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MINUTES OF THE 109TH/110TH SESSIONS
OF THE CUSTOMS CO-OPERATION COUNCIL
(Brussels, 28 - 30 June 2007)

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MINUTES

OPENING OF THE SESSIONS

1. The 109th/110th Sessions of the Council were held at WCO Headquarters in Brussels from 28 to 30 June 2007. The list of participants is reproduced at Annex I.
2. The CHAIRPERSON welcomed the participants and declared the proceedings open. The Council began by observing a moment's silence in memory of Customs officers all over the world who had lost their lives during the previous year.

1. ADOPTION OF THE AGENDA

3. The Agenda set out in Doc. SC0075 was adopted unchanged.

2. APPROVAL OF THE MINUTES OF THE 107TH/108TH SESSIONS OF THE COUNCIL

4. The Minutes of the 107th/108th Sessions of the Council, contained in Doc. SC0074, were approved.

3. REPORT OF THE SECRETARY GENERAL

An Organization working on behalf of its Members

5. The SECRETARY GENERAL began his report by describing the situation with regard to accessions, staff and financial matters. He informed the Council that the WCO now had 171 Members with the recent accession of Montenegro and the Lao People's Democratic Republic. One State, Bosnia-Herzegovina, was on the verge of depositing its instrument of accession, and a further two were holding discussions with the Secretariat regarding possible accession, namely Djibouti and Liechtenstein. For its part, Iraq was in the process of regularizing its situation vis-à-vis the Organization. Somewhat unusually, only two WCO Members were currently inactive, thus reflecting the international community's interest in the Organization's work.
6. With regard to staff numbers, the Secretariat, in which 29 nationalities were represented, currently had 103 budget posts, and the Secretary General thanked Members for the 22 Technical Attachés made available to the WCO and assigned to the Secretariat, generating a budget saving of 2.5 million euros. Seven of the 22 Technical Attachés had been posted to Capacity Building, five to Enforcement, four to Nomenclature, and two each to Facilitation, Customs Valuation and Origin.
7. He drew attention to the status of one of the Technical Attachés, from Canada, whose situation was unusual insofar as he was performing his duties on the premises of his home administration, whilst receiving his instructions from the WCO Director of Capacity Building. This innovative approach, which cost less than sending a Technical Attaché to WCO Headquarters in Brussels, was potentially extremely interesting and the Secretary General hoped to be able to develop this possibility and make similar arrangements with other administrations in the future.

8. With regard to the choice and assignment of Technical Attachés, the Secretary General said that he wished to pursue discussions with Members in order to recruit based on the priorities of the Organization's Strategic Plan.

A healthier financial situation

9. The Secretary General then reported on the state of the WCO's finances. He had been able to meet the Council's request to ensure the Organization's financial sustainability by restoring a balanced budget, thanks to a multi-year global budget strategy consisting, for Members, of a 3 % increase in the overall contributions and, for the Secretariat, of :

- a drastic restructuring policy;
- strict management of the general operating expenses;
- skilful management of staff turnover arrangements;
- a proactive outsourcing policy;
- timely management of the portfolio;
- a reform of the Terminal Allowance system; and
- a dynamic policy to generate extraordinary revenue.

10. The Secretary General noted that these measures had produced satisfactory results, and that the past two financial years, for which deficits of 700,000 euros and 1.1 million euros respectively had been forecast, in fact showed a surplus of 700,000 euros for financial year 2005/2006, and a provisional surplus of one million euros for financial year 2006/2007. This was mainly due to sustained efforts to curb expenditure, to maximize additional revenue, and to manage the portfolio to best advantage, together with "made-to-measure" management of staff turnover arrangements and the Terminal Allowance.

11. A new cycle was therefore coming into being since, for the first time in 13 years, a balanced budget would be presented. This would give the Secretary General the option of presenting a budget for financial year 2008/2009 that might include some new approaches, such as discontinuing the practice of placing a temporary freeze on certain posts, and establishing a new Deputy Director post within the Compliance and Facilitation Directorate.

12. The Secretary General also welcomed the fact that the reserves had been built up again (they were currently in the order of 8.68 million euros), but called on Members not to draw on them, since a prerequisite for a truly healthy budget was reserves equating to an annual budget, or approximately 13 million euros.

Strengthened financial governance

13. After having covered these administrative issues, the Secretary General announced the introduction, thanks to the co-operation of the Chairperson of the Finance Committee, of strengthened financial governance built on three pillars : a Finance Committee with greater powers; an Audit Committee in place, with a programme of work covering several years; and Financial and Management Audits conducted by private-sector auditors.

An Organization with a higher international profile

14. Members had clearly requested that the WCO be a prominent and widely recognized organization. The Secretary General had responded to this request, as demonstrated by successful and high-profile regional meetings held in :
- Budapest (Hungary), attended by the Minister of Finance of Hungary and Commissioner Kovács of the European Commission;
 - Yaoundé (Cameroon), attended by the Minister of Economy and Finance of Cameroon;
 - Veracruz (Mexico), attended by the Minister of Finance of Mexico;
 - Ciudad del Este (Paraguay), attended by the President of the Republic of Paraguay, who had given a speech on the role of Customs in development and in combating poverty.
15. The WCO had succeeded in creating an active international network whose Members engaged in dialogue and interacted. The Secretary General said that although efforts still had to be made regarding co-operation with the Secretariat of the Convention on the International Trade in Endangered Species of Wild Fauna and Flora (CITES) and with the World Health Organization (WHO), the WCO maintained excellent relations with the major players in international trade such as the Organisation for Economic Co-operation and Development (OECD), Interpol, the United Nations Conference on Trade and Development (UNCTAD), the United Nations (UN), the G8 and the World Trade Organization (WTO).
16. Regarding OECD/WCO co-operation, the Secretary General informed Members about the implementation of joint initiatives (Valuation/Transfer Pricing Seminar, piracy study). The WCO had also presented the Columbus Programme to OECD experts, who wished to use it as a basis for building the capacities of tax authorities. Finally, the two Organizations were studying the possibility of organizing a Ministerial Conference on the progression of Customs and taxation revenue in Africa and its repercussions for the State (Spring 2008).
17. Turning to the UN, the WCO was participating in the work of the Counter-Terrorism Committee and had taken part in audit missions to Albania, Kenya, Morocco, Thailand, Mali, India and Pakistan. Other audit missions were scheduled to be conducted in the course of 2007, and the Secretary General raised the issue of their financing from the WCO budget, since the UN was not in a position to provide funding.
18. The WCO had actively participated in the preparations for the G8 Summit in Heiligendamm (Germany), within which it had acted as an expert and consultant on combating piracy and on capacity building, as well as on issues going far beyond traditional Customs topics.
19. The Secretary General then invited the Delegate of Germany, in that country's capacity as holder of the G8 Presidency, to present the conclusions of the Summit.
20. The Delegate of GERMANY said that Guidelines for Customs and Border Surveillance had been drafted by the German Government, setting out, inter alia, recommendations on co-operation between Customs and other border services in terms of applying penalties for piracy. One of the aspects of these Guidelines was improved data exchange between Customs and border protection services, and this

concept would have to be applied among the G8 Members, which had decided that these Guidelines should be implemented. He congratulated the Secretary General on his contribution to the G8 and welcomed the fact that, thanks to this and the German Customs Administration's efforts in this respect, the WCO and its work had been recognized and taken into account in the G8's work. He concluded by stating that Germany intended to make a Technical Attaché available to the WCO to help it fulfil its mission.

21. The SECRETARY GENERAL then addressed the Delegate of Japan, whose country would hold the next Presidency of the G8, and invited him to co-operate closely with the WCO in order to make clear proposals to the G8.
22. The Secretary General then turned to WCO/WTO relations, which were characterized by co-operation based on the fact that the two institutions fully complemented each other. He had met with the Director-General of the WTO twice, and the latter had specifically requested that the WCO pursue its training support activities until the conclusion of the Doha Round of negotiations.
23. These meetings had provided an opportunity to take stock of progress regarding issues of common interest :
 - Counterfeiting : The Director-General of the WTO had informed the Secretary General that, given the difficulty of the negotiations in progress and the fact that the end of the transitional period for developing countries, as provided for under the TRIPS Agreement, was drawing near, the WTO was not in a position to open a new dialogue with its Members on this subject.
 - Origin : Origin matters were very important to the WTO, and the WCO was shortly expected to take on certain tasks relating to non-preferential rules of origin. The WTO encouraged the efforts being made by the WCO to analyse the preferential rules arising from the plethora of regional and bilateral agreements (400 in 2010).
 - Harmonized System : The WTO's only request in this respect was that the WCO ensure that Contracting Parties were implementing the latest version of the Harmonized System, as some were still using the 1992 version !
 - Facilitation : The Doha Round was still ongoing, but it was difficult to predict the outcome. The question was now whether, in the event of failure, an agreement solely on trade facilitation could still be envisaged by 2008. If appropriate, the WTO would ask the WCO to act as an "executive agency" by implementing capacity building activities in the facilitation domain, in accordance with the political agreements concluded in Geneva.

Work at the heart of international concerns

24. The Secretary General noted that the WCO's work in terms of drug enforcement and the environment could be improved.

SAFE Framework

25. In contrast, with regard to security and facilitation of trade, the WCO could pride itself on having established the SAFE Framework, a living tool requested by the High Level Strategic Group (HLSG) which had proposed that it be possible to amend and further develop the Framework, and that reciprocity and mutual recognition be incorporated therein. The SAFE Framework had progressed considerably in terms of Authorized Economic Operator status, relations with small and medium sized enterprises (SMEs), the concepts of reciprocity and mutual recognition, and a review mechanism and cycle. However, in order to remain a living and effective tool, and to obtain the necessary funding, it required :
- an action plan to present and promote it throughout the world : two seminars in that respect were scheduled to be held, in Belgium and Morocco;
 - a programme of work which would set deadlines; and, above all,
 - a steering body : intended to replace the HLSG, it could be a sub-group reporting directly to the Policy Commission, which would set its Terms of Reference.

The Columbus Programme and capacity building

26. The Columbus Programme was a resounding success, since of the WCO's 171 Members, 147 had signed the Letter of Intent and 105 had requested Diagnostic missions. With all these requests having been honoured (in keeping with his undertaking at the 2006 Council Sessions), the Secretary General declared that phase one had been successful and that many lessons had been learned. With the information collected having been summarized in a brochure entitled "WCO Trends and Patterns Report - A Capacity Building Estimate - Moving from Words to Action", the Secretary General invited Members to study that brochure carefully, as the activities that needed to be undertaken by the WCO were contained therein.
27. The Columbus Programme was thus entering phase two, which was more complex, more critical, yet just as important, since it involved Members drafting an action plan which would have to be adopted by their Government in order to obtain financing (internal or international). In this respect, the Secretary General stressed that the Secretariat's role would be to offer support, it being expected that Members would take full ownership of the action plan.
28. In addition, phase two would inevitably impact on regional unions, since the capacities of some of the Members concerned would be strengthened more rapidly than others. There was consequently a risk of favouring multi-speed development within these regional unions and, hence, of diluting the benefits of the Columbus Programme.
29. As had been the case for the SAFE Programme, Global Forum V on Integrity held in South Africa had highlighted the need for a steering body which would be tasked with establishing the parameters for phase two of the Columbus Programme. It had also provided an opportunity to meet potential donors, who had expressed a great

deal of interest in the Columbus Programme and had given assurances that “money was not the problem”. However, the Secretary General explained that although funding did not raise a problem, it was difficult to access and, to that end, the Members had to submit a clear and convincing business case to the lending institutions.

Counterfeiting and piracy

30. With regard to the combating of counterfeiting and piracy, the Secretary General said that all the warning lights were on : the number and volume of seizures had continued to break all records, and now involved all types of products. In addition, the international legal environment was blocked, the only window of opportunity being the readiness of Japan, which would hold the next G8 Presidency, to put forward an international treaty on this issue. There was nevertheless a pressing demand for concrete discussions on this real threat, with full responsibility resting with Customs administrations which remained the first line of defence for public health and safety. The WCO's role in this domain was clear : it proposed the adoption of the “SECURE” (Standards Employed by Customs for Uniform Rights Enforcement) document, a non-binding framework of provisional standards, intended for countries seeking to introduce anti-counterfeiting legislation and requiring capacity building in this field.

31. The Secretary General informed Members that bilateral agreements had been concluded between the United States and China, and between the European Union and China. He strongly encouraged these initiatives, which nevertheless should not rule out action at multilateral level.

Customs in the 21st Century

32. Turning to the issue of Customs in the 21st Century, the Secretary General informed Members that the Policy Commission had drawn up a clear roadmap, suggesting a path to be followed. The role of the WCO in the 21st Century would be set out afterwards, once the vision of the role of Customs administrations had been clearly expressed. More simply, the Organization could be conceived of as being articulated around two pillars : the establishment of Customs standards, and the implementation of those standards through a capacity building policy.

Conclusion

33. The Secretary General then made some recommendations for the future :

- Noting that there were only 52 Contracting Parties to the Revised Kyoto Convention, only 2 to the Johannesburg Convention, and that even the Harmonized System, the WCO's flagship instrument, was not applied as widely as it should be (of the 130 Contracting Parties, 74 had implemented the 2007 version of the Harmonized System, 45 were still using the 2002 version and 11 were using even older versions), it was vital that the implementation crisis regarding WCO instruments be resolved;
- The WCO had to constantly strive to improve global security, and should never stop challenging itself;
- Harmonious and secure development of trade had to be ensured, since this was a source of progress and growth;

- Members had to be alerted to the increased risks threatening our societies in the form of drugs, money laundering, piracy and counterfeiting, trafficking in weapons of mass destruction, toxic waste, light weapons, organs, blood diamonds, cultural property, etc.
34. In short, this all fell under the remit of Customs, and more had to be done in order to be capable of “inventing our future”.
35. The Secretary General concluded his report by turning to the issue of the election of the next Director, Tariff and Trade Affairs. He invited the candidates to introduce themselves to the Members, pointing out that 4 of the 11 candidates were not present. He proposed that, in future, vacancies for elected posts include a requirement for the candidate to be present at the time of the election.

