet. A flexible approach is beneficial since it lowers barriers to adoption by SMEs while still allowing for rigorous security standards. In contrast, a prescriptive approach could serve as a disincentive to firms joining the program, as their own operating conditions are not taken into account during the authorization process.

For example:

- Australia engaged SMEs during the design phase and listened to their specific concerns. Australia used a formal consultative working group with SMEs to design the “Outcomes-Based Approach” used in the security standards. By ensuring there was SME buy-in from the beginning, Australia was able to address concerns about the program targeting big businesses without a sufficient return on investment for SMEs. This “Outcomes-Based Approach” to security standards specifies the required security outcome, and the operators describe how those standards are being met in their individual circumstances. This approach was explicitly designed to foster SME participation in the security chain.
- Japan addresses the SMEs bottleneck through customs-business partnerships using the AEO customs broker’s regime. By using customs brokers, users (including SMEs) can enjoy quasi-full procedural benefits of AEO status by taking advantage of authorized

³³ World Customs Organization, *SAFE Framework of Standards to Secure and Facilitate Global Trade*, June 2015, 25, http://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/tools/~/_/media/2B9F7D493314432BA42BC8498D3B73CB.ashx.

³⁴ Mayra Hernández De Cavelier, “Increasing SME Participation in AEO Programmes,” World Customs Organization News, October 2008, 44, <http://www.wbasco.org/documentos/Pages%2042-%2044%20WCO-News-57%20UK.pdf>.

logistic service providers' competency to manage the supply chain. Through this, SMEs diminish the cost of additional investment. This mechanism also motivates customs brokers to sell new services to trade, while allowing trade to minimize the opportunity cost.

- Korea offers expedited AEO authorization examinations to SMEs through multiple procedural preferential provisions, including a 'priority audit'. In order to facilitate SME's access to the program, consulting fees are provided to the firms that show a lack of personnel and financial resources. Additionally, larger firms sign Memorandums of Understanding with their SME partners to support their AEO authorization.
- New Zealand's approach is instructive, particularly since a large proportion of its businesses are SMEs. New Zealand Customs recognized that every business is unique and security arrangements for cargo are different for each. New Zealand takes an outcomes-based approach, asking exporters to demonstrate how they intend to comply with the minimum standards and working with them to achieve mutually acceptable criteria.
- Singapore's AEO criteria are not prescriptive and assessment is based on the security risks involved. Although Singapore has not taken specific steps to attract SMEs to the program, Singapore emphasizes outcomes when engaging with SMEs.
- Thailand uses the same set of security standards for all companies while acknowledging and taking into account SMEs' economic limitations. It uses this approach as a guiding principle, including during the evaluation process, judging the overall adequacy of a company's security. However, Thailand did note that this approach requires a higher level of auditor training, professionalism, and management oversight to ensure an objective evaluation of the compliance requirements in the specific business context of SMEs.
- The United States notes that AEOs must show they are meeting minimum security criteria. However, these criteria are written in a way that allows for flexibility during implementation. U.S. CBP relies on their Supply Chain Security Specialists to review the company's security profile and verify on-site that these criteria are met. These specialists also conduct outreach to SMEs to explain the eligibility criteria and application process, as well as to the trade community in general.

Recommendation 3: Consider Adopting a Flexible Approach to Compliance and Security Standards Designed to Reasonably Achieve Desirable Outcomes

APEC SCCP should consider emphasizing a region-wide flexible approach to compliance and security standards. Standards should not impose overly burdensome and bureaucratic requirements on SMEs that simply cannot meet them.

SCCP should encourage member customs authorities to review their compliance and security procedures and analyze whether they are holistic and flexible based on their individual operating conditions. The results should be shared within APEC. Economies should also review their outreach programs for information accessibility (especially to SMEs), and whether there are specific facets of their AEO program that attract SMEs to ensure a fully secure supply chain.

This review can be done through a workshop under the auspices of the AEO Working Group. Customs officers from the AEO units should be invited to attend, and economies with flexible approaches to security requirements could present their experiences and how these approaches have affected SME participation and supply chain security. This would involve describing evaluation criteria and how auditors and evaluators have been trained to make holistic and qualitative judgments. Through this mechanism, best practices can be disseminated and customs authorities will be more motivated to take a more flexible approach.

During this workshop, customs administrations should present their results and best practices on outreach programs, especially with SMEs. They should also present their individual economy's experiences with ensuring SME participation, including through Authorized Customs brokers.

TRAINING AND CAPACITY BUILDING

Survey responses described a variety of member-specific training approaches and mechanisms, but there did not appear to be any institutional APEC-wide training facility or program. In order to ensure the success of an AEO program, members' customs authorities must be able to provide high-quality training to their officers as well as AEO partners regarding program particulars. Quality of training is especially important if customs administrations create customs specialty technical position for AEO program implementation, as this will impact the training regime. Several economies noted that they would benefit from access to training resources on a wide range of topics, including MRAs, AEO implementation best practices, risk analysis, validation and auditing training, and AEO program promotion.

Member economies have taken varying approaches to training in the absence of systematic implementation at the APEC level. The more developed economies have created sophisticated training materials and approaches; other economies, for lack of resources or for other reasons, had not yet developed adequate training programs. Members of that latter group have expressed needs for capacity building and assistance in training.

Relevant APEC Best Practice Examples

The good news is that there are numerous examples of best practices throughout APEC on both training regimes and specialist technical positions for AEOs. Some examples:

- Australia has proposed creating separate, AEO-specific positions, one for account management and the other for validation. By dividing responsibilities, there is more accountability and responsiveness throughout the process. If the AEO believes the validator is being too stringent, the AEO can work with the account manager to ensure a fair hearing. On the other hand, the account manager can take any concerns to the validator for expert advice and analysis before elevating a situation to the suspension process. The Australian Border Force is currently developing training materials assessing supply chain security, border management, and trade facilitation, in order to implement this model.
- Canada has implemented a formal training program for customs officers in AEO programs. These officers are provided with background in commercial trade and supply chain security as well as front line operational experience. Canada also provides AEO

self-learning tools and training online, and requires officers to attend monthly teleconferences with headquarters. Formal training programs ensure that all implementing officers understand the requirements and processes involved with the AEO program.

- China has a complex and rigorous program, establishing comprehensive training courses involving field studies, lectures, and mock AEO validation. All customs officers who are involved in AEO validations are required to attend these seminars. China also created an AEO position called “enterprise certification specialist.” Applicants for this position must take the training courses and pass an examination before attaining this certification. China provides training resources for potential business partners through multiple media, including the customs hotline, website, and instant-messaging software. Specific training resources have been set up regionally for customs officers from the “the Belt and Road” initiative to enhance their understanding and adoption of AEO programs. This initiative is meant to enhance policy coordination throughout Asia (including trade liberalization), to boost regional economic growth and development, and to enhance people-to-people connectivity.³⁵
- Japan has a classroom training program for newly assigned AEO officers. These courses teach AEO policy, legal frameworks, and other necessary procedures (authorization, validation, and audit). At the regional level, Japan’s customs authorities provide on-the-job training to make sure the AEO program is uniformly implemented.
- Korea provides a five day training program to customs officials assigned to the AEO program. Topics covered include an overview of the AEO program, related laws, authorization criteria, post management, and audit methods. This training is also offered to private sector representatives in charge of import/export management at the AEOs.
- Malaysia requires AEO officers to attend a formal, three-day training process on AEO implementation, MRA implementation, AEO systems, and audit processes.
- Singapore provides comprehensive training for officers involved with AEO validations. While there is no specific AEO technical specialty position, customs officers are required to receive both in-house and external training. In-house training, supported by standard operating procedures, includes on-the-job training and instructional briefings on how an AEO validation is conducted. External training includes seminars and overseas training to ensure officers know of international best practices.
- China, Japan, Chinese Taipei, and the United States have established a customs specialty technical position for AEO program implementation. Australia, Indonesia, and Thailand have said they were discussing this development and are considering a similar approach.

³⁵ Scott Kennedy and David A. Parker, “Building China’s ‘One Belt, One Road,’” Center for Strategic and International Studies, April 3, 2015, <http://csis.org/publication/building-chinas-one-belt-one-road>.

Recommendation 4: Encourage SCCP to work on Generic Capacity-Building Initiatives (or revitalize work on AEOs in the Collective Action Plan)

Developing economies in APEC conveyed a desire for more training material and capacity building. This is an area within APEC's ability to resolve and an ideal initiative to undertake. SCCP has demonstrated experience in developing action plans and provides an institutional structure to develop an APEC-wide generic capacity building plan that could be achieved through the following five-phase approach:

In Phase 1, APEC customs authorities should define the mission statement of the capacity building plan and what member economies hope to accomplish with this initiative. This should include some basic standards, including how long sessions should last and which issues should be included. There should also be buy-in and agreement by all member economies to implement such a training program once developed.

In Phase 2, APEC customs authorities should identify and bring in trainers from programs representing best practices. Member economies, using inputs from the WCO, should work together to create a generic AEO training program for customs officers. The WCO is developing AEO Validation Guidance and Training Modules and the first draft is expected to be presented in February 2016 at the 15th SAFE Working Group Meeting. This resource should be consulted when APEC discusses best practices. This program can also include creating AEO-specific benchmarks incorporating the WCO Partnerships in Customs Academic Research and Development (PICARD) Professionalism Standards. While this generic program would not replace comprehensive training programs already developed and implemented by APEC customs authorities, it would provide a valuable training framework to economies that have expressed interest.

In Phase 3, APEC customs authorities should consider creating a repository of the different best-practice training guides and manuals used in APEC. By making this database accessible, lessons learned can always be accessed and newer AEO programs will have a guidebook they can adapt to their own unique context.

In Phase 4, economies with the greatest training needs should be invited to a train-the-trainers program, so that they can learn about this training program and how to implement it. Customs officers who attend this session can then develop and tailor an AEO training program to suit each economy's unique context.

In Phase 5, the trained instructors would return to their member economies to implement training within their respective customs authorities, with potential input from the original trainers on their programs.

Training on AEO programs should not be limited to just the AEO or supply chain security portion of customs authorities. Respondents noted that although headquarters and specific divisions of customs agencies were trained on AEOs, the provincial and frontline customs officers were not, which hindered full realization of AEO benefits. To address this concern, AEO training should be mandatory for all frontline customs officers. The training modules should also include operator profiling management, risk management, and audit capacity, among others. Customs authorities need to have a strong grasp of these essential functions in order to successfully implement the AEO program.

This training should also be opened to OGAs once customs officers are trained. Several respondents said that OGAs have not had any AEO training and did not understand the full implications and potential advantages of AEO programs. Opening AEO training to all border agencies would widen understanding of the AEO program and its day-to-day implications.

MUTUAL RECOGNITION AGREEMENTS AND ARRANGEMENTS

APEC's long-term objective for AEO programs is to promote MRAs and work out mutual benefits to facilitate trade while enhancing supply chain security across the Asia-Pacific.³⁶ While the overall convergence on MRA procedures within APEC was at 72.2 percent, this figure does not take into account the 5 AEO programs that had yet to sign a MRA.³⁷ The number of MRAs among APEC members has jumped from 9 to 25 since 2010. However, the number of potential bilateral MRAs between APEC members with AEO programs is 119.³⁸ APEC is at 21.0 percent of its potential full economic integration with regards to mutual recognition of AEO programs.

Several customs authorities expressed a desire for more statistical evidence of the theoretical benefits of MRAs in easing and enhancing market access. MRAs are expected to reduce the border-compliance costs for business and improve border security, but these benefits are hard to measure. It was suggested that there was no hard evidence showing a "before and after" picture of the impact of an MRA on trade facilitation or the monetary value to business of reduced inspections and faster release times. When one economy surveyed traders, the results indicated that the private sector was dissatisfied with the AEO program benefits, including those provided by MRAs.

A second concern was the difficulty of electronic data exchange and identification due to the lack of interoperability of different AEO identification systems. One of the greatest challenges during negotiations is to harmonize methods of exchanging AEO benefits during implementation. The convergence results bear this out: 75.0 percent of programs used a different trader identification approach and 41.7 percent used common trader identification.³⁹ The analysis implies that the majority of AEO identification systems are mutually incompatible. To solve this, the majority of APEC economies use an ad hoc method of regular data exchange through encrypted Excel files. If the partner's electronic system is well-enough developed, an automated electronic system of data exchange is used.

By contrast, the Association of Southeast Asian Nations (ASEAN) Single Window (ASW) will in theory allow participating economies to seamlessly update their operator identity codes through the ASW Regional Services feature. Once a Member State updates its operator identity codes on ASW, the system automatically updates remaining Member States on the new

³⁶ Annex C—APEC Customs 3M Strategic Framework, Asia-Pacific Economic Cooperation, accessed October 13, 2015, http://www.apec.org/Meeting-Papers/Ministerial-Statements/Annual/2014/2014_amm/annexc.aspx.

³⁷ Australia, Indonesia, Peru, Russia, and Viet Nam.

³⁸ There are 17 APEC economies with AEO programs. Assuming each economy can negotiate a MRA with each other, the total number of possibilities would be "*17 Choose 2 = 136*". Excluding the 17 repeated pairs, the total number of potential MRAs becomes "*136 - 17 = 119*".

³⁹ Japan and the United States noted that they have used both forms of trader identification. Economies that have not yet negotiated a MRA were not included in this percentage.

operator code. This system is slated to be in place by the end of 2015 for live data exchange of the electronic certificate of origin among several ASEAN Member States.

The reliability and timely exchange of AEO data is instrumental in the success of any MRA. Otherwise, partner customs authorities will not have the requisite information to conduct risk analysis. There should be a focus on interoperability between APEC customs authorities' IT systems to ensure that this information is transmitted in an efficient manner.

APEC Best-Practice Examples

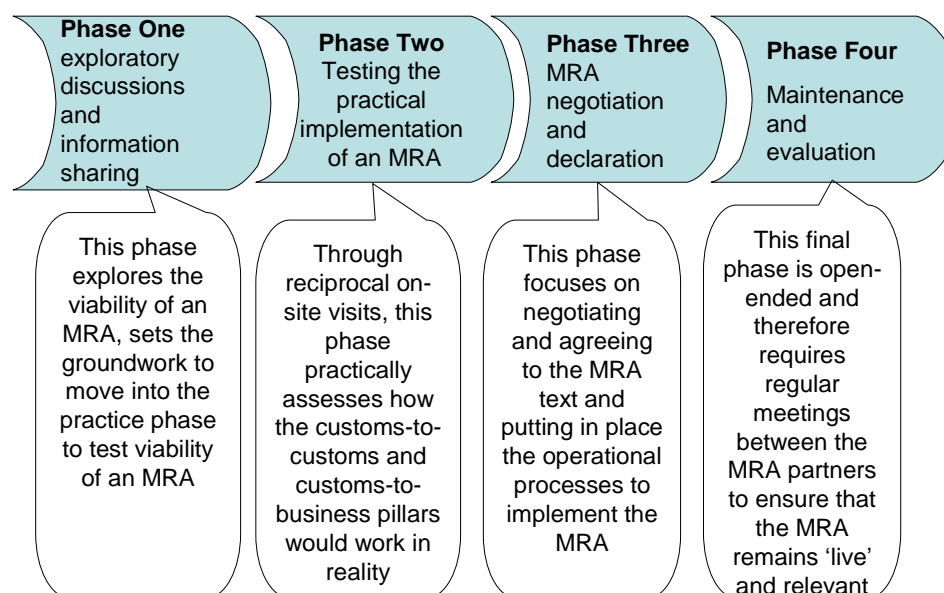
Several best practice examples in negotiating MRAs are presented below.

- Korea utilizes a four-phase process when determining/negotiating MRAs.
 - Phase 1 consists of an information analysis on trade volume, levels of non-tariff barriers, and other trade data. Stakeholder consultations are also utilized in order to select MRA partners.
 - Phase 2 consists of negotiating with the partner. This includes: comparing authorizing criteria; conducting joint reciprocal AEO authorization audits; and agreeing on benefits and operational procedures.
 - Phase 3 consists of implementation, with regular implementation monitoring meetings to ensure benefits are granted smoothly and that risk management is utilized.
 - Phase 4 consists of post-implementation, with continued monitoring of granted benefits and follow-up negotiations with the partner as needed.

- Mexico has a formalized negotiation program for MRAs, which it used before signing MRAs with Korea and the United States. To determine the feasibility of conducting MRAs, Mexico analyzes the partner AEO program for 11 security standards, and conducts on-site joint validation visits. Mutual recognition procedures are then developed with the partner customs authority. A results assessment is then conducted to determine if both economies are satisfied with formalizing the MRA. While Mexico usually gains partner AEO information in English, all documents exchanged are translated locally into Spanish. This ensures that all parties involved with Mexico's AEO program fully understand the implementation issues.

- New Zealand has a formalized four-phase roadmap in negotiating MRAs. This is illustrated below in Figure 5.

Figure 5: New Zealand MRA Negotiation Process



Source: New Zealand Customs Service

New Zealand requires that potential MRA partners meet six specific criteria. Partners must have

- a customs-to-business program,
- a functioning risk-management system,
- the ability to receive and provide advance information on cargo for screening purposes,
- the ability to examine high risk cargo before loading for export,
- the ability to conduct pre-load examinations at the request of New Zealand, and
- the ability and willingness to share information on risk.

Only after the partner has been determined to meet these criteria will the MRA signing process continue.

- Singapore has a formalized process, using a four-phase approach and incorporating other government agencies throughout the process to ensure legality and address any potential concerns. The phases are as follows:
 - Phase 1 consists of a side-by-side paper comparison of program requirements to determine if the requirements are compatible.
 - Phase 2 consists of joint validation visits where customs authorities observe and participate in their MRA partners' security audits of companies seeking AEO certification.
 - Phase 3 consists of the events, such as discussions on the MRA text, leading to signing of a mutual recognition agreement or arrangement.
 - Phase 4 consists of the development of mutual recognition operational procedures to affect the MRA.

- The United States conducts a desk study to determine if the potential partner AEO program has a security component. If so, U.S. CBP's Office of International Affairs will work to create a joint working plan involving a systematic and multistep analysis to determine mutual program compatibility.

The majority of economies exchange AEO data manually through encrypted Excel files. While this is a workable solution, there are a few interesting economy experiences to note below:

- HKC developed an internal matching system for HKC traders. This way, Hong Kong Customs can identify the AEO status of the foreign exporter by matching the exporter's declared company name and address with the internal land cargo and air/sea cargo clearance systems.
- The United States and the European Union have established mechanisms to electronically exchange data automatically. However, the United States currently transmits data manually with other MRA signatories. U.S. CBP is working with partner AEO programs to implement an automated data exchange process, while taking into account that not all AEO program IT systems are interoperable.

Recommendation 5: Compile MRA Processes in the APEC Region and Design an APEC AEO MRA Checklist

The WCO has published the *Guidelines for Developing a Mutual Recognition Arrangement/Agreement* along with several other useful instruments and tools. These guidelines give various recommendations and examples of previous MRAs concluded by other WCO members. This publication would be useful in developing a comprehensive template that can be an APEC resource for all economies negotiating MRAs.

APEC SCCP should create a region-wide checklist along with WCO instruments and tools to streamline and facilitate negotiations. This checklist may incorporate certain member economies' best practices for negotiating MRAs as long as they are consistent with the WCO's. Mexico, New Zealand, Singapore, and the United States, among others, have demonstrated best-practice approaches which could be consolidated and adapted to form the basis of such a template.

This checklist should be supplemented with on-the-ground knowledge. Member economies that have yet to strategize their MRA needs and approaches should consider arranging study tours to observe best practices. Australia, Indonesia, Peru, Russia, and Viet Nam do not currently have MRAs, although Australia and Peru have said that they are looking at potential AEO partners. As mentioned earlier, Mexico, New Zealand, Singapore, and the United States have developed excellent formalized MRA negotiation processes, and would be good resources for other economies to learn from.

The WCO continues to develop new tools to enhance and facilitate AEOs and MRAs. APEC customs authorities, as well as SCCP, should continue working with the WCO in developing these instruments.

Recommendation 6: Consider development of an APEC-wide Automated Electronic Data Exchange System and Compatible Trader Identification Number Systems.