Discussion

36. During the ensuing discussions, a number of delegates congratulated the Secretary General on his comprehensive presentation which offered food for thought, as well as on the quality and professionalism of the work carried out and the excellent results achieved in the course of financial year 2006/2007.
37. The Delegate of SWEDEN announced that the Swedish Government intended to continue its efforts in the capacity building domain, and said that it would make a contribution of 220,000 euros towards the implementation of phase two of the Columbus Programme.
38. The Delegate of JAPAN said that, bearing in mind the WCO's limited resources, the basic mandated areas such as classification, Customs valuation and rules of origin should not be overlooked, the latter particularly at a time when regional trade Agreements were proliferating. It was also important steadily to advance with implementation of the SAFE Framework of Standards and the promotion of trade facilitation measures through accession to the Revised Kyoto Convention, this providing an important basis for WTO trade facilitation. This would raise the profile of the WCO and achieve visible results for the business community.
39. He recalled his Government's commitment to combating counterfeiting and piracy internationally, and expressed appreciation for the WCO's work to improve the effectiveness of IPR protection and enforcement. At the G8 Gleneagles Summit in 2005, Japan had proposed to establish an international legal framework to police the export and transit of counterfeit goods. Japan had also been actively involved in discussions in the G8 IPR Expert Group. At the recent G8 Summit in Heiligendamm, the G8 Members had agreed on the Guidelines for Customs and Border Enforcement Co-operation. Japan would be hosting the next G8 Summit and would continue to strengthen measures against counterfeiting and piracy, in close co-operation with the other G8 Members, the WCO and the outreach members of the new Heiligendamm Process, which now included the major emerging markets. The Delegate of Japan welcomed the Secretariat's initiative to develop the living SECURE document which would help to meet IPR challenges in the future. He also welcomed the establishment of the SECURE Working Group, which streamlined the various WCO groups dealing with IPR issues.

40. He went on to say that Japan had made a positive contribution to : (i) the WCO's activities, such as accession to the Revised Kyoto Convention and the SAFE Framework of Standards; (ii) the Secretariat's activities, both in Brussels and in the regional offices, by sending Technical Officers and Technical Attachés; and (iii) increasing assistance for developing countries, as one of the primary donors to the Customs Co-operation Fund (CCF). Turning to the Columbus Programme, he said that Japan was planning to expand significantly its assistance, through the CCF/Japan, to areas beyond the Asia/Pacific region, through : (i) reinforced support for the implementation of the Columbus Programme, that support not being limited to the WTO trade facilitation negotiations and accession to and implementation of the Revised Kyoto Convention, but also covering technical issues such as classification, Customs valuation, rules of origin and combating commercial fraud; (ii) promotion of dialogue with developing countries; and (iii) development of WCO training programmes for officials from developing countries. In addition to Japan's voluntary contribution of approximately 1.5 million euros to the CCF in December 2006, he said that another substantial voluntary contribution, including a package of assistance for developing countries, was now being considered for financial year 2007/2008. This would make it possible to approximately double the existing assistance.
41. The Delegate of Japan concluded by stating that Japan would be hosting the 7th ASEM Customs DG-Commissioners Meeting in Yokohama on 12 and 13 November 2007.
42. The Delegate of the PHILIPPINES expressed his support for the Secretary General's efforts to organize a Ministerial Conference, and suggested that it be held in Brussels, immediately prior to or just after the Council Sessions. This would ensure the presence of Ministers and greater prominence for the Conference.
43. The Delegate of MOROCCO expressed some concerns regarding the lack of human resources to cope with the Secretariat's workload. The recruitment policy for Technical Attachés, Technical Officers and Deputy Directors should be reviewed, as the WCO required multi-skilled and multilingual staff who could be utilized according to the Strategic Plan priorities. Regarding the Columbus Programme, the Delegate of Morocco was awaiting the Secretariat's reaction to the national action plan which had been prepared, and he expressed his country's desire to embark upon phase two as soon as possible.
44. The Delegate of ARGENTINA emphasized the importance, for all, of shared investment in intellectual property rights. He stressed that the fight against piracy should be reflected in practical terms by the implementation of appropriate standards, by better use of information technology, and by Customs capacity building. The Council could not wait until the end of the transitional period granted to developing countries under the TRIPS Agreement in order to implement these standards.
45. The Delegate of NORWAY reiterated his support for the Columbus Programme, and added that a fund of 200,000 Swiss francs had been set up to enable least-developed countries to participate in national expert meetings organized by the WTO.
46. The Delegate of the DEMOCRATIC REPUBLIC OF THE CONGO thanked the WCO for its assistance under the Columbus Programme, and was awaiting the report on phase one in order to embark on phase two as soon as possible.

47. The Delegate of SUDAN congratulated the Secretary General on the links he had succeeded in establishing with other international organizations. He asked about the WCO's position with regard to money laundering, and about its relations with the associations representing structures such as ports, airports, etc.
48. He also referred to counterfeiting and indicated that there was a World Intellectual Property Organization (WIPO) programme which would enable synergy with the WCO and, in particular, make it possible to strengthen the risk-based approach. All possibilities for synergy with other international organizations should be explored.
49. The Delegate of the RUSSIAN FEDERATION supported the Secretary General's proposal to establish a post of Deputy Director with responsibility for combating counterfeiting and piracy. He highlighted the urgent need for harmonization of Customs statistical methods (for example, with regard to the starting point for the statistical year, the basis of calculation and cumulative data), as the data was not always comparable from one administration to another. A common methodology and a Memorandum of Understanding could prove extremely useful in this respect. He emphasized the readiness of the Russian Administration to report its best practices in this regard. The Delegate of the Russian Federation also put forward the idea of setting up an integrated Customs data field, implying availability of on-line exchange of pre-entry information on import and export operations and standardization of IT standards and formats, thus ensuring more efficient application of the WCO Data Model. He also pointed out that efforts had to be made regarding Customs officers' remuneration, as in most countries this was not commensurate with their duties.
50. The Delegate of SENEGAL welcomed the fact that the combating of counterfeiting and piracy was a priority, as illustrated by the Dakar Declaration and the ensuing operational seminar. He sincerely hoped that the WCO's tools could be extended further to developing countries, for example by establishing specific provisions. The expiry of the partnership agreements with the European Communities posed a real challenge to these countries, and he asked the WCO to support them and help them find the necessary solutions.
51. The Delegate of COTE D'IVOIRE was pleased to hear the Secretary General utter words such as "action plan", "the way forward", "roadmap" and "technical assistance". This new language was a timely reminder that Customs remained one of the key tools for economic development.
52. The Delegate of JORDAN thanked the Secretary General for all the efforts made to enable Iraq to rejoin the international Customs community. Regarding IPR, he stressed the need for more effective mechanisms and instruments to combat this real threat.
53. The Observer for the EURASIAN ECONOMIC COMMUNITY (EAEC) said that the Organization he represented comprised six Members : Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan. Their main areas of co-operation were the simplification of trade procedures and more efficient international trade. The EAEC was working in particular on developing Customs unions, and it had established a free trade procedure, one of the instruments of which was the Council of Directors General of Customs with competence in three areas : (i) the establishment and development of EAEC Customs authorities; (ii) the implementation of common procedures to achieve common goals; and (iii) the pooling of Customs information and technologies related to

the EAEC's activities. Co-operation with the WCO was bearing fruit, as a ten-digit goods classification system had been adopted, a Regional Training Centre had been established, an intergovernmental programme on the implementation of the SAFE Framework had been developed, and harmonization of Customs declarations with the European Union was progressing. Thanks to this close co-operation with the WCO, two seminars had been organized this year : one on the Harmonized System, and the other on the standardization of Customs documents.

54. The SECRETARY GENERAL thanked the Delegates of Japan, Norway and Sweden for their valuable assistance in terms of capacity building.
55. With regard to money laundering, he said that the WCO was highly involved in this domain through its enforcement activities.
56. On the question of synergy with other international organizations, the Secretary General fully agreed with the approach suggested by Sudan. He pointed out, however, that in many cases the statutes of international organizations did not allow them to make funds available to the WCO for matters relating to intellectual property rights. WIPO, which was responsible for implementation of the WTO TRIPS Agreement, was an exception in this respect since it wished to improve the capacity of Justice, Police and Customs services and of national agencies responsible for intellectual property enforcement. The Secretary General said that he was in contact with WIPO to set up a specific work programme, with WIPO funding. Work was progressing and the Council would be kept informed of developments.
57. He pointed out that the WCO maintained excellent relations with bodies such as the International Container Bureau, and that the fruits of their co-operation were benefiting ports, airports, etc.
58. The Secretary General acknowledged that to date, no real consideration had been given to the use of information technology as a means of combating piracy, and this issue would now be looked at in greater detail by the WCO.
59. With regard to the Secretariat's recruitment policy, the Secretary General pointed out that its current activities and vertical structure necessarily required the recruitment of specialists. However, Technical Attachés provided the WCO with the necessary flexibility, and he once again thanked those Members which had made one or more of their officials available. Recruiting of staff offering a wide portfolio of skills might, however, be an option in cases where the WCO would be conducting cross-cutting studies.
60. The Secretary General said that he wanted the WCO to be involved in looking at the use of statistics as a means of combating fraud.
61. Finally, he indicated that it would be naive to believe that illicit trade could prove a realistic means of fighting poverty. Indeed, quite the opposite was true.
62. The CHAIRPERSON thanked the Secretary General for his comprehensive report and indicated that the Council took note of the Secretary General's oral and written reports.

4. POLICY MATTERS

63. The CHAIRPERSON invited participants to consult the Reports on the Policy Commission's 56th and 57th Sessions (Docs. SP0232 and SP0250), which had taken place in December 2006 and June 2007 respectively. The 56th Session had been concerned primarily with matters which were examined again at the 57th Session, and there were no specific items from the 56th Session which required formal approval by the Council.
64. The Chairperson therefore invited participants to turn their attention to the 57th Session, which had taken place earlier in the week. With the assistance of the Secretary General and other members of the Secretariat's senior management, he then presented to the Council item-by-item the key outcomes of that session as reported in Doc. SP0250, and in an executive summary of that document which was distributed to delegations.
- (a) Security and facilitation of trade**
- (i) *Report of the High Level Strategic Group and SAFE Framework of Standards*
65. The CHAIRPERSON said that the Director, Compliance and Facilitation, had presented to the Policy Commission various issues relating to the High Level Strategic Group (HLSG) and the SAFE Framework of Standards. After extensive discussions, it had been concluded that the Policy Commission agreed with the various proposals put forward by the HLSG.
66. The DIRECTOR, Compliance and Facilitation, explained that the HLSG had recommended the establishment of a SAFE Working Group to deal with the maintenance, review and updating of the SAFE Framework of Standards. The HLSG had recognized that there were two different levels of issues to be addressed by the Group, namely technical matters such as the addition of new data elements, and policy issues. Consequently, it had provided for a two-stage process under which technical matters would be considered in accordance with a three-year cycle, unless there was an urgent need for an amendment. Technical proposals emanating from the SAFE Working Group would be submitted to the PTC, while any policy issues would be submitted to the Policy Commission. Where composition was concerned, the SAFE Working Group would be open to all interested WCO Members, members of the Private Sector Consultative Group (PSCG) and accredited WCO observers.
67. The Delegate of the UNITED STATES expressed his country's sincere appreciation to the HLSG for its positive contributions to the WCO, and in particular for providing strong leadership with regard to the development and implementation of the SAFE Framework of Standards. He also commended the PSCG, noting that the joint HLSG/PSCG meeting had provided an excellent forum for the private sector and Customs administrations to engage in productive discussions on matters related to the SAFE Framework. He looked forward to continued dialogue with the PSCG through the Policy Commission in the future. US Customs and Border Protection fully supported the establishment of a SAFE Working Group, which would be critical to the continued development and implementation of the SAFE Framework and to ensuring that the Columbus Capacity Building Programme continued to deliver on its promises.

68. The SECRETARY GENERAL also saluted the remarkable work of the HLSG, which had now been disbanded, and expressed the hope that whatever replacement arrangements were implemented in order to ensure continuing progress with the work on IPR, capacity building, and security and facilitation, would offer the same benefits in terms of quality, effectiveness and speed as had the HLSG.

69. As recommended by the Policy Commission, the Council adopted the various proposals which had been put forward by the High Level Strategic Group, relating in particular to the establishment of a SAFE Working Group to deal with the maintenance, review and updating of the SAFE Framework of Standards. The Group would be open to all interested WCO Members, PSCG members and accredited WCO observers. The PSCG would report to the Policy Commission.

(ii) Negotiations at the WTO

70. The DEPUTY SECRETARY GENERAL introduced this item, pointing out that, at present, the future of the Doha Round itself remained unclear; however, leaving aside the situation of the Doha Round as a whole, trade facilitation was an area that had been identified for development and caused no political problems. All WTO Members were actively involved in the WTO process. The negotiations themselves were progressing, in that 36 text-based proposals had been submitted by WTO Members and these would form the foundation for any future WTO commitment on trade facilitation. The consolidation of the legal texts had not yet commenced, but the negotiations were about to reach a significant stage. So far, consistency between the WTO proposals and WCO instruments had been maintained, but he advised Customs administrations to participate actively in the determination of their national positions in order to ensure that the work of the two Organizations continued to be consistent and complementary.

71. The WTO was now launching a national needs assessment project to help the WTO negotiators understand the situation in their home administrations, with particular reference to the question of whether their Customs and other border procedures were compatible with the WTO proposals. Customs administrations were expected to contribute to this process, and the WCO, the WTO and other international organizations would provide facilitators for national needs assessment project seminars which would give Customs administrations an opportunity to make the negotiators understand the situation with regard to Customs and border procedures. The aim was to increase consultation and understanding with the trade community and other border agencies, bearing in mind that as trade facilitation was wider than Customs alone, it was important to involve other border agencies in the trade facilitation agenda.