APEC SCCC should commit to an automated electronic data exchange system and compatible Trader Identification Number (TIN) systems for AEO data. This system should allow for different member economy AEO data systems to be interoperable. By committing to and adopting this approach, APEC would pave the way for fully automating the AEO process. In the future, this system could be pointed to as a potential best practice internationally. This system would also encourage more economies to negotiate and sign MRAs, as it lowers the cost to customs authorities of implementing the agreement. When designing this system, APEC should consult the WCO about its work on TINs. The WCO is currently integrating TINs in the context of AEO MRAs, to facilitate the efficient identification of partner AEOs in order to grant eligible benefits.

APEC has been working on ensuring the interoperability of member economies' Single Window programs.⁴⁰ SCCC can take advantage of this initiative to include AEO data within the single window. In the ASW program, an economic operator's identifier can be automatically uploaded to a central repository and replicated to member economies instantly, "keeping the regional single window operations synchronized."⁴¹ However, all accreditation data are kept domestically. This setup allows "a single reference point to update, add, or suspend new actors."⁴²

APEC can emulate this system within its Single Window initiative or through a separate data repository. Negotiating and developing a secure and IT-supported AEO data system will facilitate AEO data exchange among the signatories. APEC needs to ensure that the AEO data are easily translatable between computer systems, without depending on multiple relay points. By committing to include AEO data in any future automated exchange system (whether through the Single Window or an alternative system), customs authorities will have the information they need in a timely and efficient manner to validate AEOs and provide benefits.

OTHER GOVERNMENT AGENCIES

Recognizing the potential detrimental impact of omitting OGAs from the AEO process, the WCO revised the SAFE Framework in June 2015 to add Pillar 3. Pillar 3 identifies and enumerates specific technical standards that should be implemented to ensure that the program has the appropriate buy-in from government stakeholders. Due to the recent addition of this pillar, member economies are still incorporating its recommendations, reflected by the relatively low level of convergence identified through the survey. Currently a number of customs authorities indicated in their responses that the AEO program is kept in-house without any buy-in from or collaboration with OGAs.

Around 76.5 percent of respondents said there was some form of communication with OGAs about the AEO program. A common theme in the survey responses was that APEC customs authorities viewed the design of an AEO program as unilaterally a customs issue; the program

⁴⁰ "Paperless System Speeds up Trade," Asia-Pacific Economic Cooperation, February 20, 2014, http://www.apec.org/Press/Features/2014/0220_window.aspx.

⁴¹ Rachid Benjelloun, Dennis Pantastico, and Marianne Wong, "Cross-border E-Trade: Tracking the ASW," in *E-Trade Facilitation for SMEs in South Asia: Insights from the Asia-Pacific Region*, ed. Florian Albuero (ADB and UNESCAP), 144.

⁴² *Ibid.*

may or may not be opened up to OGAs after implementation by the customs authority. However, increased cooperation with OGAs is important especially since many facilitation benefits cannot be realized if another government agency decides to hold up an import or export shipment without knowing the credibility and security measures of the AEO. Therefore, this percentage needs to be increased and more formal consultations and collaboration among border agencies need to be conducted.

For specific member-economy experiences:

- In Canada, certain goods receiving AEO benefits are regulated by OGAs through legislation. Due to these legal difficulties, coordination is required to ensure that the requisite legal frameworks governing the AEO programs are workable.
- In Chile, Customs has been designated as the lead implementer of the program. Since OGAs have raised concerns, the current strategic plan is to incorporate OGAs once the program is fully operational.
- In Mexico, certain border agencies (including the Army and Navy) had raised objections during AEO implementation. Mexico eased these concerns through outreach to OGAs about AEOs and the benefits the program provides.
- In the United States, CBP did not solicit or take into account OGA inputs during design and implementation of the AEO program. The original program focused on securing borders and was implemented unilaterally. However, U.S. CBP has recognized in retrospect that it should have created an all-encompassing trusted trader program and incorporated OGAs throughout the process. U.S. CBP is now working with multiple OGAs towards achieving additional incentives for operators, and reducing redundancies for both the government and the private sector.

These experiences are symptomatic of a need to reach out to OGAs throughout APEC. Standards 2.1 through 2.9 of the SAFE Framework's Pillar 3 mention the need to ensure mutual cooperation and collaboration among and between the economies' agencies. Interagency coordination is most important to ensuring a streamlined and efficient AEO program. Otherwise, OGAs may not recognize the AEO status of an operator and may continue to place holds at the border due to bureaucratic infighting. Establishing clear lines of communication is the simplest method for addressing this concern. Communication ensures that the problem is dealt with at the program's inception.

Numerous initiatives and papers have been developed on this topic, most prominently through the WCO and the World Bank. Through the Coordinated Border Management (CBM) concept, the WCO has recognized how customs-to-OGA and customs-to-business dialogues create greater efficiencies in trade while balancing security requirements. The concept emphasizes "the general principle of coordination of policies, programmes and delivery among cross-border regulatory agencies rather than favoring any single solution."⁴³ In conjunction, the World Bank has published the *Border Management Modernization* handbook, emphasizing the role of OGAs in facilitating trade. The book stresses a "whole-of-government" approach instead of customs authorities' focusing on just revenue collection or security standards. After

⁴³ *Coordinated Border Management*, World Customs Organization, accessed October 13, 2015, <http://www.wcoomd.org/en/topics/facilitation/activities-and-programmes/coordinated-border-management.aspx>.

all, “supply chain security initiatives that fail to encourage interagency collaboration invite the same sort of costs and inefficiencies as initiatives that ignore the commercial aspects of the supply chain.”⁴⁴

Relevant APEC Best-Practice Examples

Incorporating OGAs throughout the design and implementation of the process is a key theme that has not been widely accepted within APEC. However, several programs can justifiably serve as best-practice examples to other members:

- Australia consulted systematically with OGAs in developing and implementing an AEO program. Although the program is only in its pilot stage, there were ongoing channels of communication among border agencies to ensure the program’s success.
- Canada and Indonesia also incorporated OGAs liberally during their design phase. Both economies have kept up interagency communication through implementation.
- U.S. CBP coordinates at the management level with OGAs, with formalized OGA communication during certain timeframes. For example, CBP works with OGAs to conduct air carrier assessments and create annual work plans on risk management initiatives that affect the AEO program.

Recommendation 7: Encourage APEC-wide Commitment to OGA Engagement

APEC customs administrations should be encouraged to reach out to other government agencies to obtain their participation in the authorized economic operator programs. This will take advantage of APEC’s unique environment, and should be consistent with Annex C to the 2014 APEC Ministerial Meeting Joint Statement.

The most recent revision (June 2015) of the SAFE Framework stipulates OGA incorporation is required and needed. Although the default inclination may be to keep the program in-house, customs authorities need to understand why OGA incorporation from the beginning is important. The best-practice examples should reiterate and stress this to customs authorities in the design stage.

This encouragement should be reiterated at the relevant APEC sub-fora, including SCCP meetings, the Counter-Terrorism Working Group (CTWG), the Transport Working Group (TPTWG), as well as their respective committees. The APEC Action Plan on the Development of AEO Programs should also be updated to incorporate this aspect. By institutionalizing this commitment at an international level, member economies’ customs authorities will be motivated to solicit OGA inputs and to review with OGAs the security program, and to avoid keeping the program solely within the customs authority.

This commitment is further emphasized for Chile and the Philippines, which are designing an AEO program at the time of this report. To ensure that best practices on OGA engagement are incorporated throughout every stage of the process, these two economies should seek advice from those who have instituted best practices as identified in this report.

⁴⁴ David Widdowson and Stephen Holloway, “The National Security Environment: Strategic Context,” in *Border Management Modernization*, edited by Gerard McLinden, Enrique Fanta, David Widdowson, and Tom Doyle (Washington, D.C.: World Bank, 2011), 309.

As these two economies design their programs, they might invite Australia, Canada, and Indonesia, among others, to comment and give feedback on the direction of the OGA strategy. In particular, Australia took an extremely proactive approach toward incorporating OGAs throughout program design. While Australia's program was still at the pilot stage, Australia incorporated OGAs and stakeholders at every step.

In general, even the best AEO programs face potential bottlenecks from other border agencies. These externalities should be resolved at the earliest possible time to avoid miscommunication and inefficiencies.

OTHER THEMES

Aside from the above listed themes, the team noticed a few other areas where the survey responses indicated a desire for more information. These themes are laid out below, with potential recommendations also included.

Lack of MRA Impact Evaluation Research

Two member economy customs authorities noted that they would like to see hard evidence of the trade facilitation and security benefits of MRAs. MRAs are expected to reduce the border compliance costs for businesses and improve border security, but these benefits are hard to measure. Currently, the facilitation benefit of existing MRAs may best be described as easing market access rather than significantly enhancing that access. There is no readily available hard evidence showing a “before and after” picture of the impact of a MRA on trade facilitation or the monetary value to businesses of reduced inspections and faster release times.⁴⁵ The publication of quantitative benefits for traders from MRAs could incentive potential applicants to attain AEO status.

In 2014, China and Korea quantitatively measured and jointly presented the effects of their test MRA implementation. Due to the MRA, customs clearance times in China and Korea for AEO exports reduced substantially. In China, the customs clearance time for AEOs from Korea decreased by 62.1% from 10 hours 17 minutes to 3 hours 54 minutes. In Korea, the customs clearance time for AEOs from China decreased by 55.9% from 5 hours 10 minutes to 2 hours 16 minutes.

Using normative approaches, previous studies have shown that security certifications (like AEOs) “improve both security and efficiency.”⁴⁶ These results have been examined empirically within the European Union, which has split its AEO program into three tiers. Through surveying member firms, researchers determined that AEOs provide both efficiency gains and enhance protection to firms, and suggested that operators join AEO programs to take advantage of these benefits.⁴⁷

Recently, the World Bank tried to analyze the effects trade facilitation provisions have on an economy's trade performance. Among the indicators analyzed, the study utilized both AEOs

⁴⁵ We understand that this data may be confidential to member economies though, due to security concerns about releasing this information.

⁴⁶ Luca Urciuoli and Daniel Ekwall, “Possible Impacts of Supply Chains Security on Efficiency—A Survey Study about the Possible Impacts of AEO Security Certifications on Supply Chain Efficiency,” proceedings of 24th NOFOMA Conference, Finland, Turku, 782, <http://hdl.handle.net/2320/11303>.

⁴⁷ *Ibid.*, 795.

and MRAs as separate dummy variables. Through a gravity model, the benefits of an AEO program were estimated to improve the economy's trade performance. However, the presence of MRAs was estimated to not have an effect on an economy's trade performance.⁴⁸ Further research should be undertaken to ascertain whether this is an outlier result.

Recommendation 8: Conduct an Impact Evaluation Quantifying the Trade Benefits of MRAs

SCCP should initiate efforts on analyzing and quantifying the specific trade effects and benefits of MRAs within APEC. While it is hard to conduct an impact evaluation due to the large number of potential contravening variables, a large number of MRAs have appeared in the five years since APEC last looked at AEOs. Enough potential case studies exist for APEC to begin analyzing specific effects on trade performance and the impact of MRAs. Within APEC, China and Korea have carried out research on the effect of MRAs on trade. These studies should be consulted as reference material when designing new MRA impact evaluations in the region. The World Bank has conducted a similar study using a gravity model equation that could also be used as a reference.

One recommendation that appeared in the survey responses was for Customs authorities to develop an evaluation framework with each other prior to signature of the MRA. This would involve the exchange of data on cargo release times before and after the MRA is implemented. Customs authorities should also consider the value of conducting a Time Release Study, especially, if it is able to distinguish between AEO and non-AEO cargo. The WCO should be consulted beforehand to ensure methodological rigor, and so that best practices on these evaluations can be provided.

AEO Approval Time

While reviewing responses, what was notable was that the vast majority of programs promised a turnaround for AEO applicants of one to three months. However, four programs had a turnaround of around six months before the AEO could be authorized.

Recommendation 9: Enhance Predictability in the AEO Approval Process

APEC SCCP should emphasize region-wide the need for better predictability in the AEO approval process. Each economy could create, maintain and publish an anticipated client service standard level for AEO approvals. Customs authorities would be held against this standard, and may be obliged to be accountable for additional delays to the applicant. This standard timeframe could be established and disaggregated by the category and/or type of applicant.

SCCP should regularly compile the anticipated service level and actual time taken for AEO approvals in APEC. The publication of this information would encourage developing economies to try and attain this benchmark.

⁴⁸ Paulo C. De Sá Porto, Otaviano Canuto, and Cristiano Morini, "The Impacts of Trade Facilitation Measures on International Trade Flows, Policy Research Working Paper," World Bank Group, no. WPS 7367 (July 14, 2015): 11, <http://documents.worldbank.org/curated/en/2015/07/24779062/impacts-trade-facilitation-measures-international-trade-flows>.

5. CONCLUDING REMARKS

Overall, convergence among AEO programs in APEC is high. The highest-percentage levels were in the Self-Assessment Mechanisms and Compliance Requirements variables, and the lowest convergence occurred in SMEs and Types of Operators.

While the convergence analysis is a good tool to use, the results laid out are not meant as a gap analysis. The recommendations given here are meant to encourage further AEO program convergence in APEC. After all, every AEO program is unique to the economy's specific environment and experiences. No single template should be used for every AEO program in the region.

The team hopes that the recommendations suggested are useful, and that they may be discussed and adopted by APEC members.

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APPENDIX 1: STUDY ON APEC BEST PRACTICES ON AUTHORIZED ECONOMIC OPERATOR (AEO) PROGRAMMES – TERMS OF REFERENCE

1. Title

Study on APEC Best Practices on Authorized Economic Operator (AEO) Programmes

2. Objectives

The study supports the implementation of the APEC Connectivity Blueprint for 2015-2015 and the APEC Customs 3M (Mutual Recognition of Control, Mutual Assistance of Enforcement and Mutual Sharing of Information) Strategic Framework endorsed by APEC Leaders in 2014.

The study is also being pursued in support of the APEC Sub-Committee on Customs Procedures' (SCCP) AEO Working Group, AEO Action Plan and to update further the work accomplished through AEO Compendium as developed in September 2010.

The specific objectives of the study include:

- 1) To update the information contained in the 2010 APEC AEO Compendium that presents the design elements and features of the AEO programs of APEC member economies⁴⁹
 - Application, Verification and Authorization
 - Security and Compliance Requirements
 - Post Authorization Audit/Re-validation, Suspension and Revocation
 - Customs Organizational Structure for AEO Program and their Major Roles
 - Partnership between Customs and Private Sector for Designing and Developing the AEO Program
 - Benefits for AEOs
 - Mutual Recognition
- 2) To assess the convergence and divergence of the AEO programs in their design elements and features
- 3) To survey the existing best practices implemented by APEC member economies in their AEO programs
- 4) To develop a set of criteria for assessing the best practice technical elements and features to serve as a guideline to APEC member economies in developing their AEO schemes or in upgrading existing ones
- 5) To survey existing APEC work and results of capacity-building activities on AEO and other related trade facilitation initiatives, and recommend a forward

⁴⁹ To account for APEC member economies that have implemented AEO programs after 2010, changes in the AEO regimes of APEC member economies e.g. upgrading

work program composed of concrete and practical activities that would lead to the interoperability and expansion of the APEC network of AEOs (MRAs)

- 6) To analyze the current level of participation of SMEs in AEO schemes (number of APEC SMEs that are AEOs), and further encourage their readiness and ability to comply with the requisite trade security measures

3. Scope of the Study

The PSU will be tasked to research and produce a report comprised of the following elements:

- 1) Assessment of existing AEO programs of APEC member economies, composed of an analysis of the technical design elements and features – security features, self-assessment, validation, post-audit, benefits, challenges, utilization, MRAs, etc.
- 2) Assessment of the international best practices on AEO implemented by APEC member economies and recommendations on enhancing the interoperability and expansion of the APEC network of AEOs (MRAs)
- 3) Survey of AEOs of APEC member economies e.g. type of entity (exporter, importer, broker, forwarder, etc.), sector, size (large, medium, small)
- 4) Analysis of APEC activities relevant to AEO and other related trade facilitation initiatives, and possible concrete and practical capacity-building activities and initiatives e.g. pathfinder approach
- 5) Development of a set of recommendations on APEC best practice guidelines on AEO

In conducting the study, the PSU will draw on public domain material, as well as information requested from APEC economies.

4. Key Deliverables

The results of the Study on APEC Best Practices on AEO Programmes will be reported to the Committee on Trade and Investment and presented at the Senior Officials Meeting.

5. Timeline

The Study on APEC Best Practices on AEO will follow the following timeline:

SCCP1 – Circulation and endorsement of the Discussion Paper and Terms of Reference

CTI1 – Approval of the proposal

SCCP2 / CTI3 – Study on APEC Best Practices on AEO - Interim Report

SCCP1 (2016) – Study on APEC Best Practices on AEO – Final Report

6. Project Management

The study will be developed and managed by the PSU with oversight provided by the Sub-Committee on Customs Procedures. The PSU will provide updates on the study through an interim report to be submitted during SCCP2/ CTI3. A Final Report will be submitted by the PSU during 2016 SCCP1 / CTI1.

APPENDIX 2: QUESTIONS FOR PREVIOUS RESPONDENTS IN 2010 (SURVEY 1)

Chapter 1. Background

- Please describe how the AEO program was developed. What was the decision process before Customs decided to adopt this program? How was it introduced, designed, and implemented? What are the objectives of the program? What stakeholders were involved in this process? Were formal program management process employed? What was the timeframe?
- How did Customs navigate the domestic political context? Were there any specific objections traders, other agencies, or Customs itself had with deciding to adopt an AEO program? How were these overcome?
- What was the scope of the pilot phase, and what sectors and types of operators were included? Please tick the below boxes that were included during the pilot phase **only**, and include the number of operators who participated.

Scope of the AEO program

- Covers import only
- Covers export only
- Covers both import and export
- Freight forwarder
- Others (please specify: _____)

Sector of AEOs

- Agriculture, forestry, and fishing (number of AEOs: Pilot Phase ___ Currently ___)
- Mining and quarrying (number of AEOs: Pilot Phase ___ Currently ___)
- Manufacturing (number of AEOs: Pilot Phase ___ Currently ___)
- Energy (number of AEOs: Pilot Phase ___ Currently ___)
- Wholesale and retail trade (number of AEOs: Pilot Phase ___ Currently ___)
- Transportation and storage (number of AEOs: Pilot Phase ___ Currently ___)
- Other services (number of AEOs: Pilot Phase ___ Currently ___)
- Others (please specify: Pilot Phase ___ Currently ___)

Types of the operators

- Importer (number of AEO importers: Pilot Phase ___ Currently ___)
- Exporter (number of AEO exporters: Pilot Phase ___ Currently ___)
- Customs broker (number of AEO customs brokers: Pilot Phase ___ Currently ___)
- Warehouse operator (number of AEO warehouse operators: Pilot Phase ___ Currently ___)
- Logistics operator (number of AEO logistics operators: Pilot Phase ___ Currently ___)
- Manufacturer (number of AEO manufacturers: Pilot Phase ___ Currently ___)
- Terminal operators (number of AEO terminal operators: Pilot Phase ___ Currently ___)
- Others (please specify: _____)
- Total AEOs: Pilot Phase ___ Currently ___

Chapter 2. Outline of the AEO Program

- Please describe and elaborate on any future plans Customs has to expand the scope of the AEO program.
- Please list and elaborate on what plans there are to increase the number and types of operators in the AEO program.
- Have there been any changes to the legal provisions, framework, or regulations governing the AEO program? If so, were legislative or regulatory changes enacted or are they in the process of being enacted? Please elaborate.
- Have there been any changes to the instructions provided to the AEO operators and to Customs officers (standard operating procedures, manuals, public notices, etc.)?
- Are there any special requirements for foreign company to hold AEO certificate? If so, please list out these requirements.

Chapter 3. Application, verification, and authorization procedures

- Have any changes been made to the AEO application, verification and authorization procedures for the AEO program? If so, please elaborate and provide copies of any new instructions or documents.
- Have any changes been made to the self-assessment mechanism/checklist criteria that prospective AEOs fill out during the application? If so, please elaborate and explain what new elements are assessed, or what previous elements have been revised/removed. Please also provide the justification for these changes.
- Please list the types and number of documents to be submitted. What is the estimated time spent on the authorization process, by traders and then by Customs?
- Are there any differences/ improvements in terms of the types or number of documents to be submitted since 2010? Any improvements in time spent for authorization process since 2010?