72. Finally, the Deputy Secretary General said that regardless of what happened in the WTO, the WCO needed to promote trade facilitation, particularly through the implementation of the Revised Kyoto Convention. The Secretariat remained at the Members' service to provide any technical assistance or advice they might require in this respect.

73. The Observer for THE INTERNATIONAL AIR CARGO ASSOCIATION (TIACA) said that there were significant differences between capacity building in relation to the WTO negotiations when in the hands of the WCO, i.e., capacity building performed by Customs, for Customs, with some prospect of trade interests being associated with it, and the WTO needs assessment project which was about Governments assessing

their own capacity. Judging by the texts on the WTO national needs assessment project, some 20 interests would be represented, the bulk of which would be Government departments with perhaps four or five spaces available for trade. TIACA hoped that arrangements would be made within the trade community to have trade properly represented at these seminars. Once there, hopefully the trade representatives would stress the importance of Customs, which had not been denoted in the needs assessment project texts as the department with primary responsibility for trade facilitation issues.

74. In response, the DEPUTY SECRETARY GENERAL said that while Customs procedures were central to the proposals in the WTO, there was increasing awareness that the problems associated with trade facilitation were not just limited to Customs; therefore Governments should adopt a holistic approach in order to improve trade facilitation. This was why other Government agencies, in addition to Customs, were being invited to the national needs assessment seminars. As the Observer for TIACA had indicated, it was indeed Governments that would be assessing their trade facilitation gaps, needs and priorities under this project, but in close co-operation with the trade community. This was why the WCO Secretariat had taken care to ensure, when discussing the development of this project with the WTO, that trade would be represented at the seminars.
75. In the past year, the WCO had carried out six pilot needs assessment projects in collaboration with the World Bank, and the diagnostic teams had found that the other border agencies were not as well advanced in trade facilitation as Customs, with the result that awareness raising was required. This was why a wide range of other authorities were being invited to the seminars. However, it was inherent in the project that the central role was played by Customs, and this was why the WTO had primarily called upon the WCO and Customs experts to conduct the seminars.
76. The Observer for SITPRO said it seemed that little had changed since the previous year where the WTO trade facilitation negotiations were concerned. SITPRO had continued its capacity building activities and was in discussions with the Capacity Building Directorate on how best to support the work that the WCO was doing with the WTO. He added that SITPRO's pocket guide to the WTO negotiations had recently been revised, and copies were available for delegations.
77. The CHAIRPERSON concluded the discussions by noting that the WTO trade facilitation issue needed to be pursued at two levels. On the national level, Customs administrations should be actively involved in WTO trade facilitation issues with the relevant Ministries, but they should also act internationally through the WCO as a means of claiming their rightful place at the negotiations. Also, although most of the business of trade facilitation was Customs-related, trade facilitation was not a matter for Customs alone; therefore, both nationally and internationally, co-operation with other agencies operating at the borders was also important.
78. The Council took note.

(iii) Impact of Regional Trade Agreements

79. The SECRETARY GENERAL said that this subject was of concern to Members, not because of the number of bilateral and regional agreements being signed, but because of the complexity of their content and the fact that it was extremely difficult for some Member administrations to correctly apply these instruments which were so important for the economy and trade of their countries. Also, this plethora of regional trade agreements made matters very difficult for business. The WTO Director-General had told him that, for the moment, the WTO did not have sufficient capacity to take up the question of the proliferation of bilateral and regional trade agreements, and consequently he would be interested to know what the WCO, from the technical standpoint, might be able to do in this area.

80. The Secretariat was therefore proposing to add this to its list of tasks, on the basis of a simple action plan which would involve firstly, identifying the trade agreements currently in existence (believed to be in excess of 300 at present and expected to rise to 400 by 2010) and secondly, undertaking the rather more difficult task of determining the content of these agreements and identifying the differences between them. It might then be possible to propose a model agreement which would help to rationalize, for the negotiators, the task of setting up new agreements. Another possible area of activity would be for the Secretariat to develop teaching materials, such as e-learning modules and classroom training courses, to meet Member administrations' capacity building needs in this respect. It was also important to bear in mind the possible impact of the Economic Partnership Agreements being negotiated between the European Union and various African States.

81. The Secretariat would keep the WTO informed of developments with this work.

82. As recommended by the Policy Commission, the Council approved the action plan on regional trade agreements and all the measures proposed by the Secretariat for improving the administration and application of preferential rules of origin, which involved closer co-operation among Members, more sustained contact with the private sector, the identification of best practices and a better use of risk analysis.

(iv) Integrated Border Management - Preliminary Study

83. The CHAIRPERSON said that during discussions on this important topic, some administrations had taken the view that Customs should play a leading role at the borders, with the other agencies operating there being subordinate to Customs, while others simply saw a need for close co-operation between the various agencies operating at the border; a third possibility was to merge all these agencies to form a single entity.

84. These options had been discussed by the Policy Commission, which had concluded that :

- this was a subject of importance to many countries and solutions varied from country to country;
- there was a strong need for co-operation and to reduce the number of authorities at the border;

- further work should be done by the Secretariat and the relevant Committees;
 - these ideas should be taken forward during the discussions on Customs in the 21st Century.
85. The Observer for THE INTERNATIONAL AIR CARGO ASSOCIATION (TIACA) remarked that Integrated Border Management was a political issue. Ten years previously, the much more modest aim had been to achieve better co-operation between the various authorities intervening at the border, so that trade would need to deal only with one authority in terms of furnishing the initial data needed for processing. The situation now, however, was that if a Government were to decide that responsibility at the border should be vested in a single authority, it was by no means certain that Customs would be the authority selected. This posed a problem for trade, because Customs tended to be the authority with which trade had least difficulty, given that Customs knew how trade operated and, invaluable, had contacts with the authorities at the other end of the transaction.
86. Where Integrated Border Management was concerned, the central issue would be which authority would maintain and operate the data base, as that was where the seat of power would lie. Hopefully it would be Customs but, even if that were the case, Customs presumably would not wish to deal with certain categories of hazardous goods, so there would need to be a means of deciding who would deal with the various specialized functions to be performed in the light of the processing of the data collected.
87. It would seem worthwhile to have some preparatory papers prepared on the subject of Integrated Border Management, and it would be useful if different trade sectors could be invited to express their views from the standpoint of the customer. During the development of the Revised Kyoto Convention, trade had wanted to insert a provision stating that border interventions should be centralized, preferably in the hands of Customs, but at that time it had not been feasible for Customs to put itself forward in that role. What was needed now was a serious analysis of what Integrated Border Management would mean for Customs in terms of its status and its relationship with others.
88. The Observer for SITPRO said that it was important to distinguish between the concept of a single border agency and the alternative option of a Single Window approach, which the Secretariat was currently examining. From the trader's perspective, the most important thing was that the trader should be required to submit the information only once, and that this would be done electronically. From the technical standpoint, the key issue in terms of achieving the Single Window was that the data model and data elements required for the submission of the different forms to the various agencies needed to be consistent as between the various agencies within a country, and also from one country to another. For this reason, SITPRO commended the work currently being done to align the WCO Data Model with the UN/CEFACT Data Model.
89. The DIRECTOR, Compliance and Facilitation, said that the Secretariat could associate itself with the comments made by the Observers for TIACA and SITPRO, adding that the Secretariat had been working closely with UN/CEFACT to make sure that the two Data Models were aligned, and was currently on target to be able to release Version 3 of the Data Model by the next Council Sessions. When taking

forward the work on the Single Window concept, the continued involvement of the private sector would be welcomed.

90. In conclusion, the CHAIRPERSON said that, in many respects, these brief discussions mirrored those which had taken place in the Policy Commission earlier in the week. There were, however, two interesting points from the Policy Commission which had not been raised in the Council context. The first of these concerned the concept of the border, as it was considered that the border should have a different character depending on the nature of the goods crossing it. For goods which were being taken across borders by companies engaged in legitimate trade, which had complied with all the rules and regulations, the border should not exist at all, i.e., the logistical requirements of these companies should be catered for; at the same time, there should be a robust and effective border to protect society from all kinds of “problem” goods, plus a network of co-operation between Customs and other authorities so that suspect consignments could be monitored right along the supply chain. Appropriate administrative arrangements for border management could be established on this basis.
91. The Secretariat and the relevant WCO Committees would continue their work on the various aspects of the Integrated Border Management issue, and hopefully this work would throw some light on the various questions raised during the discussions.
92. The Council took note.
- (b) Capacity building**
93. The CHAIRPERSON invited the Director, Capacity Building, to speak on capacity building activities.
94. The DIRECTOR, Capacity Building, announced that phase one (needs assessment) of the Columbus Programme was completed and that phase two (implementation) was now the focus. He said that history and experience showed that the success of an implementation programme was clearly linked to a comprehensive assessment of the real needs, which the WCO had now accomplished.
95. He then unveiled the first issue of the *WCO Capacity Building Trends and Patterns Report*, which presented the overall global trends that had been identified during the Columbus Programme’s first phase. The second issue of the Trends Report was projected to be published in December 2007 and would focus on two themes, trade facilitation and security. Future issues would focus on other thematic topics or on regional capacity building trends.
96. He said that the WCO was already engaged in implementation. In parallel with phase one, the WCO together with the donor countries had planned and carried out approximately 70 phase two missions, 14 regional implementation events, 26 promotion missions, 14 donor meetings, and 24 workshops around the world. He estimated that 32 countries were now in phase two, primarily through action planning.
97. Action planning was the bridge between phase one and phase two. If the needs assessment phase was important to identify priorities, action planning was essential for implementation. Action planning meant taking charge of the country’s own destiny,

taking ownership, setting priorities, resource allocation, scheduling time-limits, and setting tangible goals.

98. For the success of phase two it was essential to have a strategy, and he was pleased to present the strategy to the Council. In terms of the phase two strategy, he emphasized that everyone who wanted support would get it and that this help would come in many different forms. He said that there needed to be a pilot sub-programme with volunteers to become regional and sub-regional models to secure leadership for change. The strategy would achieve two results. One, it would develop local experience that could be transferred within a region, and two, successful models would influence a broader number of countries to modernize.
99. There would be a number of drivers and supporting mechanisms for the second phase of the Programme, including an implementation compendium, a catalogue of interactive workshops, strategic consultation, implementation models for sustainable capacity of core competences, help to build new competences for change management, expert recruitment, accreditation for other capacity building deliverers, supporting programmes such as PICARD and e-learning, and Integrity models.
100. Regionalization was also a very important part of the strategy. He also noted the importance of ownership by pointing out that, while the WCO could support the Members, it was ultimately up to the administrations to take ownership for their development.
101. In relation to funding, the Director thanked all of the donors for their support of the Columbus Programme.
102. With regard to institutional donors, the WCO was building closer operational partnerships. The most important forum in this respect had been the Global Dialogue on Capacity Building Conference, that had taken place in South Africa in April 2007 and been organized by the WCO and the South African Revenue Service. The Global Dialogue Conference had been a great success with over 120 leaders from more than 100 organizations participating. Three messages had emerged from the donor community : first, donors were impressed by the progress the WCO had made under the Columbus Programme and they recognized the need for a global dialogue on capacity building and were interested in working with the WCO on modernization; second, the added value of the Columbus Programme was the WCO's holistic approach to capacity building and the fact that the WCO was the only body that could develop and implement international Customs standards; and third, "Money was not the problem". There was potential sponsor support available for the implementation of the Columbus Programme.
103. It was clear, however, that to raise Customs modernization as a priority, governments, Ministers and Directors General needed to ask the donor community for support for concrete projects based on the Columbus Programme.
104. There was also a need for further support from countries to the Secretariat to keep the momentum going, and to steer, co-ordinate and monitor the progress of the Programme. The WCO would need funding and human resources for phase two.

105. The Director concluded that, in his presentation, he had set out what the WCO was doing in respect of capacity building, by building capacity to manage change and by building the ability within people.
106. In the course of the ensuing discussion, many delegates complimented the WCO on its capacity building work and the considerable progress and success achieved so far under the Columbus Programme.
107. The Delegate of GHANA, the regional Vice-Chair for West and Central Africa, thanked the WCO for its keen interest in promoting capacity building in West and Central Africa. He announced that a Regional Office for Capacity Building (ROCB) would be established in Côte d'Ivoire and this would help to accelerate capacity building in the region.
108. The Delegate of CANADA, the regional Vice-Chair for the Americas and Caribbean, announced that an ROCB would be established in Argentina. He also noted the progress made regarding e-learning, with a WCO e-learning roll-out in the Dominican Republic and eight WCO e-learning modules having been translated into Spanish.
109. The Delegate of the UNITED KINGDOM congratulated the WCO on the rapid progress achieved. The WCO now needed to concentrate on phase two of the Columbus Programme which would necessarily take longer than phase one. He supported the WCO strategy of pilots to determine what worked well and the best practices. He also agreed that a steering group would be helpful to move phase two forward. He concluded his remarks by saying that the United Kingdom would continue to be involved in the Columbus Programme.
110. The Delegate of SOUTH AFRICA expressed his satisfaction with the good progress in respect of phase one, but pointed out that phase two was critical to maintain momentum. In order better to understand the critical success factors that supported capacity building, there was a need to build on the cross-cutting issues identified in the Trends and Patterns Report. He thanked all partners who had contributed to capacity building and asked that they continued their support. It was important to obtain support from political leaders, to support Members to derive the benefits of globalization, and to prevent the weaknesses in the global system from being exploited. Finally, he thanked the WCO for the very good work accomplished at the Global Dialogue on Capacity Building Conference that had taken place in South Africa.
111. The Delegate of FINLAND recalled that many people had said that money was not a problem. However, historically in Customs capacity building the use of money had been a problem. Through the Columbus Programme, solutions were being crafted to use money in a good and efficient way. In this, it was important to remember that the biggest investment in Customs modernization came not from international donors but from the recipient nations. The time and money which the recipient nation itself invested was enormous. Loans had to be paid back. Donors rarely gave free money. Even in situations where there were grants, the funds were taken away from other priorities. A non-successful reform project did, in fact, make a country worse off because it had used the resources from the loan for something that was not successful, and the loan still had to be paid back. He was therefore pleased to see that the WCO was developing solutions to this long-standing problem. It was important to link WCO

capacity building activities, in the spirit of good governance, to implementation of the WCO instruments. Those who were serious about implementing WCO instruments should receive capacity building, and he believed that the WCO was on the right track in this regard. The excellent Trends and Patterns Report, based on the diagnostics where the WCO was collecting and sharing information, was developing the WCO as a global centre of Customs expertise where international Customs, business, academia, organizations and donors would develop common solutions to challenges and share best practices. The Delegate of Finland agreed with the notion that a steering group was needed, perhaps by using the High Level Working Group on Capacity Building, Training and Technical Assistance.