Chapter 4. Security and Compliance Requirements

- Have any change been made to the compliance requirements for the AEO program? This can include updates to requirements such as the compliance record of the applicant, financial solvency/integrity, maintenance of commercial records, and compliance programs. If so, please elaborate.
- Have any changes been made to the physical security requirements such as requirements related to cargo, conveyance and/or premises security, IT security and trade partner security, including but not limited to the use of seals, restricted areas, identification of employees and visitors, gate, gateman, keys, fence, surveillance camera, etc.? If so, please elaborate.

Chapter 5. Post-Authorization Audit/Re-validation

- Does the AEO program provide for post-authorization audit or re-validation?

Yes

No

under consideration (targeted date: _____)

- If yes to the above, have any changes been made to the post-authorization audit/re-validation procedures? This includes procedures (how often/when/how it's conducted) method, and points to be examined during the audit/re-validation. If so, please elaborate.
- Have there been any changes in the procedures for suspension and revocation of the AEO status and appeal, if any, within the AEO program? If so, please elaborate.

Chapter 6. Customs Organizational Structures for AEO Program and their Major Roles

- Please describe how Customs organized the development and implementation of the AEO program (ad hoc committee, joint public private working group including engagement/consultation with other government agencies, project management department, etc.)?
- Which Customs unit is responsible for program management and oversight? Is there a clear division of roles within Customs for AEO program administration?
- Are internal checks and controls in place?
- Are formal reporting systems in place?
- Does the Customs risk management department or office play any part in the management and oversight of the AEO program? If so, please describe.
- Are applications received and processed by staff at:

Headquarters

Regional customs which has the central unit for AEO operations

Regional customs

Other (please specify: _____)

- Staff at which organizational level conduct validations and on-site:

Headquarters

Regional customs which has the central unit for AEO operations

Regional customs

Other (please specify: _____)

- What management level is authorized to approve, suspend or revoke AEO status and decide appeals, if any:

Headquarters

Regional customs which has the central unit for AEO operations

Regional customs

Other (please specify: _____)

- Staff at which organizational level conduct audits and re-validations:

Headquarters

Regional customs which has the central unit for AEO operations

Regional customs

Other (please specify: _____)

- Staff at which organizational level liaises with other government agencies to coordinate AEO benefits:

Headquarters

Regional customs which has the central unit for AEO operations

Regional customs

Other (please specify: _____)

- What is the role of each organization/office in the division of responsibilities and tasks in administering the AEO program?
- What other government agencies does Customs liaise with about the AEO program? Please note the agencies' names.

- To what extent do other government agency policies help or hinder the granting of benefits to AEOs? Please be as specific as possible.
- Who is responsible for tracking and coordinating communications with other government agencies regarding the AEO program? Is there a centralized and/or formalized communication process, or is it done on an informal basis?
- How does Customs bring uniformity of operations to the AEO program? This may include, but is not limited to, the use of customs manual, secondment or temporary assignment of customs officers to different customs offices, and/or a help desk within the Customs administration.
- Please describe training requirements for customs officers, both in general and with regards to specific AEO issues.

Chapter 7. Partnership between Customs and the Private Sector for Designing and Developing AEO Programs

- Please describe the current state of regular Customs-Business consultation, engagement, and partnership mechanisms, if any.
- Please describe any new or updated formal partnership initiatives between customs and private sector in implementing and/or updating the AEO program
- Please describe any new or updated informal partnership initiatives between customs and private sector in implementing and/or updating the AEO program
- Please describe what steps Customs has taken to promote adoption of the AEO program by traders, in particular SMEs.
- Please describe the mechanisms which Customs has to allow business partners to propose changes or improvements, if any.
- Please describe the extent to which national and local Customs have regular consultations with traders to talk about the AEO program, and to talk about areas of mutual benefit and common concern.
- Please describe any mechanisms to allow business partners to bring questions, concerns and suggestions to Customs attention and receive prompt consideration and response.

Chapter 8. Benefits for AEOs

- Have any new benefits been added to the AEO program since 2010? If so, please list them.
- If new benefits were added, how were they developed and did representatives of the trading community have significant input? Were these benefits different depending on the type of economic actor, and did they take into account their different business models? Please elaborate.
- Did Customs encounter any resistance from other border agencies or agencies with import/export responsibilities to providing any specific benefits? If so, how has Customs dealt with this?
- Did Customs survey its current AEO partners to gauge their satisfaction with the program and identify opportunities for improvement? If so, what did it find?
- Does Customs have different levels of benefits for different types or tiers of operators? If so, please elaborate.

- Are there any existing compliance initiatives through which Customs offers benefits? If so, please describe them. Are these pre-existing compliance initiatives a barrier to the success of the AEO?
- Did Customs solicit inputs from other government agencies when determining AEO benefits? Which agencies were included in these consultations, and what were the overarching responses?
- Does Customs have an AEO logo which can also be used by accredited AEOs to provide them increased visibility and branding as a trusted partner in the supply chain? If so, please provide the logo here.

Chapter 9. Mutual Recognition Agreements (MRAs)

- Please list all signed MRAs
- Please list all MRAs currently under consultation (and targeted signing date)
- Please describe the process with which MRAs are considered, and describe the step by step process that is made in order to sign a MRA (stages, departments involved – legal, international affairs, etc.). Please also include what steps Customs has to take (and what buy-in Customs has to get from other agencies) in order to approve/disapprove a MRA.
- How does Customs determine which economies to sign MRAs with?
- What documents does Customs provide/require from a partner economy in order to determine whether a MRA is suitable?
- What language are the provided documents in (English, official language of partner Customs official language of your Customs, etc.)? Are these documents ever translated?
- To what extent does Customs observe or validate AEO operations in the partner economy?
- How does Customs exchange information about AEOs with MRA partners and how does it ensure effective identification of AEOs from MRA partners (e.g. TIN and other identifiers)? Is this done through an automatic system, electronically with manual intervention (e.g. Excel exchange), or through some other method?
- Is data exchanged on a regular basis, and if so how often?
- How are traders identified during the implementation of the AEOs/MRAs?

Different trader identification: The receiving Customs agency translated trader identification to its own system after receiving AEO data.

Different trader identification: The sending Customs agency translated trader identification to the receiving partners' system before sending AEO data.

Common trader identification: Your economy adopted a partner's trader identification in negotiating/concluding the MRA.

Common trader identification: The partner Customs agency adopted a your trader identification in negotiating/concluding the MRA.

Common trader identification: Both sides developed common trader identification in negotiating/concluding the MRA.

Common trader identification: Both sides used common trader identification prior to negotiation/conclusion of the MRA.

Other (please specify: _____)

- Please describe steps taken when designing/implementing MRAs to standardize them with the requirements of the SAFE Framework of Standards.
- Please describe steps taken when designing/implementing MRAs to incorporate other government agencies' security requirements to ensure recognition of MRAs beyond just the Customs administration.
- How is the implementation of the MRA monitored by the signatories? Are there regular meetings between the parties involved?
- What are the main challenges for negotiating or implementing a MRA?
- What are the benefits being offered to MRA partners?
- Please describe how the APEC "Pathfinder on the Mutual Recognition of AEO Programs" has affected how Customs pursues MRAs. Has this initiative affected the AEO program as well? If so, please elaborate.

Chapter 10 SMEs

- During the design of the program, were SME inputs sought and at what point in the process? Did Customs incorporate this feedback into the eventual program?
- Does Customs have any specific SME benefits to attract SMEs into the program? If so, please list them out.
- Does Customs have a specific outreach plan to encourage SMEs to participate in the program? Why or why not, and if so what do these plans include?

Chapter 11. Capacity Building Initiatives

- Please describe existing training resources for Customs officers to learn about and effectively carry out the AEO program.
- Has Customs established any new Customs technical specialty positions such as Cargo Security Specialist? If so, were training needs satisfied or is there a need for specialist training? If not, does Customs foresee a need for any new specialist positions?
- Has Customs developed any training modules on AEO validations to ensure a harmonized approach towards the requirements of the SAFE Framework of Standards?
- Does Customs make training resources available to its AEO business partners? If not, have there been any requests to do so?
- Please list the number of capacity-building events that have been held to implement the AEO program since inception. This can include training of traders, private sector outreach programs, AEO Customs training programs, etc.
- Please describe any joint training activities/workshops undertaken with the private sector to enhance understanding of each other's roles/responsibilities in the supply chain.
- Please describe the major takeaways from the above events. What were the major topics of the events, and what did attendees like/dislike?

- What does Customs wish they knew before the implemented the program?
- What does Customs want moving forward in terms of Capacity Building Initiatives? This can include capacity-building initiatives APEC-wide, Mutual Recognition Agreement training, etc.

Chapter 12. Best Practices

- What have been the most difficult obstacles to overcome in the development and implementation of the AEO program? Was Customs able to overcome these obstacles to its satisfaction? Please elaborate.
- What challenges have been faced in the identification of benefits? If traders already enjoy trade facilitation benefits, how does Customs enhance upon this with the AEO benefits? How does Customs overcome this obstacle to ensure trader buy-in?
- How does Customs ensure that identified benefits are extended in an efficient manner?
- What does Customs think can be improved within its AEO program?
- How does Customs view its relationship with other government agencies with regards to the AEO program? What are the positive and negative aspects?
- What are some best practices lessons from Customs' experience working with other government agencies while designing and implementing the AEO program?
- What are some best practice lessons for designing and implementing MRAs?
- What aspects of other AEO programs does Customs think it should incorporate into its own AEO program? Did other economies advise Customs of potential best practices?
- What aspects of the AEO program does Customs think would be useful to AEO programs in APEC, and can be held up as examples of 'best practices'? Has Customs made any effort to share these best practices?

Chapter 13. AEO Program Promotion

- How has Customs promoted the AEO program to the private sector? Please elaborate on the specific actions taken and what the results were.
- What are common misconceptions about the AEO program among the private sector? What does Customs see as their biggest hurdle when promoting this program to the private sector?
- What does the private sector like the most about the AEO program?
- Has Customs promoted the AEO program to the other government agencies or legislative branches? If so, please elaborate on the specific actions taken and what the results were.
- What are common misconceptions about the AEO program among other government agencies or legislative branches? What does Customs see as their biggest hurdle when promoting this program to other government agencies or legislative branches?
- What do other government agencies or legislative branches like the most about the AEO program?
- Have other government agencies helped to promote the AEO program among their constituent clients?
- What are some of the most effective promotional tools Customs would like to share as a 'best practice' that encourage AEO adoption by traders, and understanding by the public sector?