112. The Delegate of PARAGUAY thanked the WCO for the Columbus diagnostic mission and the continued capacity building support for her country. This had led to many improvements within Paraguayan Customs for which she was very grateful.
113. The Observer for THE INTERNATIONAL AIR CARGO ASSOCIATION (TIACA) agreed that Customs capacity building required a holistic approach and needed all stakeholders to be involved. The trade sector needed to be stimulated to see that it had to build its own capacity at the same time as Customs and governments. He suggested that the Trends and Patterns Report be sent out to all the trade associations with whom the WCO had signed Memoranda of Understanding (MOUs), urging them to support Customs reform and to carry out a parallel reform of their own activities, wherever possible. They might care to amend the existing MOU to meet this particular requirement.
114. The Observer for the WORLD BANK said that his Organization continued to remain heavily involved in Customs reform. He noted the various challenges in Customs capacity building, including strengthening human resources, monitoring and managing projects, and increasing ties with the business sector. He expressed his appreciation for the increased sharing of information between the World Bank and the WCO, and looked forward to further increases in this area.
115. The Delegate of NEW ZEALAND said that his Administration was pleased to be able to provide an officer for a Columbus diagnostic mission. This was helpful not only for the recipient country but also for the diagnosticians who also learned a lot. It was clear that there was a critical need for leadership development in Customs reform.
116. The Observer for the BUSINESS ALLIANCE FOR SECURE COMMERCE (BASC), speaking on behalf of BASC businesses, thanked the WCO for its work on Authorized Economic Operator (AEO) development. She said that the Letter of Intent previously signed with the WCO had been revised and a full MOU between the WCO and BASC was being signed that very day which would explore strategies for implementation of SAFE and AEO programmes in the part of the Americas region covered by BASC.
117. The Delegate of the UNITED STATES complimented the WCO on its excellent capacity building and implementation strategy. She said that her Administration continued to focus on SAFE implementation. It had completed 10 site assessments, was now conducting training and technical assistance, and had completed 30 courses for WCO Members. She concluded by saying that success of the Columbus Programme hinged on a collective ability regarding communication and co-ordination.

118. The Delegate of MOROCCO said that his Administration had completed the first phase under the Columbus Programme and was looking forward to working on phase two. He was pleased also to note that the ROCB for the North of Africa, Near and Middle East was now up and running and had recently had its first strategic steering meeting.
119. The Delegate of ZIMBABWE pointed out that his Administration was the host of a new Regional Training Centre (RTC) where many courses had already been held, including train-the-trainer courses. He thanked the WCO for the Columbus diagnostic mission. His Administration was now studying the report recommendations.
120. The Delegate of FRANCE said that, to promote economic growth, it was important to increase efforts to stop illegitimate trade, while facilitating legitimate trade. Capacity building was an essential tool for this and must continue to be provided. The Columbus Programme was enabling progress to be made. The WCO should continue to move ahead in the same direction with capacity building; it was also important that the situation be monitored. He said that France had played a role in phase one and would continue to be involved.
121. The Delegate of ZAMBIA reported that his Administration had completed phase one under the Columbus Programme and was now in phase two. His Administration was seeking to modernize and to take advantage of economic growth. He put forward the Zambian Administration as a volunteer for the regional/sub-regional strategy.
122. The Delegate of EGYPT agreed that the issue of human resources was critical to capacity building and had to be taken into account in order for projects to succeed. He therefore concurred that the Columbus Programme should continue to take the human factor into account. He also noted the importance of RTCs in helping to build capacity.
123. The Delegate of MALAYSIA thanked the WCO and its partners for the capacity building conducted under the Columbus Programme. Malaysia had received a Columbus diagnostic mission and was looking forward to phase two work. He concluded by saying that the RTCs played a very significant role in Asia/Pacific capacity building.
124. The Delegate of JORDAN, as regional Vice-Chair, thanked the WCO for the capacity building work done in the North of Africa, Near and Middle East region. The ROCB in Dubai had already started up and regional Members were very appreciative of this. Finally, he thanked the United States for its support with implementation of the SAFE Framework of Standards.
125. The Delegate of the CENTRAL AFRICAN REPUBLIC said that he was very appreciative of the WCO's work on capacity building and was looking forward to the WCO diagnostic for his country later in the year.
126. The Delegate of LESOTHO said that he greatly appreciated the WCO's work and commitment to the Columbus Programme and that a great deal of hard work had been done in the East and Southern Africa region. He was grateful for the holistic approach, adding that phase one was the "what" and phase two was the "how", and that this was the only way to bridge the gap. He complimented the WCO on the Trends and Patterns Report and agreed with the key finding that political support was critical for success.

127. The Delegate of PANAMA said that he was proud that his Administration was part of the Columbus Programme and that it was now in the implementation phase. His Administration would like to be considered for a phase two pilot. He also thanked the United States and Canada for their capacity building assistance to Panama.
128. The DIRECTOR, Capacity Building, thanked the delegates for their kind and valuable comments, and repeated his thanks to the partners for their support. He highlighted some of the partnerships with private industry that were linked to the Columbus Programme and said that more would be done in this respect. He was very happy to be working with the World Bank and BASC. He agreed with delegates who had said that monitoring was critical to avoid duplication. The human element of capacity building was also very much on his mind - this was an essential part of the diagnostic studies and would be even more important in phase two. He added that he considered the support of management development as one of the key elements of phase two, since leadership was the key to successful implementation. He concluded by saying that it was critical that the Members helped with the resources needed for phase two; in particular, there was a need for Members' experts.
129. The SECRETARY GENERAL emphasized that it was not only essential to have Members' help on capacity building, but the WCO and the Members also needed to move forward together. He appreciated the solidarity from countries, in particular the provision of voluntary contributions and experts, which responded to the needs of Members. He was particularly pleased with the large number of Technical Attachés who were working on capacity building. Finally, he agreed that it was important for the capacity building dossier to be monitored at the Policy Commission level, given the latter's strategic and policy-determining role.

(c) Customs in the 21st Century

130. The CHAIRPERSON explained that, at this point in the Sessions, delegates were being asked to look at the draft Resolution on defining a high-level strategy on the role of Customs in the 21st Century which set out the process leading to a new document describing the mission and duties of Customs in the new century. There had been extensive discussion on the draft Resolution at the Policy Commission and that draft was now being recommended for adoption. The second aspect of the question, namely the substance, would be taken up under Agenda Item 5 - the Panel Discussion on Customs in the 21st Century.
131. The Council adopted the draft Resolution on defining a high-level strategy on the role of Customs in the 21st Century. The Resolution is reproduced at Annex II hereto.

(d) Combating of counterfeit and pirated goods

132. The SECRETARY GENERAL introduced this item, indicating that as he had spoken of the legal, technical, social, human and administrative aspects of the fight against counterfeit and pirated goods in his oral report, he would not return to these matters at this point. It was sufficient simply to recall that Customs represented the first line of defence against this serious threat to public health and safety, and that this was reflected in the attention paid to the Customs' role by the G8 Heads of State.
133. Counterfeiting was not a new phenomenon and WCO bodies, including in particular the Enforcement Committee, had been issuing proposals, recommendations

and resolutions on this subject for at least 20 years. There was no structure underlying these offerings, however, and as the SAFE Framework of Standards had proved to be a highly successful means of imposing a structure on measures to secure and facilitate trade, it had been felt that the same approach could usefully be adopted in the important area of IPR.

134. Thus, the proposed SECURE Framework brought together a series of measures, recommendations and best practices which already existed in different Member administrations around the world. During the Policy Commission session, several delegations had requested that steps be taken to make it clearer that there was nothing binding about this proposed Framework. In this connection, the Secretary General emphasized that the SECURE Framework was merely intended as a working basis for interested Member administrations seeking support in the fight against counterfeiting and piracy, either because their Governments were envisaging introducing legislation on the subject which would give Customs certain powers to act in this field, or because they already had such powers but lacked the capacity to exercise them properly.
135. The SECURE Framework, in addition to being non-binding, was also intended to be a living document which would be improved on an ongoing basis, as it certainly could not be claimed that the Secretariat had been able to describe every effective Customs measure against counterfeiting in this first version of the Framework. As the intention was that the Framework would continue to be enriched and improved, the standards and best practices described therein were provisional for the moment. A special Working Group, the SECURE Working Group, would be set up to develop the provisional standards, and to replace the current situation in which various different groups were dealing with IPR issues. The SECURE Working Group would be open to all interested Members and of course to the private sector, as rights holders had a key role to play in the process.
136. In addition to improving and finalizing the SECURE Framework, the Working Group would examine matters related to the Customs Enforcement Network (CEN), such as for example the legal problems connected with the use of nominative data. The Group could meet both in plenary session, i.e., with Customs and private sector representatives together, and for separate, Customs-only and private-sector-only sessions.
137. In essence the Policy Commission's proposal, if he had understood it correctly, was that on the basis of the Framework being non-binding, the standards being provisional and the SECURE Working Group being set up as a partnership body which would report to the Policy Commission, the Policy Commission was proposing that the Council adopt the measures which had been put forward by the Secretariat. The SECURE Framework should be regarded as no more than a starting point on the road towards a comprehensive response to the problem of counterfeiting and piracy; hopefully, the definitive standards would come into existence in a few years' time.
138. Finally, the Secretary General remarked that the capacity building programme which would accompany the SECURE Framework was completely separate from the capacity building being carried out under the SAFE programme. He hoped that Member administrations would make IPR experts available to assist with the task of helping to train facilitators around the world. He would need to seek donor funding for this purpose.

139. Bearing these points in mind the Council, as had been recommended by the Policy Commission, adopted the SECURE Framework as set out in Annex III to these Minutes, and agreed that a SECURE Working Group should be established to deal with IPR issues.

140. The Observer for THE INTERNATIONAL AIR CARGO ASSOCIATION (TIACA) expressed some concern that the WCO's relationship with the private sector might become somewhat confused, as several WCO programmes now involved private sector participation in different groups, some of which would report directly to the Policy Commission rather than via a technical body such as the Permanent Technical Committee in which the private sector was accustomed to participating. In this connection, he asked the Secretariat to reflect on how best to manage its interface with trade.

(e) Harmonized System matters

141. The DEPUTY DIRECTOR responsible for Nomenclature and Classification said that the Policy Commission had considered the conclusions of the High Level Ad Hoc Group on Harmonized System Matters regarding the establishment of an advance tariff ruling service (ATRS) at the WCO. The Ad Hoc Group had been established by the Policy Commission at its December 2005 session, with a mandate to discuss issues relating to the implementation of Harmonized System Committee decisions and to study the possibility of establishing an ATRS at WCO Headquarters. Reports on the first and second meetings of the Ad Hoc Group had been presented to the Policy Commission at its June 2006 and December 2006 sessions. The Policy Commission had recognized the need for some form of ATRS and had agreed that the Ad Hoc Group should continue its work with a view to developing a service of this kind.

142. Prior to the third meeting of the Ad Hoc Group, held in April 2007, the Secretariat had sent out a survey to obtain information on whether or not administrations were interested in participating in an ATRS. The survey had been sent only to administrations which had not informed the Secretariat that they were already applying an ATRS. Based on the outcome of the survey, at its third meeting the Ad Hoc Group had examined a list of candidate countries and had concluded that only administrations that did not have an ATRS in place would be potential candidates for participation. It had also decided that a pilot project should be launched with administrations drawn from the list.

143. Where the programme itself was concerned, the Deputy Director pointed out that it would be based on an agreement between the administration concerned and the WCO, encompassing both trade facilitation and capacity building - two issues which the Policy Commission and the Council had identified as being of particular importance.

144. At the Policy Commission session earlier in the week, it had been agreed that the system should relate only to the importation of goods, and that the WCO would provide advice to administrations only. Also, one precondition was that participating administrations would need to have in place a legal system which provided for the issuing of such rulings. At the end of the programme, which would run for five years, each participating administration should be able to run its own ATRS completely independently at the national level. Consequently, administrations should establish an advance tariff ruling system parallel to the one being operated with the WCO.

145. Finally, the Deputy Director said that the results of the pilot project would be reported to the 60th Session of the Policy Commission, with the possibility of presenting interim reports to the 58th or 59th Session, if appropriate.

146. In conclusion, the Council approved the establishment of an advance tariff ruling service at the WCO, noting that it would be initiated as a pilot project. The model Agreement to be concluded between the WCO and participating Customs administrations is reproduced at Annex IV to these Minutes.

(f) Report of the Audit Committee

147. The CHAIRPERSON said that the Policy Commission had heard a presentation by the Delegation of Canada on the report of the First Meeting of the WCO Audit Committee and on proposed audits for 2007/2008.

148. The Council approved the Audit Committee's conclusions and proposals.

(g) Governance

149. The CHAIRPERSON said that the Policy Commission had been informed that a pilot for the matrix to measure implementation of the Revised Kyoto Convention and the Arusha Declaration was planned for later in the year. This matrix was a technical tool designed to follow up on how the Organization was achieving its objectives by evaluating the position regarding the implementation of WCO instruments.

150. The Council agreed to move ahead with the project along the lines indicated.

(h) Report of the Integrity Sub-Committee

151. The CHAIRPERSON said that the Policy Commission had examined and taken note of the comprehensive Report on the Integrity Sub-Committee's Seventh Session, including the Action Plan for the year ahead.

152. The Council took note of the Report on the Integrity Sub-Committee's Seventh Session.

(i) Membership request by the European Communities

153. The SECRETARY GENERAL said that the European Communities' request for membership of the WCO dated back to 2001, but had been set aside in June 2002 pending a more favourable climate of opinion. In June 2006 the European Communities had asked that the issue be reopened, and the Council had instructed the Secretariat to prepare a document setting out possible courses of action. Discussions held on this subject at the Policy Commission session in December 2006 had provided the answers to various questions; more importantly, they had revealed that the EC's membership request was no longer controversial. In the light of the views expressed at that session, the Secretariat had felt that it was feasible to bring before the current Policy Commission and Council sessions a practical proposal on how to grant the EC's request for membership of the WCO.

154. That proposal represented a completely new departure for the WCO, because it entailed amending the Organization's founding Convention - a difficult procedure which

had never been attempted in its 50-year history. The Secretary General was keenly aware of the potential dangers inherent in tinkering with this essential legal instrument, and therefore what was being proposed was the smallest possible alteration to the Convention - laser surgery designed to minimize the risk of collateral damage, or unforeseen and unwanted knock-on effects.

155. In fact, what was being proposed was a two-stage process. Firstly, the Council was being asked to adopt a Recommendation under which two Articles of the Council Convention would be amended to enable Customs or Economic Unions to join the WCO subject to the approval of the Council. This ensured that the Council, as the WCO's supreme body, retained full control over the future of the Organization, in that it would be able to decide on the specific merits of each request for membership received from a Customs or Economic Union. Agreement on the precise wording of these draft amendments had been reached in the Policy Commission, following detailed discussions in a specially convened, informal group chaired by the former Council Chairperson, Mr. Pravin Gordhan of South Africa.
156. Secondly, the Council had before it a draft Decision which, if adopted, would give the European Communities a status akin to that of a Member, pending the entry into force of the proposed amendments to the Council Convention. This was needed as a provisional measure, because the amendments to the Convention could not come into force until all of the existing Contracting Parties had notified the Belgian Ministry of Foreign Affairs of their acceptance of the amendments. Realistically, it had to be accepted that this process could take many years.
157. The Secretary General then outlined the most significant provisions of the draft Decision he had just mentioned, which if adopted by the Council would take effect immediately. He pointed out in particular that under the terms of this draft Decision, pending the entry into force of the amendments to the Council Convention :
- the European Communities would be assigned to the Europe region, and it would be up to the latter to decide whether the EC should occupy one of the region's seats on the Policy Commission and/or the Finance Committee;
 - where voting rights in WCO bodies were concerned, in practice there would be only very minimal changes to the present situation. The European Communities was already a full member of many of the WCO's main Committees, and in those Committees it would retain exactly the same voting rights as at present. In other WCO bodies, for matters on which the EC had competence it would exercise the votes of those EC Member States that were present at the meeting concerned. It would not have a separate vote of its own;
 - the outcome of negotiations held with the European Communities was that the EC would pay a contribution of 1 million euros per year, adjusted annually. If the draft Decision was adopted, in April 2008 the Finance Committee would examine the issue of how that contribution should be used. The EC contribution would of course be subject to the Organization's normal financial accounting and auditing rules.
158. To sum up, the Secretary General said that the Council was being asked, following discussions at the two most recent Policy Commission sessions and with the support of the members of the Policy Commission (who had looked into the matter in

detail and requested certain changes to the proposed legal texts), to approve this two-stage process involving a Council Recommendation for the amendment of the Convention and a draft Decision which would apply pending the entry into force of the amendments. Each year, the Secretary General would report to the Council on progress with Members' ratification of the amendments, and after five years there would be a review of how the two-stage approach he had been describing was operating in practice.

159. In conclusion, the Secretary General expressed the hope that now, six years after the European Communities had first requested negotiations with a view to membership of the WCO, the WCO would be able to welcome into its midst the world's premier economic power.
160. The Delegate of GERMANY, whose country currently held the Presidency of the European Union, took the floor on behalf of the 27 EU Member States. He said that the Member States of the European Union had agreed on the creation of a Customs Union, being convinced that this would be beneficial to them all. The economic progress made by them over the 50 years which had elapsed since that decision had underlined that they could achieve far more together than individually, and ultimately this was the reason why Customs administrations worked together in the WCO : only by joining forces could they master the many challenges posed by global trade.
161. In recent years the EC and its representative, the European Commission, had become one of the most important players in worldwide Customs. The 27 Members of the EC were delighted by the willingness of the WCO to review its founding Convention in order to reflect today's Customs developments. On behalf of all the EC Members, he wished to state that they were expressly in favour of amending the Convention in order to allow the EC, and possibly other Customs Unions, to assume full membership of the WCO. The EC Members asked all WCO Members for their support for this proposal, as they were convinced that the amendment of the Convention would be a positive development for the WCO and would benefit all those concerned.
162. The Delegate of Germany added that the 27 EC Members also supported the suggestion that the EC be granted rights and obligations similar to those of WCO Members, before the amendments to the Convention entered into force. The political and financial benefits of this could come into effect almost immediately.
163. The Delegate of ZIMBABWE said that his Administration would have no problem in accepting the Recommendation to amend the Convention. However he had one question regarding the proposal to grant interim membership to the EC pending the amendment of the Convention - namely, in the event that the amendments to the Convention never actually entered into force, was there a risk of the Council having acted *ultra vires* the Convention by granting interim membership ?
164. The Delegate of the RUSSIAN FEDERATION said that his Administration fully supported the Recommendation to permit the accession of Customs or Economic Unions to the Council Convention, and also supported the interim Decision proposed in favour of the EC which would give it, with immediate effect, rights and obligations equivalent to those applicable to WCO Members, including the relevant financial obligations. His Administration had assessed the situation, and saw no threat to the Organization in the event of the proposed amendments not being ratified.

165. In response, the SECRETARY GENERAL remarked that the interim solution proposed in the draft Decision now before the Council would not actually grant the EC membership of the WCO, but would merely give it certain rights and obligations similar to those of WCO Members. Also, under the terms of the draft Decision, the interim solution and the position with regard to the ratification of the amendments to the Convention were to be reviewed on a regular basis. This meant that the Council would be free to extend, alter or rescind the interim arrangements at any time, depending on how the legal situation unfolded in the future.
166. The Delegate of BRAZIL acknowledged the hard work done by the Policy Commission on this highly complex legal issue, but said one question remained unanswered in his mind. If the Council were to adopt the draft Decision setting out interim arrangements, which would subsequently be confirmed by the entry into force of amendments to the Convention, then by so doing it would effectively be conferring rights and obligations on a new Member. The Secretary General had said that the Decision would be reviewed periodically by the Council; if in five or ten years the Council were to decide that the amendment of the Convention was not a viable solution, then what would be the legal status of acts which had been performed by the new Member under the interim arrangements status, such as the payment of its contributions for example ? He was not opposed to the interim solution which had been put forward, but was merely seeking clarification as to its possible implications, so that an informed decision could be taken about the proposal.
167. The SECRETARY GENERAL explained that the solution before the Council had been devised following consultations with the Belgian Ministry of Foreign Affairs, in its capacity as depositary of the Convention, and with the Organization's legal adviser. Neither had been able to suggest a more satisfactory approach to the problem. Although he was by nature a pessimist, he hoped very much that all Member Governments would notify the depositary of their acceptance of the amendments, thus ruling out any legal problems that might arise from applying the interim arrangements on an indefinite basis. In any event, he was convinced that the EC's request for membership would be followed by others, so a solution had to be found and as far as he was aware there was no option other than the one now being proposed. The Council, as the sovereign body and supreme authority of the Organization, should take whatever decision it deemed appropriate at this point; if future developments, which no-one could foresee at the moment, required another decision to be taken in 15 or 20 years' time, then once again it would be up to the Council to decide what to do.
168. The Delegate of SOUTH AFRICA who, as former Chairperson of the Council, had led the informal group which had met during the Policy Commission session to finalize the texts of the draft Recommendation and draft Decision, intervened to supplement the remarks made by the Secretary General. He began by pointing out that the Council needed to consider the implications of having to operate under a Convention which was some 50 years old and was virtually impossible to amend in practice. The world had changed over those 50 years, and now contained certain important new entities, such as the European Communities, that the WCO would wish to embrace in one way or another. Against that background, he believed that there was a need for some flexibility.
169. The legal questions which had been raised were important and interesting ones; however, bearing in mind the sovereign status of the Council he tended to agree with the Secretary General that if, at some time in the future, the Organization was faced

with a dilemma where the continuing application of the proposed interim arrangements was concerned, then the Council could be relied upon to find a creative legal solution to that problem.

170. The Delegate of the LIBYAN ARAB JAMAHIRIYA referred to two important aspects of the matter under consideration which merited careful study. Firstly the Convention, although more than 50 years old and perhaps no longer fully in keeping with modern international realities, remained an important text. Therefore it was important to ensure that any amendments to it were well thought-out and would withstand the test of time. His Administration did not oppose the admission of Customs or Economic Unions in principle, but considered that the legal texts on this subject should include clear, objective criteria which would be applied to any other Customs or Economic Union which might seek to join the WCO in the future.
171. Secondly, with regard to the draft Decision which would enable the European Communities effectively to join the Organization before the draft amendments came into force, he shared the concerns of the Delegate of Brazil regarding the legal constraints which might have a negative impact on the WCO in the future. Although his Administration's attitude to the proposals was positive in principle, he believed that careful thought needed to be given to the legal implications.
172. The Delegate of INDONESIA indicated that while his Administration was in favour of admitting the European Communities to the WCO, he shared the concerns expressed by the Delegate of Brazil with regard to possible legal consequences which could not be foreseen at present. In this connection, he noted that the Council Convention was a very important instrument and any amendments to it might require an amendment to Members' national laws which would have to pass through their parliaments.
173. The Delegate of SUDAN said that in a world which was constantly changing, the WCO's instruments needed to adapt also; the Council Convention was indeed more than 50 years old and perhaps it was time to look at the missions specified therein, given that every aspect of the Customs' role had changed a great deal over time. The emergence of the European Communities was another element to be taken into consideration, and that body had experienced constitutional difficulties of its own over the years. A request for membership emanating from any Customs or Economic Union should be viewed favourably as long as the entity concerned had a direct link to international trade, as was clearly the case with the European Communities. However, if the Council agreed to amend just one part of the Convention this could have an adverse effect on the Convention as a whole. Therefore it might be preferable to review and update the entire Convention to address the challenges of the modern world, rather than concentrating on certain specific provisions only.
174. The Delegate of FRANCE said that, in his view, the two-stage process which was being recommended to the Council did offer the Organization adequate legal protection for a very simple reason : a decision by the Council, as a sovereign body, to confer certain rights and obligations on the European Communities, if legal (and there appeared to be no reason why it should not be legal), would be a valid decision. Therefore every act performed on the basis of that decision, including the payment of contributions by the EC, would be legally valid. If at some time in the future the Council were to call into question the decision taken, that would obviously have repercussions for the future; nevertheless, all actions taken prior to that date would remain perfectly

valid. Therefore, a decision by the Council to confer certain rights and obligations on the EC should pose no legal problems whatsoever.

175. The SECRETARY GENERAL expressed his full agreement with this view, adding that the pragmatic solution placed before the Council represented the best approach that the Secretariat, various legal advisers and the Policy Commission had been able to find for the resolution of this issue, first tabled six years previously.
176. Taking up a point raised by the Delegate of Indonesia, he said that the Convention establishing the Customs Co-operation Council was an international treaty, and in most cases the Governments which had acceded to it had done so after first seeking parliamentary approval. Most Governments would also need to seek parliamentary approval before they could notify the Belgian Ministry of Foreign Affairs, as the depositary of the Convention, of their acceptance of the amendments which were now being proposed to the Convention.
177. Finally, with regard to the suggestion made by the Delegate of Sudan, the Secretary General said that, in his view, the question of whether other parts of the Council Convention should be reviewed to reflect modern realities should not be considered in conjunction with the very specific issue currently under study, although of course it could be taken up subsequently if the membership so wished.
178. The CHAIRPERSON concluded that the solution proposed had not been opposed by any delegation; however certain clarifications had been sought, and these had been given to the best of the Secretariat's knowledge.
179. On that basis the Council adopted, by acclamation :
- the draft Recommendation concerning the amendment of the Council Convention in order to enable Customs and Economic Unions to become Members of the WCO, reproduced at Annex V hereto, and
 - the draft Decision to grant the European Communities rights akin to those enjoyed by Members pending the entry into force of the above-mentioned amendments to the Convention, reproduced at Annex VI hereto.
180. The Delegate of BRAZIL, after stressing once again that he fully supported the principle of EC membership, indicated that before he could join in the consensus in favour of the solution adopted, he wished to seek confirmation from his capital that this solution was acceptable from a legal standpoint.
181. A short time later in the Sessions, the Delegate of Brazil was able to confirm that he had consulted with the Head of Customs in Brazil, who had been unable to travel to the Sessions as a result of an accident; at the same time, Brazil's Ambassador to Belgium had been able to contact the diplomatic authorities in Brazil. Following these consultations, and consultations with other national delegations present at the Sessions, the Brazilian Delegation was satisfied that the solution adopted constituted *de jure* recognition of a membership which already existed *de facto* through the participation of the EC Member States in the activities of the WCO. Consequently, he was able to declare that Brazil had no reservations in respect of the Council Recommendation and the Council Decision adopted in response to the EC membership request.