Chapter 14. Other Information

- What do Customs and other involved agencies need in order to continue implementing the AEO program successfully? This can include specific capacity-building requirements, funding to further refine the program, better data systems to enable data-exchange at borders, improved regional integration with other Customs administrations for MRA purposes, etc.
- What other comments and/or concerns would Customs like to make that have not been previously addressed in this survey? Any additional information would be extremely helpful.

End of survey

APPENDIX 3: QUESTIONS FOR RESPONDENTS WITH NEW AEO PROGRAMS (SURVEY 2)

Chapter 1. Background

- Please describe how the AEO program was developed. What was the decision process before Customs decided to adopt this program? How was it introduced, designed, and implemented? What are the objectives of the program? What stakeholders were involved in this process? Were formal program management process employed? What was the timeframe?
- How did Customs navigate the domestic political context? Were there any specific objections traders, other agencies, or Customs itself had with deciding to adopt an AEO program? How were these overcome?
- What was the scope of the pilot phase, and what sectors and types of operators were included? Please tick the below boxes that were included during the pilot phase **only**, and include the number of operators who participated.

Scope of the AEO program

- Covers import only
- Covers export only
- Covers both import and export
- Freight forwarder
- Others (please specify: _____)

Sector of AEOs

- Agriculture, forestry, and fishing (number of AEOs: Pilot Phase ____ Currently ____)
- Mining and quarrying (number of AEOs: Pilot Phase ____ Currently ____)
- Manufacturing (number of AEOs: Pilot Phase ____ Currently ____)
- Energy (number of AEOs: Pilot Phase ____ Currently ____)
- Wholesale and retail trade (number of AEOs: Pilot Phase ____ Currently ____)
- Transportation and storage (number of AEOs: Pilot Phase ____ Currently ____)
- Other services (number of AEOs: Pilot Phase ____ Currently ____)
- Others (please specify: Pilot Phase ____ Currently ____)

Types of the operators

- Importer (number of AEO importers: Pilot Phase ___ Currently ___)
- Exporter (number of AEO exporters: Pilot Phase ___ Currently ___)
- Customs broker (number of AEO customs brokers: Pilot Phase ___ Currently ___)
- Warehouse operator (number of AEO warehouse operators: Pilot Phase ___ Currently ___)
- Logistics operator (number of AEO logistics operators: Pilot Phase ___ Currently ___)
- Manufacturer (number of AEO manufacturers: Pilot Phase ___ Currently ___)
- Terminal operators (number of AEO terminal operators: Pilot Phase ___ Currently ___)
- Others (please specify:)
- Total AEOs: Pilot Phase ___ Currently ___

Chapter 2. Outline of the AEO Program

- Please describe and elaborate on any future plans Customs has to expand the scope of the AEO program.
- Please list and elaborate on what plans there are to increase the number and types of operators in the AEO program.
- Were legal requirements an impediment or do they still pose impediments to the full development of the AEO program? If so, were legislative or regulatory changes enacted or are they in the process of being enacted? Please elaborate.
- What form of instructions have been provided to the AEO operators and to Customs officers (standard operating procedures, manuals, public notices, etc.)?
- Are there any special requirements for foreign company to hold AEO certificate? If so, please list out these requirements.

Chapter 3. Application, verification, and authorization procedures

- Please list and elaborate on the AEO application, verification and authorization procedures for the AEO program. Please also provide copies of any instructions or documents used during this process.
- Please list and elaborate on the self-assessment mechanism/checklist criteria, if any, that prospective AEOs fill out during the application.
- Please list the types and number of documents to be submitted. What is the estimated time spent on the authorization process, by traders and then by Customs?

Chapter 4. Security and Compliance Requirements

- Please list and elaborate on the compliance requirements for the AEO program. This can include requirements such as the compliance record of the applicant, financial solvency/integrity, maintenance of commercial records, and compliance programs.
- Please list and elaborate on the physical security requirements of the AEO program. This can include requirements related to cargo, conveyance and/or premises security, IT security and

trade partner security, including but not limited to the use of seals, restricted areas, identification of employees and visitors, gate, gateman, keys, fence, surveillance camera, etc.

- If Customs has developed compliance and/or security requirement checklists, please attach a copy.

Chapter 5. Post-Authorization Audit/Re-validation

- Does the AEO program provide for post-authorization audit or re-validation?

Yes

No

under consideration (targeted date: _____)

- If yes to the above, please describe the post-authorization audit/re-validation procedures. This includes procedures (how often/when/how it's conducted) method, and points to be examined during the audit/re-validation.
- Please describe the procedures for suspension and revocation of the AEO status and appeal, if any, within the AEO program.

Chapter 6. Customs Organizational Structures for AEO Program and their Major Roles

- Please describe how Customs organized the development and implementation of the AEO program (ad hoc committee, joint public private working group including engagement/consultation with other government agencies, project management department, etc.)?
- Which Customs unit is responsible for program management and oversight? Is there a clear division of roles within Customs for AEO program administration?
- Are internal checks and controls in place?
- Are formal reporting systems in place?
- Does the Customs risk management department or office play any part in the management and oversight of the AEO program? If so, please describe.
- Are applications received and processed by staff at:

Headquarters

Regional customs which has the central unit for AEO operations

Regional customs

Other (please specify: _____)

- Staff at which organizational level conduct validations and on-site:

Headquarters

Regional customs which has the central unit for AEO operations

Regional customs

Other (please specify: _____)

- What management level is authorized to approve, suspend or revoke AEO status and decide appeals, if any:

Headquarters

Regional customs which has the central unit for AEO operations

Regional customs

Other (please specify: _____)

- Staff at which organizational level conduct audits and re-validations:

Headquarters

Regional customs which has the central unit for AEO operations

Regional customs

Other (please specify: _____)

- Staff at which organizational level liaises with other government agencies to coordinate AEO benefits:

Headquarters

Regional customs which has the central unit for AEO operations

Regional customs

Other (please specify: _____)

- What is the role of each organization/office in the division of responsibilities and tasks in administering the AEO program?
- What other government agencies does Customs liaise with about the AEO program? Please note the agencies' names.
- To what extent do other government agency policies help or hinder the granting of benefits to AEOs?
- Who is responsible for tracking and coordinating communications with other government agencies regarding the AEO program? Is there a centralized and/or formalized communication process, or is it done on an informal basis?
- How does Customs bring uniformity of operations to the AEO program? This may include, but is not limited to, the use of customs manual, secondment or temporary assignment of

customs officers to different customs offices, and/or a help desk within the Customs administration.

- Please describe training requirements for customs officers, both in general and with regards to specific AEO issues.

Chapter 7. Partnership between Customs and the Private Sector for Designing and Developing AEO Programs

- Please describe the current state of regular Customs-Business consultation, engagement, and partnership mechanisms, if any.
- Please describe the formal partnership initiatives between customs and private sector in implementing and/or updating the AEO program
- Please describe the informal partnership initiatives between customs and private sector in implementing and/or updating the AEO program
- Please describe what steps Customs has taken to promote adoption of the AEO program by traders, in particular SMEs.
- Please describe the mechanisms which Customs has to allow business partners to propose changes or improvements, if any.
- Please describe the extent to which national and local Customs have regular consultations with traders to talk about the AEO program, and to talk about areas of mutual benefit and common concern.
- Please describe any mechanisms to allow business partners to bring questions, concerns and suggestions to Customs attention and receive prompt consideration and response.

Chapter 8. Benefits for AEOs

- Please list and describe the benefits the AEO program provides to traders.
- How were these benefits developed, and did representatives of the trading community have significant input? Are these benefits different depending on the type of economic actor, and did they take into account their different business models? Please elaborate.
- Has Customs encountered any resistance from other border agencies or agencies with import/export responsibilities to providing any specific benefits? If so, how has Customs dealt with this?
- Has Customs surveyed its current AEO partners to gauge their satisfaction with the program and identify opportunities for improvement? If so, what did it find?
- Does Customs have different levels of benefits for different types or tiers of operators? If so, please elaborate.
- Are there any existing compliance initiatives through which Customs offers benefits? If so, please describe them. Are these pre-existing compliance initiatives a barrier to the success of the AEO?
- Did Customs solicit inputs from other government agencies when determining AEO benefits? Which agencies were included in these consultations, and what were the overarching responses?

- Does Customs have an AEO logo which can also be used by accredited AEOs to provide them increased visibility and branding as a trusted partner in the supply chain? If so, please provide the logo here.

Chapter 9. Mutual Recognition Agreements (MRAs)

- Please list all signed MRAs, if any.
- Please list all MRAs currently under consultation (and targeted signing date).
- Please describe the process with which MRAs are considered, and describe the step by step process that is made in order to sign a MRA (stages, departments involved – legal, international affairs, etc.). Please also include what steps Customs has to take (and what buy-in Customs has to get from other agencies) in order to approve/disapprove a MRA.
- How does Customs determine which economies to sign MRAs with?
- What documents does Customs provide/require from a partner economy in order to determine whether a MRA is suitable?
- What language are the provided documents in (English, official language of partner Customs official language of your Customs, etc.)? Are these documents ever translated?
- To what extent does Customs observe or validate AEO operations in the partner economy?
- How does Customs exchange information about AEOs with MRA partners and how does it ensure effective identification of AEOs from MRA partners (e.g. TIN and other identifiers)? Is this done through an automatic system, electronically with manual intervention (e.g. Excel exchange), or through some other method?
- Is data exchanged on a regular basis, and if so how often?
- How are traders identified during the implementation of the AEOs/MRAs?

Different trader identification; The receiving Customs agency translated trader identification to its own system after receiving AEO data.

Different trader identification; The sending Customs agency translated trader identification to the receiving partners' system before sending AEO data.

Common trader identification; Your economy adopted a partner's trader identification in negotiating/concluding the MRA.

Common trader identification; The partner Customs agency adopted a your trader identification in negotiating/concluding the MRA.

Common trader identification; Both sides developed common trader identification in negotiating/concluding the MRA.

Common trader identification; Both sides used common trader identification prior to negotiation/conclusion of the MRA.

Other (please specify: _____)

- Please describe steps taken when designing/implementing MRAs to standardize them with the requirements of the SAFE Framework of Standards.