182. The European Commission's DIRECTOR GENERAL OF TAXATION AND CUSTOMS UNION (TAXUD), speaking on behalf of the Presidency of the European Union, the President of the European Commission and the Commissioner responsible for Taxation and Customs Union, thanked the Council sincerely for its decision to allow the European Communities to join the World Customs Organization. This measure was of great political significance for the European Communities, and was taking place at a critical moment in the development of Customs. Customs was currently facing major challenges which were not always fully recognized, both in its traditional areas of activity and with regard to other economic issues such as counterfeiting; as a result, national and Community Customs bodies did not necessarily have at their disposal all the means and resources they required.
183. Within the European Union there were various Customs-related projects under way, and some of these were now yielding significant results. In particular, a few days earlier the European Union had adopted a completely new Customs Code, which hopefully would make it easier to meet the challenges he had just referred to. Alongside that development, the European Union was taking rapid strides in the direction of e-Customs, without which there could be no prospect of meeting those challenges.
184. Returning to the issue of EC membership, the Director General said that on the European Union side there was great expectation, real impatience to start working alongside all the WCO Members, and tremendous commitment. Once again, he thanked the Council for its confidence in the European Union.

(j) Strategic Plan for the years 2007/2008 to 2009/2010

185. The CHAIRPERSON said that the Policy Commission had considered the Strategic Plan proposed by the Secretariat for the three-year period from 2007/2008 to 2009/2010, and had agreed to recommend that the Council adopt the Plan, together with the accompanying Programme-based breakdown.
186. The DEPUTY SECRETARY GENERAL presented the proposed Strategic Plan to the Council, pointing out that in the longer-term, i.e., three-year context, the Plan was comprised of a Vision, Mission and Values, leading on to Key Result Areas, all based on the outcome of a regular scanning of the Customs environment. On an annual basis, the Plan involved setting annual priorities based on an assessment of the advances made during the previous year with the implementation of the three-year Plan. The annual plan being proposed for 2007/2008 consisted of 10 Programmes, divided into 38 Projects, themselves consisting of a total of 136 Actions, each of which had a Deliverable and a Due Date associated with it.
187. The elements identified as key aspects of the Customs Environment included : globalization; private sector demands for prompter, more cost-efficient and predictable border processing; further liberalization of trade, leading to complex trade rules; proliferation of regional trade agreements, with complex Rules of Origin; the vulnerability of the trade supply chain to various threats, including not only terrorism, organized crime, drug trafficking and fraud, but also public health, safety and environmental issues; the adverse effects of IPR infringements; the requirement for Customs to implement international commitments and standards, and co-ordinate or co-operate with other border agencies; a raised awareness of the role of Customs and of the need for capacity building; recognition of the importance of good governance and

integrity in Customs; the constraints imposed by limited human and financial resources; and finally the fact that many Customs administrations had recently undergone changes in their organizational arrangements.

188. Based on those keys aspects of the Customs Environment, the following priorities were being proposed for the coming year :

- in the area of supply chain security, implementation of the SAFE Framework of Standards;
- in the area of trade facilitation, contributing to the WTO trade negotiations and promoting the implementation of the Revised Kyoto Convention, which should include co-operation with other border agencies;
- IPR protection;
- the “traditional” compliance programme, encompassing revenue fraud, drug trafficking and intelligence, plus the additional priority areas of public health and safety, and the environment;
- in the area of capacity building, emphasis would be placed on implementation, i.e., phase two of the Columbus Programme;
- Customs research work would continue, in partnership with academia, with the aim of helping Customs managers to understand change;
- promoting Integrity, which was now seen as an important component of capacity building;
- in terms of the HS review cycle, emphasis would now be placed on uniform application of HS 2007 and the promotion of advanced rulings;
- in the Valuation area, the enhancement of valuation control;
- on Origin, in addition to the traditional work on non-preferential Rules of Origin, work would begin on preferential Rules;
- in terms of good governance, emphasis would be placed on the work recently undertaken with regard to reporting on Members’ implementation of various WCO instruments;
- finally, the Secretariat would continue to enhance ties with other international and regional organizations.

189. The Deputy Secretary General went on to explain that specific Programmes had been devised for the implementation of each of the aforementioned priorities for 2007/2008, with a certain percentage of the budget allocated to the actions to be carried out under each Programme, as follows : supply chain security (3 %); trade facilitation (15 %); capacity building, including integrity (26 %); compliance, including IPR (15 %); Valuation (5 %); Harmonized System (21 %); Origin (3 %). He added that promotion of Customs and the WCO (4 %), administration (6 %) and research (2 %) would account for the remaining portions of the budget.

190. The CHAIRPERSON said that this proposed Strategic Plan was a comprehensive and well-thought-out tool, which had been developed to its present level over a number of years.

191. The Council adopted the Strategic Plan as proposed, along with the very useful, accompanying Programme-based breakdown as presented in Doc. SP0248. The Strategic Plan is reproduced at Annex VII hereto.

(k) Offer from Kazakhstan to host the 58th Session of the Policy Commission

192. The CHAIRPERSON said that the Policy Commission had agreed to recommend to the Council that Kazakhstan's offer to host the 58th Session of the Policy Commission in December 2007 be accepted.

193. The Council agreed.

(l) Situation regarding the request for accession of Palestine

194. The CHAIRPERSON reported that the Policy Commission's discussion of the request for accession of Palestine to the WCO had been postponed until the next session for further clarifications and pending developments.

195. The Council endorsed the Policy Commission's request that the Secretariat present a paper setting out the possible options at the Policy Commission's next session, after having consulted the various parties concerned.

(m) Publications strategy

196. The Council endorsed the Policy Commission's proposal that the Secretariat be asked to prepare a document on the WCO publications strategy, for consideration at the Policy Commission's next session.

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197. The Council approved as a whole the Reports on the Policy Commission's 56th and 57th Sessions.

5. PANEL DISCUSSION : CUSTOMS IN THE 21ST CENTURY

198. The CHAIRPERSON introduced this item by stating that a panel comprising Mr. Charles Emmerson (Global Leadership Fellow at World Economic Forum), Dr. Andrew Ladley (Director of Institute of Policy Studies, Victoria University of Wellington, New Zealand), Mr. Martyn Dunne (Comptroller of Customs, New Zealand Customs Service), and Mr. Juha Hintsala (Supply Chain Security Management Researcher, Cross-Border Research Association, University of Lausanne) would be making presentations to the Council on the panel theme, whereafter questions would be taken from the floor.
- (a) Global risks**
199. Mr. EMMERSON began his presentation by stating that he would focus on how the World Economic Forum (WEF), in particular the WEF Global Risk Network, saw global risk developments in world terms over the next ten or so years. He explained that the Global Risk Network was a group of experts focused on societal, geopolitical, economic, technological, and environmental risks. Its main aim was to raise awareness about the changing global risk landscape at the macro level, to improve business and public sector thinking around global risks, and to help originate discussions and risk mitigation partnerships.
200. In setting the scene, he explained that global risk was not an operational or project risk; it had multiple impacts at the systemic, strategic and exogenous level. It also necessitated a multi-stakeholder response, had a high interdependency, and could not necessarily be measured using actuarially-based calculations. The elements of the changing global risk landscape included : interconnectedness (opportunities for contagion across the geopolitical domain); asymmetry (disproportion between events and results); time compression (risks developed within the decision-making cycle, thus allowing a limited crisis to become systemic); risk extension (immediate mitigation costs were known but benefits would only be realized in the longer term); and the rise of “infodemics” (flow of information could produce consequences more serious than the primary risk event).
201. In 2007, the key findings on global risk indicated that there was a fundamental disconnect between levels of risk and perception, and between levels of risk and mitigation strategies. In fact, expert opinion concluded rather worryingly that 15 of 23 identified global risks had worsened between January 2006 and January 2007. Some of these risks included international terrorism, natural disasters, transnational crime, and corruption. Global risks could be mitigated by establishing the second and third tier repercussions of a crisis, by undertaking comprehensive risk awareness, by systemizing the means to identify incomplete indicators or weak signals, and by shifting world thinking from internal factors to external factors, as the crisis most expected was the least likely to occur.
202. At the recent 2007 WEF meeting in Davos, notwithstanding some tactical gains a number of key global risk themes had been mentioned : the dangers of complacency in the face of benign conditions; the increase in interdependency which could make the world more vulnerable to the cascading nature of risk events; and the fundamental disconnect between risk and mitigation. He added that some key insights had emerged at the meeting including : environmental risks (climate change); geopolitical risks (increased international terrorism, etc.); economic risks (expected high market

growth in emerging economies, etc.); societal risks (viral pandemics, etc.); and technological risks (cyber attacks on critical information infrastructure, etc.).

203. He ended by stressing that the WCO and its Members had to understand the global risk landscape as Customs was at the frontier of globalization whilst operating under broad public scrutiny. In addition, as Customs had to deal with a range of risks, it might have acquired risk management lessons that could be applied by the private sector and other government authorities.

(b) Conceptualizing the border and Customs in the 21st Century or How to outfox the future

204. Dr. LADLEY emphasized at the outset of his presentation that he had drawn on the notion “how to prepare for the future and how to manage it” and while one could not predict the future, he had picked up a number of trends which he would use to make the argument for agility and the need for constantly being able to interpret what was happening, as this was his key guiding concept.

205. With respect to borders and their management, he stated that while the priorities for border management would change constantly, they were always based on knowing what and who was crossing the border. Sometimes border management involved fences and walls but mostly it was about managing the flows across them of goods and people. In this respect, the key concept that emerged was the notion that while the border remained, fences could rise and fall for different purposes and at different times. One had therefore not to think of a borderless world but rather different levels of fences that were erected and lowered or even removed depending on the risk profile and current border management priorities.

206. Turning to the influences of the 21st Century, he stressed that research indicated five key areas that would affect the Customs environment : the future of the State and hence its borders, because borders and political authorities could change; the inter-connections between everything demanded management both within and beyond the borders of any State; the phenomenal increase in the flow of people and goods; the ongoing rise of multinationals and transnational business; and the pace of technological change.

207. The impact on Customs administrations would mean that they (and other border agencies) had to manage risk rather than rely on physical inspection which would, in turn, lead to greater efficiency. In addition, Customs would have to become more “agile” and develop even more co-operative relationships. Resources too would have to be balanced against risk in order to effectively manage increased flows whilst promoting high levels of consent and voluntary compliance.

208. Research indicated that Customs in the 21st Century would have the following characteristics : management of international supply chains and flows of people and goods; knowledge and risk management; advance processing of information; systems-based approaches; targeted searches based on risk analysis; high degrees of automation and transparency; high levels of integrity; a “Single Window” system; application of quality standards and controls mutually recognized; trade facilitation; public-private partnerships; integrated border management with strong political support; flexible responses to changing priorities and demands from stakeholders; and maintenance of common standards, systems and procedures.

209. In conclusion, Dr. Ladley said that Customs administrations would have to adapt, improve co-operation, and increase their inter-connectedness if they were to cope with the pace of change and manage the challenges of the 21st Century effectively. He stressed that any capacity weaknesses in Customs and border management could be bridged by partnerships with all stakeholders at both national and international level that enhanced border protection in all States rather than acted as a threat to sovereignty.

(c) Future-proofing the New Zealand Customs Service

210. Mr. DUNNE said that his presentation would illustrate what was being done in New Zealand and how the country was going about it, given the size of its population and the distance needed to reach New Zealand, which the Economist magazine had described in 2003 as “the last bus stop on the planet”. As a small country, New Zealand had had to be highly adaptive, particularly with regard to its border management. After consultations with all stakeholders, it had realized that it would have to take the initiative to ensure that its trade could travel freely and above all quickly. This meant that the New Zealand Customs Service (NZCS) had to future-proof itself by constantly watching where it was going if it were to maintain a competitive edge and manage its borders effectively. Much of what was done by the NZCS was influenced by its interactions with the public, the trade and the international community. It was imperative that the future-proofing exercise demonstrated a value-added process. Leadership too played a crucial role as one would achieve absolutely nothing by way of a future-proofing exercise, in whatever century, unless one focused on the leadership needed to bring together what one set out to achieve.

211. There were three milestones that the NZCS had used in its passage to future-proof itself : on the technology front the NZCS intended to implement a 21st Century version of CUSMOD, its integrated information management system, to make it less reliant on people, who were becoming a scarce resource; on the national targeting front the NZCS had begun 18 months ago to integrate and join up its National Targeting Centre which was disjointed, with a view to ensuring that it focused more on risk given the huge rise in trade volumes, and that it co-operated both nationally and internationally; on the export front NZCS had introduced its Secure Export Scheme (SES), a new business partnership, which provided an ideal platform for encouraging mutual recognition as it met the requirements for secure supply chains and was backed up by legislation, whilst providing maximum facilitation and minimum intervention for authorized partners.

212. With this in mind, the NZCS had moved away from a more hands-on flow management to more sophisticated methods, and had tried to add value to its operations given its expanded mandate across a broad spectrum of issues since 9/11. Although the NZCS collected approximately 15 % of government revenue, it no longer had a pure revenue focus. Its functions now also included : law enforcement; carrying out initial immigration checks; collecting universal tax; compiling statistics; providing warnings for other border agencies; and sharing information across government. While the focus and priorities had changed, the border remained constant.

213. In concluding, he emphasized the role of collaborative border management - which enabled the NZCS to respond with agility - and the importance of international engagement, both of which were key factors in ensuring that the NZCS was in a position to effectively meet the challenges of the 21st Century Customs environment.

(d) 21st Century supply chain model

214. Mr. HINTSA explained that his report, which formed the basis for his presentation, was divided into three parts : the study mandate and methodology; the change drivers for future supply chains and the 21st Century supply chain model; and the possible implications for Customs administrations globally.
215. He briefly stated that the study mandate had emanated from the WCO, whilst the methodology included a review of relevant existing literature, expert interviews, a supply chain survey, and an expert workshop. This had resulted in the drafting of a supply chain matrix containing change drivers and supply chain parameters which had led to the formulation of a 21st Century supply chain model.
216. The study had revealed that the following top eight change drivers would impact on future supply chains : Internet and e-commerce technologies; new technologies for physical operations; consumer demands and wishes; security concerns and regulations; energy concerns especially availability and prices; business ethics and good corporate citizenship; low-cost manufacturing labour; and environmental concerns and regulations.
217. With respect to the 21st Century supply chain model, a number of important areas which would affect supply chains had been identified : the impact of industrial clients and final consumers would increase; manufacturing would become more global in the future; products would become more complex in the future; efficient networking and collaboration (business-to-business and business-to-government) would increase; industry consolidation and mergers in global logistics and transportation would continue; technologies, tools and standards would help companies and governments to design, manage and control international supply chains and business networks better; the vulnerabilities of the international supply chain would increase in the future, driven by various external hazards and risks, as well as lean operational models and regulatory countermeasures; and total trade - as well as the international trade share of total trade - would keep growing in the future, as it had done in the past decades.
218. He then presented the possible implications for Customs administrations which included : customers having more weight in international supply chain systems; manufacturing taking place in new countries/regions, and raw material sources and focused factories serving more global markets; product variety increasing while product life cycles became shorter; business-to-business and business-to-government networking and collaboration increasing in the future; supply chain service providers increasing their service offerings in logistics, technologies and finance; consolidation and mergers increasing in logistics markets; sea freight growing, possibly faster than air freight; international trade, logistics and Customs data standards increasing their role; and risks and vulnerabilities increasing in international supply chains.
219. In summarizing, he said that the study aimed to provide a 360 degree view on future international supply chain management and the challenges that companies faced to compete in the 21st Century business environment. While several important topics remained the subject for more detailed analysis, a key topic for future studies could be the implications of the 21st Century supply chain model for Customs administrations' strategic and operational planning for the next 10 to 20 years. Finally, he announced that a new study on Customs risk management would begin in

July 2007 and he hoped that all WCO Members would actively participate by completing the questionnaire that would be distributed by the end of August 2007.

Discussion

220. The Observer for THE INTERNATIONAL AIR CARGO ASSOCIATION (TIACA) said that forecasting Customs developments over the next 100 years was a very hazardous enterprise. Anyone looking ahead only 50 years in 1900 would have had to adjust the forecasts to the impact of two world wars. The same 50 years' span, beginning in 1950, had produced such totally unexpected elements as containerization, multimodal transport, automation, the Internet and the European Community. With a more modest time scale of perhaps 20 years one might, in 2007, be reasonably confident in forecasting that Customs would move steadily to adapt itself to a commercial reality, in which more and more goods moved internationally in rapid delivery systems under single "origin-destination" ownership and not in separate "sale-purchase" operations, mirrored and to some extent sustained by isolated export and import Customs controls.
221. He said that such an adjustment would call for two separate Customs services to co-operate in servicing every international transaction. This would entail profound technical and legal changes such as the capture of control data as early in the transaction as possible, its authentication by the party most truly knowledgeable about and responsible for its accuracy and, eventually, the ability of Customs at import to rely on legal sanctions in the country of export. The strategic objective would be eventual integrated Customs treatment of an already commercially integrated transaction. The WCO was uniquely fitted to act as a "marriage guidance counsellor", aiding and sustaining the radical changes inherent in an entirely new set of Customs operational relationships.
222. Turning to the presentation on security, he wondered from a risk perspective how far the statement that precautions in the international movement of weapons of mass destruction (nuclear, biological and chemical) were capable of being analysed was true, given the past five years' experience and given the evident shift toward improvised explosive devices in the hands of home-grown terrorists. No-one would seek any relaxation of existing controls or oppose any necessary new ones, but a more considered and detailed threat analysis might help trade and Customs carry out very delicate and far-reaching adjustments to operational systems and resources within time-tables that would help ensure that the many related potential facilitation benefits were fully realized. He also asked whether the WEF had any information or view as to the ways in which political pressure might be entering into and affecting the ways in which, for example, environment and terrorist security threats were identified, assessed and presented.
223. The Delegate of FINLAND commented that the presentations confirmed what Mark Twain had said a long time ago : "To foresee is very difficult but to foresee the future is more difficult". He felt that in the light of the Resolution to continue examining the question of Customs in the 21st Century adopted earlier under the Agenda item on Policy Matters, it would be helpful to provide the Drafting Group with some guidance, particularly with respect to the role of Customs and its responsibilities which were defined by two issues : internal factors unique to each nation (political situation, trade patterns, etc.); and external factors common to all - or at least most - nations (globalization, threat of terrorism, etc.).

224. Based on these factors, it was possible to identify three functions, namely, trade, revenue, and security which could be complemented by the statistical function. From a Customs perspective and with these functions in mind, it was possible to identify common core tasks undertaken by all (or most) Customs administrations and "tailor-made" tasks that were more national in nature. It was important that these common core tasks should be reflected in the WCO strategy and play a defining role with regard to the WCO's trade, security and development agendas. He advised that further details on these issues could be found in a previously distributed paper prepared by Finland.
225. The Delegate of VENEZUELA said that the Venezuelan Customs Administration had decided to approach the question of Customs in the 21st Century in a very innovative way by introducing a strategic concept known as "ecological" Customs which was in operation at Customs offices that had been established at the border with Brazil and Colombia. The ecological Customs concept applied to areas that required a high level of ecological preservation and therefore directly contributed to the prevention of environmental risks as part of Venezuelan Customs' environmental management programme. This programme included the application of policies, norms and procedures that each Customs should implement within its regional domain and in terms of its specific priority areas aimed at preserving Venezuela's natural resources, and controlling the impact caused by the exchange of traded goods, the movement of people and Customs activities relating to logistics and operations.
226. She explained that an ecological Customs had regional and international activities that needed to be compliant with environmental standards in various international conventions that contained trade provisions. In addition, the Venezuelan ecological Customs concept was in line with the United Nations Environment Programme's Green Customs initiative. All the activities undertaken by Venezuelan Customs were conducted in co-ordination with related official institutions in order to preserve the country's territorial integrity and sovereignty, and in harmony with its national economic and social development objectives. She hoped that the WCO would continue to offer training to Customs officers to ensure the implementation and uniform application of Customs conventions administered by the WCO.
227. The Delegate of COTE D'IVOIRE put forward his country's vision of Customs in the 21st Century which he said should be ambitious and based on the results of the 20th Century which included : the Harmonized System Convention; the Revised Kyoto Convention; and technological and scientific discoveries such as computerization and telecommunications. The exchange of information electronically should also be encouraged among various community systems especially relating to matters concerning valuation, transit and origin, as this would contribute to the solution of many problems. He then put forward three proposals which he felt should be taken into account with regard to Customs in the 21st Century : the WCO should provide an award to all Directors General who had served for at least five years; when the Secretary General was a national of an industrialized country, the Deputy Secretary General should be chosen from a developing country, and vice versa; and to increase the profile of the WCO and raise awareness about its activities, the Council should meet in Brussels every alternate year and in another country with the necessary capacity during the intervening years.
228. The Observer for the WORLD BANK supported the actions that should be undertaken to improve Customs administrations as mentioned by the panellists, and

added that while several of the themes were already covered by projects, he felt that certain other themes needed to be looked at in more detail and should form part of the work of Customs in the future.

229. Firstly, with regard to better institutions, he suggested that what was needed was to improve human resources because while there was a tendency to have career development, it was equally important for Customs to be made more professional. Secondly, with regard to risk, there was a trend for better management of information to ensure that Customs exchanged and shared information with other countries and with its stakeholders, and that those systems were logical. Thirdly, there should be a system of co-operation between Customs and tax authorities.
230. Finally, he said that it was imperative that information on Customs be used for management purposes to enable the cost of Customs for a State and for its users to be determined. It was also important to know what actions Customs was undertaking, what use was being made of resources and what was being done to fight corruption. In many countries around the world, public services were now being obliged to provide greater information about these activities and it was just as important for Customs to do so. He added that greater institutionalization of Customs procedures was also a critical factor.
231. The Delegate of KENYA referred to the concept of inter-connectedness and the sharing of information, both of which had played a central role in preparing the Kenyan Customs Administration for the 21st Century. She said that the South-South co-operation between Kenya and Senegal was a classic example of inter-connectedness geared at addressing the issue of managing risk and at the same time bringing down the cost of doing business within the region. They had seen tremendous gains and benefits from this co-operation and indeed the business community had confirmed this fact. The co-operation had brought the borders to the desks of Customs officers in terms of their ability to monitor, on a real-time basis, the movement of cargo entering the region and more specifically Kenya. She mentioned that Kenya now had the ability to share information seamlessly with Uganda, a neighbouring country, using the IT system that had been acquired from Senegal. Bringing the other players at the border on board though still remained a challenge. She took the opportunity to thank Japan for its decision to enhance its voluntary contributions to the WCO aimed at providing further assistance to developing countries. Kenya had actually been a beneficiary of this co-operation with Japan, particularly in its efforts to manage an integrated border and more specifically a one-stop border post.
232. The Delegate of the UNITED KINGDOM suggested that the main role of Customs could be described very simply : to collect taxes; to protect society by stopping bad things crossing borders; and to facilitate legitimate international trade. He said that this role with its basic objectives had probably been the same in 1900 and in 1950 and would probably be equally true in 2050. What was changing was not what was being done but how it was being done and, for this reason, it was important that Customs administrations adopt the basic ideas of - inter alia - risk management, targeting and information technology.
233. Nevertheless, he felt that one basic idea was missing : the need for Customs to become more customer-focused. It was imperative for Customs to understand better what the needs were of the people that it dealt with on a daily basis, to enable these customers to comply more easily with the regulations administered by Customs. It was

equally important for Customs to support its clients, to educate them and to help them to implement correct systems with a view to gaining voluntary compliance, but at the same time cracking down on deliberate non-compliance.

234. He stressed the need for joined-up government intervention which had been alluded to by Kenya. Information on international trade should be given once and made available to all those who had a need and a right to see it. It was necessary to start at the exporting countries, as the security of the supply chain needed to be assured from the moment that the supply chain started in the exporting country. This would require not only the joining up within States but within regions and across international borders as well. Mutual recognition schemes that met certain criteria and gave privileges to authorized businesses played a vital role in this regard, making it imperative for ways to be found to recognize one another's standards.
235. It was also important to have standard operating procedures across Customs, so that businesses which dealt with many different countries could know what to expect, and begin operating in a standardized way. He then underlined the point that Customs needed to become more professional, as he doubted whether it would acquire more resources which, in turn, meant that it would have to make better use of existing human and systems resources. In this regard, he wondered whether it was necessary for Customs to check consignments on a transaction-by-transaction basis when they crossed the border. Customs should instead be thinking about giving businesses the responsibility to provide the necessary information and fiscal payments on a monthly basis, as was currently the case with most tax authorities.
236. To conclude, he felt that after all the work that had already been done, Customs had a reasonably good idea about what was necessary for the 21st Century, but what was now needed was for all this information to be pulled together as proposed in the Policy Commission Report. The United Kingdom would be happy to serve on the Drafting Group created to undertake this work.
237. The Delegate of SENEGAL stated that, upon reflection, he felt that it was necessary to go beyond the immediate Customs environment and specific Customs tasks, as today all Customs administrations basically faced similar problems. These problems became more complex when one looked at the varied activities that Customs was required to undertake, including its fiscal role, its commercial role, and its security role. However, Customs in the future would have to adapt or it would simply disappear and, for this reason, it was necessary to set out its possibilities and future paths.
238. Clearly, Customs in the future needed to be closer to all its stakeholders and become what could be termed "a Customs in proximity". It also needed to intervene less frequently, use more risk management, make greater use of all available tools at its disposal such as scanners, and of course communicate more effectively. In this regard, Senegal had taken the lead by establishing advice bureaus for companies to improve co-operation between Customs and the private sector. Of course, sanction and penalty regimes would have to be maintained because there were always those who continued to act in a manner that was contrary to legislation.
239. Attitudes too needed to change as it was vital that one moved away from the old "the State knows all" mentality to one guided by the principle that "less Customs was better Customs". Better enforcement could also be obtained by co-operating with trade operators, and Senegal had created committees that enabled this mutual co-operation

to flourish. Another area was that relating to co-operation with other administrations and with the outside world. One had to share information electronically both internally and internationally, for better synergy.

240. As Customs had shown in the past that it had been able to adapt both at a national and a multilateral level, he suggested that consideration be given to establishing a working group, headed by the Secretary General, which should take an avant-garde approach to the whole issue of Customs in the 21st Century. The group should have the full commitment of the Council because, while it was important to set out best practices, it was useless if these practices were not applied by all. From a capacity building viewpoint, it was also vital that as many developing countries as possible were part of the process as this would ensure that the measures were implemented by as many Members as possible.
241. The Delegate of SOUTH AFRICA said that the discussions confirmed that Customs was the object of fast-changing drivers and it could find that, in six months' time, one or other of these drivers had changed completely or changed its content. What was also clear was that Business was also fast-changing and "Business is our business" because it was businesses that transacted and traded, not governments which merely acted as a membrane between businesses. Tracking business models was therefore a crucial part of the Customs business and one of the challenges for the Secretariat was determining how in the strategic planning process it would be possible to review this process, at least on an annual basis. He said that he had four recommendations that the Council should consider for the purposes of the Secretariat's work.
242. Firstly, if it was believed that the contribution from Mr. Emmerson was useful, this would mean that some form of global risk assessment of Customs should be undertaken with a view to enhancing the strategic planning process in Customs. This risk exercise should look at the border as a whole and the possible impact of what was happening not only in Customs administrations but also among other role players.
243. Secondly, with reference to Dr. Ladley's comments on the relationship between borders and the State, he said that the ability of organizations such as the WCO to help build the State in many parts of the world where the State was ineffective and lacking in capacity should not be underestimated. In this regard, he hoped that the Capacity Building Directorate would examine this issue and provide some insights into what was the level of strength of the Members represented at the WCO and how it could provide further assistance. Uneven globalization had resulted in different States with different levels of capacity and various State institutions with different levels of capacity. These differences, and the challenges that they posed, should be taken on board and allowed to influence the way the WCO approached the discussion on Customs in the 21st Century.
244. Thirdly, he felt that Mr. Dunne's point on leadership led one to the conclusion that it would be increasingly useful for Directors General of Customs if the WCO could concretize what was meant by leadership, establish how different Directors General exercised leadership in order to bring about change, and determine what was the link between leadership, capacity building and change management in institutions. He suggested that this could be a theme for the future too as this information would enhance the ability of Directors General to provide more effective leadership in their individual environments.