- Please describe steps taken when designing/implementing MRAs to incorporate other government agencies' security requirements to ensure recognition of MRAs beyond just the Customs administration.
- How is the implementation of the MRA monitored by the signatories? Are there regular meetings between the parties involved?
- What are the main challenges for negotiating or implementing a MRA?
- What are the benefits being offered to MRA partners?
- Please describe how the APEC "Pathfinder on the Mutual Recognition of AEO Programs" has affected how Customs pursues MRAs. Has this initiative affected the AEO program as well? If so, please elaborate.

Chapter 10 SMEs

- During the design of the program, were SME inputs sought and at what point in the process? Did Customs incorporate this feedback into the eventual program?
- Does Customs have any specific SME benefits to attract SMEs into the program? If so, please list them out.
- Does Customs have a specific outreach plan to encourage SMEs to participate in the program? Why or why not, and if so what do these plans include?

Chapter 11. Capacity Building Initiatives

- Please describe existing training resources for Customs officers to learn about and effectively carry out the AEO program.
- Has Customs established any new Customs technical specialty positions such as Cargo Security Specialist? If so, were training needs satisfied or is there a need for specialist training? If not, does Customs foresee a need for any new specialist positions?
- Did Customs make training resources available to AEO business partners? If not, have there been any requests to do so?
- Has Customs developed any training modules on AEO validations to ensure a harmonized approach towards the requirements of the SAFE Framework of Standards?
- Please list the number of capacity-building events that have been held to implement the AEO program since inception. This can include training of traders, private sector outreach programs, AEO Customs training programs, etc.
- Please describe the major takeaways from the above events. What were the major topics of the events, and what did attendees like/dislike?
- Please describe any joint training activities/workshops undertaken with the private sector to enhance understanding of each other's roles/responsibilities in the supply chain.
- What does Customs wish they knew before the implemented the program?
- What does Customs want moving forward in terms of Capacity Building Initiatives? This can include capacity-building initiatives APEC-wide, Mutual Recognition Agreement training, etc.

Chapter 12. Best Practices

- What have been the most difficult obstacles to overcome in the development and implementation of the AEO program? Was Customs able to overcome these obstacles to its satisfaction? Please elaborate.
- What challenges have been faced in the identification of benefits? If traders already enjoy trade facilitation benefits, how does Customs enhance upon this with the AEO benefits? How does Customs overcome this obstacle to ensure trader buy-in?
- How does Customs ensure that identified benefits are extended in an efficient manner?
- What does Customs think can be improved within its AEO program?
- How does Customs view its relationship with other government agencies with regards to the AEO program? What are the positive and negative aspects?
- What are some best practices lessons from Customs' experience working with other government agencies while designing and implementing the AEO program?
- What are some best practice lessons for designing and implementing MRAs?
- What aspects of other AEO programs does Customs think it should incorporate into its own AEO program? Have other economies readily advised Customs of potential best practices?
- What aspects of the AEO program does Customs think would be useful to AEO programs in APEC, and can be held up as examples of 'best practices'? Has Customs made any effort to share these best practices?

Chapter 13. AEO Program Promotion

- How has Customs promoted the AEO program to the private sector? Please elaborate on the specific actions taken and what the results were.
- What are common misconceptions about the AEO program among the private sector? What does Customs see as their biggest hurdle when promoting this program to the private sector?
- What does the private sector like the most about the AEO program?
- Has Customs promoted the AEO program to the other government agencies or legislative branches? If so, please elaborate on the specific actions taken and what the results were.
- What are common misconceptions about the AEO program among other government agencies or legislative branches? What does Customs see as their biggest hurdle when promoting this program to other government agencies or legislative branches?
- What do other government agencies or legislative branches like the most about the AEO program?
- Have other government agencies helped to promote the AEO program among their constituent clients?
- What are some of the most effective promotional tools Customs would like to share as a 'best practice' that encourage AEO adoption by traders, and understanding by the public sector?

Chapter 14. Other Information

- What do Customs and other involved agencies need in order to continue implementing the AEO program successfully? This can include specific capacity-building requirements, funding

to further refine the program, better data systems to enable data-exchange at borders, improved regional integration with other Customs administrations for MRA purposes, etc.

- What other comments and/or concerns would Customs like to make that have not been previously addressed in this survey? Any additional information would be extremely helpful.

End of survey

APPENDIX 4: QUESTIONS FOR PREVIOUS RESPONDENTS IN 2010

Chapter 1. Potential Development of AEO program

- How does Customs view its role in enhancing supply chain security?
- Has Customs considered establishing an AEO program? Why or why not?
- Has Customs set up a Working Group/Task Force to initiate work on the potential development of an AEO program?
- Have Customs consulted potential stakeholders such other government agencies, importers, exporters, transportation companies, etc. regarding their potential interest in an AEO program.
- If stakeholders were consulted, what sample feedback did they return? Please list examples of both negative and positive responses.
- What potential constraints might hinder Customs' ability to implement an AEO program?
- To what extent has Customs studied the Safe Framework of Standards and related AEO guidance documents?
- Does Customs have a compliance program? Does it intend to move towards establishing an AEO program?
- What additional benefits could Customs provide to potential AEOs?
- Is Customs considering launching a pilot AEO program? Why or why not?
- What actions is Customs contemplating in response to the APEC action plan on AEO programs?
- How do other government agencies view a potential AEO program? Has Customs consulted with them about the potential of this program, and what were their thoughts?

Chapter 2. Partnership between Customs and the Private Sector/other Government Agencies

- Please describe whether there is any regular Customs-Business consultation, engagement, and/or partnership mechanism in place, and what form it takes.
- If no such regular mechanism exists, please describe the current working relationship between Customs, other government agencies and the private sector. Are they characterized by trust or mistrust, cooperation, or the lack thereof? What can be done to improve the working relationships?
- Please describe any formal or informal consultations between customs, other government agencies and the private sector in considering the development of an AEO program.
- How did these potential stakeholders respond; favorably or unfavorably?
- Do current legislation, regulations or other agency requirement pose obstacles to the development and implementation of an AEO program.

Chapter 3. Capacity Building Initiatives

- Please describe existing training resources, if any, for Customs officers to learn about the AEO programs.
- Were any study tours conducted? If so, what were the results?

- What specific capacity-building requirements does Customs believe are necessary to design and implement an AEO program?
- What specific technical improvements does Customs believe are necessary to design and implement an AEO program?
- Has Customs taken action to address capacity-building and technical needs?
- Has Customs participated in the WCO, APEC, and/or development partners' regional/national capacity-building workshops on AEO programs? Why or why not? Please also list out the workshops if participated.

Chapter 4. Mutual Recognition Agreements (MRAs)

- Does Customs possess the electronic capacity and infrastructure (regular broadband access, backup electrical generators, etc.) at border posts to implement MRAs?
- Does Customs have a working relationship with other APEC member Customs? Do Customs believe the level of APEC regional integration is enough to implement MRAs? Why or why not?
- With which economies would Customs most prefer to enter into an MRA? Has Customs discussed this with those economies?

Chapter 5. SMEs

- Has Customs solicited specific inputs from SMEs when considering developing an AEO program?
- If yes, what specific thoughts did SMEs have about a potential AEO program? Please also list the feedback that SMEs provided that was unique to them.
- Did Customs give equal consideration to the feedback of SMEs and large operators? Why or why not?

Chapter 6. Best Practices

- Is Customs familiar with best practices developed and in use by other APEC Customs agencies?
- Have Customs managers toured and observed these best practices in action?
- If not, would this be productive?

Chapter 7. Other Information

- What does Customs require in terms of technical assistance or capacity-building in order to implement an AEO program?
- What other comments and/or concerns would Customs like to make that have not been previously addressed in this survey? Any additional information would be extremely helpful.

End of survey

APPENDIX 5: APEC AEO CONVERGENCE PERCENTAGES BY ECONOMY

| Economy | AEO Program Name | Convergence Percentage |
|------------------|--|-------------------------------|
| Australia | Trusted Trader | 71.3% |
| Canada | Partners in Protection | 83.0% |
| China | Interim Measures of the General Administration of Customs of the People's Republic of China for Enterprise Credit Management | 72.3% |
| Hong Kong, China | Hong Kong Authorized Economic Operator Programme | 85.1% |
| Indonesia | Authorized Economic Operator (Operator Ekonomi Bersertifika) | 79.8% |
| Japan | Authorized Economic Operator Program | 83.0% |
| Korea | Authorized Economic Operator Program | 74.5% |
| Malaysia | Authorized Economic Operator Program | 63.8% |
| Mexico | New Scheme for Certified Companies (NEEC) | 74.5% |
| New Zealand | Secure Exports Scheme | 60.6% |
| Peru | Authorized Economic Operator Program (Programa del Operador Económico Autorizado) | 67.0% |
| Russia | The Authorised Economic Operator (YEO) | 43.6% |
| Singapore | Secure Trade Partnership | 86.2% |
| Chinese Taipei | The Authorized Economic Operators Certification & Management Program (優質企業) | 72.3% |
| Thailand | Authorized Economic Operator | 68.1% |
| United States | Customs-Trade Partnership Against Terrorism (C-TPAT) | 85.1% |
| Viet Nam | Priority Enterprise (doanh nghiệp ưu tiên /DNUT) | 55.3% |

**APPENDIX 6: APEC AEO MUTUAL RECOGNITION AGREEMENTS
AS OF 2015**

| 2015 MRAs | |
|------------------|--------------------|
| Canada | Korea |
| Canada | Singapore |
| Canada | United States |
| Canada | Japan |
| China | European Union |
| China | Hong Kong, China |
| China | Korea |
| China | Singapore |
| Hong Kong, China | India |
| Hong Kong, China | Singapore |
| Hong Kong, China | Thailand |
| Japan | European Union |
| Japan | Korea |
| Japan | Malaysia |
| Japan | New Zealand |
| Japan | Singapore |
| Japan | United States |
| Korea | Dominican Republic |
| Korea | Hong Kong, China |
| Korea | India |
| Korea | Israel |
| Korea | Mexico |
| Korea | New Zealand |
| Korea | Singapore |
| Korea | Turkey |
| Korea | United States |
| New Zealand | United States |
| Singapore | United States |
| Chinese Taipei | Korea |
| Chinese Taipei | Israel |
| Chinese Taipei | Singapore |
| Chinese Taipei | United States |
| United States | Dominican Republic |
| United States | European Union |
| United States | Israel |
| United States | Jordan |
| United States | Mexico |

APPENDIX 7: APEC AEO CONVERGENCE/DIVERGENCE DATA

| | AUS | CDA | PRC | HKC | INA | JPN | ROK | MAS | MEX | NZ | PE | RUS | SIN | CT | THA | USA | VN | Convergence |
|----------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|----|----|-----|-----|----|-----|-----|----|-------------|
| Scope of AEO Program | | | | | | | | | | | | | | | | | | |
| Sector of AEOs ⁵⁰ | | | | | | | | | | | | | | | | | | |
| Agriculture, Forestry, & Fishing | ✓ | ✓ | | | ✓ | | ✓ | | | | ✓ | | | | ✓ | | ✓ | 63.64% |
| Mining & Quarrying | | | | | | | ✓ | | | | ✓ | | | | | | | 18.18% |
| Manufacturing | ✓ | ✓ | | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ | | | ✓ | ✓ | | ✓ | 100.00% |
| Energy | | | | | | | ✓ | | ✓ | | | | | | ✓ | | ✓ | 36.36% |
| Wholesale & Retail Trade | ✓ | ✓ | | ✓ | ✓ | | ✓ | ✓ | | | | | | | ✓ | | ✓ | 72.73% |
| Transportation & Storage | | ✓ | | ✓ | ✓ | | ✓ | | ✓ | | ✓ | | | ✓ | ✓ | | | 72.73% |
| Other Services | | | | ✓ | | | ✓ | | ✓ | | ✓ | | | ✓ | | | | 45.45% |
| Other | | | | | | | | | | | | | | | | | | 0.00% |
| Types of Operators | | | | | | | | | | | | | | | | | | |
| Importer | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 88.24% |
| Exporter | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 100.00% |
| Customs Broker | ✓ | ✓ | | | ✓ | ✓ | ✓ | | ✓ | | ✓ | | | ✓ | ✓ | ✓ | ✓ | 64.71% |
| Warehouse Operator | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | | | | ✓ | | ✓ | ✓ | | ✓ | | 58.82% |
| Logistics Operator | ✓ | | | ✓ | | ✓ | ✓ | | | | | | ✓ | ✓ | | | | 35.29% |
| Manufacturer | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ | | | | | ✓ | ✓ | | ✓ | | 52.94% |
| Terminal Operators | ✓ | ✓ | | ✓ | | | ✓ | | | | | | ✓ | | | ✓ | | 35.29% |
| Other | | | | | | | | | | | | | | | | ✓ | ✓ | 11.76% |
| Scope of AEO Program | | | | | | | | | | | | | | | | | | |

⁵⁰ The data excludes China, New Zealand, Russia, Singapore, and the United States, which did not identify which sectors the AEOs were engaged in.

| | AUS | CDA | PRC | HKC | INA | JPN | ROK | MAS | MEX | NZ | PE | RUS | SIN | CT | THA | USA | VN | Convergence |
|---|-----|-----|-----|-----|-----|-----|-----|-----|-----|----|----|-----|-----|----|-----|-----|----|-------------|
| Import Only | | | | | | | | | | | | | | | | | | 0.00% |
| Export Only | | | | | | | | | | ✓ | ✓ | | | | | | | 11.76% |
| Freight Forwarder | ✓ | ✓ | | ✓ | ✓ | ✓ | | | | | | | | | | | | 29.41% |
| Other | ✓ | ✓ | | | | | | | | | | | | | | | | 11.76% |
| Import/Export | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 88.24% |
| Multiple 'Classes' in Program | ✓ | ✓ | ✓ | ✓ | | | ✓ | | | | | | ✓ | | | ✓ | | 41.18% |
| Application, Verification & Authorization Procedures | | | | | | | | | | | | | | | | | | |
| Application, Verification & Authorization Procedures | | | | | | | | | | | | | | | | | | |
| Consultation with Customs prior to Application | ✓ | | | ✓ | ✓ | ✓ | | | | | | | | | | | ✓ | 29.41% |
| Application (with security profile/Self-Assessment) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 100.00% |
| Risk Checks/Assessment with other Ministries/databases | ✓ | ✓ | ✓ | | | | | ✓ | | | | | ✓ | | | ✓ | | 35.29% |
| Review of Security Procedures | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 100.00% |
| Onsite Validation/Verification audit | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 100.00% |
| Comprehensive Compliance Assessment | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 94.12% |
| Company Background and Operating Environment | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 100.00% |
| Self-Assessment Mechanism | | | | | | | | | | | | | | | | | | |
| Operator-Submitted Accounting Information | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | 82.35% |
| Customs Provided Self-Assessment Checklists for Operators | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 94.12% |

| | AUS | CDA | PRC | HKC | INA | JPN | ROK | MAS | MEX | NZ | PE | RUS | SIN | CT | THA | USA | VN | Convergence |
|--|-----|-----|-----|-----|-----|-----|-----|-----|-----|----|----|-----|-----|----|-----|-----|----|-------------|
| Risk Management Department assists with AEO Program Management/Oversight | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | | ✓ | ✓ | ✓ | 88.24% |
| Communication with Other Government Agencies about AEO Program | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | ✓ | | | ✓ | ✓ | 76.47% |
| AEO Program Standard Operating Procedures or Guidelines Exist | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 94.12% |
| New Customs Technical Specialty Positions Established | | | ✓ | | | ✓ | | | | | | | | ✓ | | ✓ | | 23.53% |
| AEO Program Implemented Through Administrative Initiative | | | | ✓ | ✓ | | | ✓ | ✓ | | | | ✓ | | | ✓ | ✓ | 41.18% |
| AEO Program Implemented Through Passed Legislation | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | | | ✓ | ✓ | ✓ | | ✓ | ✓ | | ✓ | 70.59% |
| AEO Program Open to Foreign Companies or MNCs | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | | ✓ | ✓ | ✓ | 82.35% |
| Training of Customs Officers | | | | | | | | | | | | | | | | | | |
| Academic Training | | ✓ | ✓ | ✓ | ✓ | ✓ | | | | | | | ✓ | | | | | 35.29% |
| Skill Training | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | 82.35% |
| Regular Training Programs | | ✓ | ✓ | ✓ | ✓ | | ✓ | | ✓ | | ✓ | | ✓ | | ✓ | ✓ | | 58.82% |
| AEO-specific Training | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | 88.24% |
| Supply Chain Security Training | | ✓ | | ✓ | ✓ | ✓ | | | ✓ | | ✓ | | ✓ | ✓ | ✓ | ✓ | | 58.82% |
| Audit Training | | ✓ | | ✓ | ✓ | ✓ | | ✓ | | | | | ✓ | | | | | 35.29% |
| Partnership between Customs and Private Sector | | | | | | | | | | | | | | | | | | |
| Partnership Initiatives | | | | | | | | | | | | | | | | | | |

| | AUS | CDA | PRC | HKC | INA | JPN | ROK | MAS | MEX | NZ | PE | RUS | SIN | CT | THA | USA | VN | Convergence |
|---|-----|-----|-----|-----|-----|-----|-----|-----|-----|----|----|-----|-----|----|-----|-----|----|-------------|
| Measures to Expedite Cargo Release, Reduce Transit Time, and Lower Storage Costs | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 100.00% |
| Provide Access to information of Value to AEO Participants | | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ | ✓ | | | ✓ | ✓ | ✓ | ✓ | | 64.71% |
| Special Measures Relating to Periods of Trade Disruption or Elevated Threat Level | | ✓ | | | ✓ | | | | ✓ | ✓ | ✓ | | ✓ | | | | | 35.29% |
| First Consideration for Participation in any new Cargo Processing Programmes | | | | | ✓ | | | | | | | | | | | ✓ | | 11.76% |
| AEO Program Logo Exists | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | | ✓ | ✓ | ✓ | ✓ | | 76.47% |
| Mutual Recognition Agreements (MRAs) ⁵¹ | | | | | | | | | | | | | | | | | | |
| MRAs require Domestic Legislation or OGA/Working Group Approval | | ✓ | | | | | | | | | | | ✓ | | ✓ | | | 25.00% |
| Joint validation/observation visits conducted prior to MRA | | ✓ | | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | | | ✓ | ✓ | ✓ | ✓ | | 91.67% |
| Operational Data Exchanged Electronically | | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | | | ✓ | ✓ | ✓ | ✓ | | 100.00% |
| Different Trader Identification ⁵² | | ✓ | | ✓ | | ✓ | ✓ | ✓ | | ✓ | | | | ✓ | ✓ | ✓ | | 75.00% |
| Common Trader Identification | | | ✓ | | | ✓ | | | ✓ | | | | ✓ | | | ✓ | | 41.67% |
| Periodic/Regular Consultations with Partner Customs | | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | | | ✓ | ✓ | ✓ | ✓ | | 100.00% |
| Small & Medium Enterprises (SMEs) | | | | | | | | | | | | | | | | | | |
| SME Inputs Sought During Design | ✓ | | ✓ | ✓ | | | ✓ | | | | | | | ✓ | | | | 29.41% |

⁵¹ Economies that had not yet negotiated a MRA (Australia, Indonesia, Peru, Russia, and Viet Nam) were not included in this convergence percentage.

⁵² Japan and the United States noted they have used both forms of trader identification.

| | AUS | CDA | PRC | HKC | INA | JPN | ROK | MAS | MEX | NZ | PE | RUS | SIN | CT | THA | USA | VN | Convergence |
|---|-----|-----|-----|-----|-----|-----|-----|-----|-----|----|----|-----|-----|----|-----|-----|----|-------------|
| Specific Benefits for SMEs (including at Application Stage) | ✓ | | ✓ | ✓ | | | ✓ | | | ✓ | | | | | | | ✓ | 35.29% |
| SME Outreach Plan | | | ✓ | ✓ | | | ✓ | ✓ | | | | | | | | | | 23.53% |
| Accessibility of Information on Customs Website | | | | | | | | | | | | | | | | | | |
| Electronic Promotion of the Program | | | | | | | | | | | | | | | | | | |
| Explanatory information of AEO Program on Website | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 94.12% |
| Contact information | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 82.35% |
| Online forms | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | | ✓ | | 70.59% |
| Online Application Capability | ✓ | ✓ | | ✓ | | | | | | ✓ | | | ✓ | ✓ | | ✓ | | 41.18% |
| FAQ | ✓ | | | ✓ | ✓ | ✓ | | | ✓ | | ✓ | | ✓ | ✓ | | ✓ | | 52.94% |
| Requirements to Join | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 94.12% |
| Benefits of Joining | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 88.24% |