245. Fourthly, arising from the general points that had already been made about Customs in the 21st Century, he wondered if the next phase should be about conceptualizing a new Customs operating model. The implications of such a model or set of models would have to be determined before a concrete vision could be devised that would act as a guide for both the Secretariat and for Customs as a whole.
246. Mr. EMMERSON, in his response, welcomed the interventions from Senegal, South Africa and the United Kingdom stressing the importance of service orientation and emphasizing the need to integrate the work of Customs with that of the private sector. He emphasized that the work Customs administrations were currently called upon to undertake would change because of the emphasis on protection which trends indicated would become far more radical. Protecting borders was one thing, but when Customs was called upon to get into the very depth of the supply chain for example or to deal with issues of human trafficking, this would have a great impact on the role and work of Customs administrations in the future.
247. Finally, in response to a question as to whether the balance between security and terrorism issues in Customs was correct, he said that “terrorism is the dog that doesn’t bark” and if no major event occurred over time, it could be assumed that the right strategies were in place, but he suggested that the world could not afford to take its eye off the ball as the risk of nuclear terrorism, while not hugely probable, could be extremely damaging if it were to happen.
248. Dr. LADLEY wished to highlight three points. Firstly, if it was accepted that one could not rely on risk management and coercion alone, this had profound consequences for the kind of organization, the kind of management, and the kind of focus that Customs and all other border agencies were going to have to adopt in the future. Secondly, if it was accepted that different agencies had different roles in each country and that the WCO was the forum for Customs but that there was no equivalent forum for engaging other stakeholders central to border management, what did the WCO intend to do as an organization to include the other ingredients of border management that impacted on the work and institutional management of Customs in order to build, in that wider perspective, the agility that was necessary in the 21st Century ? Lastly, he said that while it was accepted that one could not predict the future, it was important to try to determine the kind of agility necessary to manage the flow of goods across the border and, from the interventions during the discussion, he was pleased to note that they reflected the kind of agility that would indeed be necessary in the future.
249. Mr. DUNNE commented that following on from the intervention and proposals made by South Africa and the discussion on what Customs should look like in the 21st Century, it was equally important to mull over what the WCO should look like in the 21st Century. He added that just as Customs would have to adapt and change to meet the realities of the 21st Century, this was also an imperative for the Secretariat which represented the international face of the Customs community.
250. Mr. HINTSA observed that the discussion on the 21st Century supply chain model reinforced the notion that business-to-business and business-to-government networking and collaboration would increase significantly in the future. This observation flowed from the Delegate of South Africa’s reference to the importance of understanding Business; Senegal Customs’ private sector partnership schemes that were in operation; the United Kingdom’s intervention on customer focus, standard

operating procedures and bundling transactions together instead of dealing with single transactions; and the World Bank's comment on improving the human resource aspect which could also require some input from the trade. He further said that Venezuela's decision to implement its ecological Customs concept introduced an interesting aspect for additional potential business-to-government co-operation.

251. The SECRETARY GENERAL said that he was happy that the four speakers and their quality presentations had helped to set the ball rolling, stimulating debate and making it possible for Directors General to further explore and share their ideas on Customs in the 21st Century. Many ideas, proposals and questions had been generated during the discussion and they would form part of the body of reference information that the drafting group on Customs in the 21st Century would use to guide and assist it in its task. Some of these issues were : the risks that could affect the Customs' operating environment; the trends that could impact on the Customs environment; the further expansion of the WCO academic research and development partnership; the role of Customs from an ecological perspective and how it should be tackling current world environmental concerns; the use and implementation of new technologies; the new focus on treating stakeholders and users as clients or customers; the further development of the notion of interconnectivity, including integrated or unified border management; the notion of "a Customs in proximity" and how this could be achieved; and the mechanism needed to bridge the lack of a central forum for all role-players at the border.
252. On the question of risk, risk management and how Customs should be transformed and what paths it should follow in the future in this regard, he indicated that the Secretariat would specifically increase its work in this respect based on the study that the Cross-Border Research Association intended to undertake on Customs and risk management.
253. In conclusion, the CHAIRPERSON said that the discussions during the panel session and the presentations made clearly demonstrated the usefulness of having close contact with the academic world since those who were in charge of Customs operational activities often did not have the time to think about concepts and strategies more thoroughly or about the changes that the world faced. Liaison with the academic community was therefore vitally important and this connection should be intensified. He continued by saying that their conceptual and analytical contribution would be taken on board as the WCO and its Members considered the future of Customs nationally and at the international level. He then thanked all the speakers for their enlightening presentations.

6. TECHNICAL MATTERS

254. The DEPUTY DIRECTOR, Compliance and Facilitation, said that in a parallel session held the previous day, he had chaired the discussions on the work of six Committees. The reports of the Chairpersons of those Committees had been circulated in advance of the session.
255. A full record of the discussions held in the parallel meeting is set out at Annex VIII to these Minutes.
256. The Deputy Director then presented the results of the previous day's discussions, Committee by Committee. As instructed by the delegates who had attended the parallel session, he submitted to the Council various matters which required endorsement, adoption or formal approval, or of which the Council was invited to take note.
- (a) Rules of Origin** (see Annex VIII, paragraphs 2 to 13)
257. The Deputy Director invited the Council to take note of the Report of the 25th Session of the Technical Committee on Rules of Origin, which had been chaired by Ms. L. Ghrairi (Morocco).
258. The Council took note.
- (b) Valuation** (see Annex VIII, paragraphs 14 to 38)
259. The Deputy Director invited the Council to :
- approve the Report of the 23rd Session of the Technical Committee on Customs Valuation;
 - take note of the draft Report of the 24th Session (Doc. VT0564E1b) and the fact that the draft would go to the Technical Committee on Customs Valuation for final approval at its next session;
 - adopt Commentary No. 22.1 on the meaning of the expression "sold for export to the country of importation" in a series of sales; and
 - take note of the various Valuation-related developments referred to in the Report of the Chairperson of the Technical Committee on Customs Valuation, Mr. I. Cremer (United Kingdom).
260. It was so decided.

(c) Nomenclature and Classification (see Annex VIII, paragraphs 39 to 72)

261. The Deputy Director invited the Council to :
- approve the Reports of the 38th and 39th Sessions of the Harmonized System Committee;
 - refer the Article 16 Recommendation concerning the amendment of the Harmonized System Convention (Article 8) to the Committee for re-examination;
 - adopt the corrigendum amendments to the Harmonized System;
 - approve the revised Terms of Reference for the Scientific Sub-Committee;
 - refer the following classification decisions back to the Harmonized System Committee for re-examination :
 - classification of the INN product “Pegfilgrastim” in subheading 3907.20 (at the request of Switzerland and Madagascar);
 - classification of separately presented outdoor units of compression-type split-system air conditioning machines in heading 84.18 (at the request of Madagascar);
 - classification of frozen chicken cuts with addition of salt in heading 02.10 (subheading 0210.99) (at the request of Japan and Madagascar);
 - classification of certain power modules used in electrical converters in heading 85.04 (at the request of Madagascar); and
 - classification of two products containing more than 99.2 % of sodium sulphate and more than 98.5 % of sodium sulphate, respectively, in subheading 2833.11 (at the request of the Russian Federation and Madagascar).
 - take note of the various HS-related developments referred to in the Report of the Chairperson of the Harmonized System Committee, Mr. D. Beck (United States).

262. It was so decided.

(d) Facilitation/Procedures (see Annex VIII, paragraphs 73 to 106)Permanent Technical Committee

263. The Deputy Director invited the Council to :
- approve the Report of the 178th Session of the Permanent Technical Committee, while noting that a decision on making the Data Model available free of charge could not be taken at the current Sessions since the Policy Commission had instructed the Secretariat to carry out a review of the Publications strategy, for consideration in December 2007;

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- note in particular, and confirm, the conditions related to WCO participation in the Cross Border Reference Data Model Project as set out in the above-mentioned Report of the Permanent Technical Committee;
- take note of the various PTC-related developments referred to in the Report of the Chairperson of the Permanent Technical Committee, Mr. M. Wicktor (Sweden).

264. It was so decided.

Revised Kyoto Convention Management Committee

265. The Deputy Director invited the Council to take note of the Report of the Second Meeting of the Revised Kyoto Convention Management Committee, which had been chaired by Ms. K. Subramanian (India).

266. The Council took note.

(e) Compliance/Enforcement (see Annex VIII, paragraphs 107 to 118)

267. The Deputy Director invited the Council to :

- approve the Report on the Enforcement Committee's 25th Session, which had been chaired by Mr. H. Fröhlich (Germany);
- take note of the draft Report on the Enforcement Committee's 26th Session and the fact that it would go to the Enforcement Committee for final approval at its next session;
- adopt the text of :
 - the revised "Role of the WCO in the Global Information and Intelligence Strategy" (Doc. EC0194E1c); and
 - the revised Terms of Reference for the Electronic Crime Expert Group (Annex IV to Doc. EC0205).

268. It was so decided.

269. The Observer for ICPO/INTERPOL drew attention to the excellent co-operation which existed on a daily basis between Interpol and the WCO in various fields, including IPR which was a top priority for both Organizations, but also drug trafficking, stolen works of art and other important areas. He thanked the Secretariat, and in particular the Director Mr. Schmitz and his Compliance team, for this co-operation.

270. Having completed his presentation of the deliberations at the parallel session, the DEPUTY DIRECTOR, Compliance and Facilitation, said that a number of delegations had asked him to draw attention to an issue which he also had noted as deserving of mention, namely the rather sparse attendance at the parallel session, which had ranged from 53 Members and 6 Observers at the beginning of the day, to just 18 Members and 5 Observers by the end of the day. The Council, and those

responsible for organizing the Council Sessions, was invited to consider a more central role for the consideration of the Committees' work in the future.

271. The SECRETARY GENERAL thanked the Deputy Director, Compliance and Facilitation, for drawing the Council's attention to this matter. He recalled that a few years previously, the Council had felt that the practice of having the Committee Chairpersons present their reports before the Council was too time-consuming and was preventing the Heads of Delegation from discussing strategic issues at the Sessions. It had therefore been decided that the work done by the WCO's various technical Committees during the year would be reviewed at a parallel session which, in the early years, had been well attended by the membership. With time, however, the parallel session had attracted fewer and fewer participants, to the extent that it was no longer able to fulfil its role. It was a matter of concern to him that an entire year's technical work on the part of six Committees had just been dispensed with by the Council in the space of only a few minutes. He urged the Chairperson and the Vice-Chairpersons to reflect on how these important technical matters could be dealt with in the Council, not in full detail and at full length, but more intelligently.
272. Notwithstanding the outcome of those deliberations, it was worth noting how much hard work was involved in chairing the technical Committees. He invited the Council to recognize the commitment and expertise of the Chairpersons, and to thank the Heads of Delegation of the countries concerned for allowing them to take on this onerous duty.
273. In conclusion, on behalf of the Council, the CHAIRPERSON thanked the Committee Chairpersons for their important contribution to the work of the WCO, and thanked the Deputy Director, Compliance and Facilitation, for his report.

7. BUDGETARY AND FINANCIAL MATTERS

274. At the start of his presentation, the CHAIRPERSON of the FINANCE COMMITTEE indicated that he felt that the 84th Session of the Finance Committee had been a historical one for three reasons : (i) all members of the Finance Committee had been present; (ii) for the first time in many years, the 2007/2008 budget presented by the Secretariat was balanced; (iii) after six years in office, he had chaired the Committee for the last time and was making way for a new Chairperson.
275. He then emphasized the importance of five of the matters dealt with at the Finance Committee's last session :
- Financial situation of the WCO
276. Financial year 2006/2007 should end with a positive result given the stock market appreciations which had been realized by the Secretariat at the appropriate time due to good management. He also noted the Secretariat's efforts to generate additional revenue and reduce expenditure.
277. The 2007/2008 budget had been presented to the Finance Committee as a balanced budget thanks to a further 3 % increase in the overall statutory contributions. This should be the last increase at that level, even though the overall contributions were still below the general operating expenses. The Chairperson of the Finance

Committee pointed out that of this 3 %, 2 % was absorbed by inflation and the rest served to cover the Terminal Allowance deficit.

Audits

278. For the third year running, the financial audit had been carried out by a private sector company specialized in this field, WILMET S.A., which had been present at the Finance Committee meeting and had provided a detailed report accompanied by several recommendations. The Auditor had recommended that the Secretary General be acquitted of his financial responsibilities for financial year 2005/2006.

Scale of contributions

279. The United States, which paid a contribution of 25 % at the WCO, was faced with the problem of the adjustment of its contributions to international organizations and was seeking to align them on the contributions paid to the United Nations (22 %). The United States had accepted a gradual reduction of 1% per annum over three financial years.

280. In this context, the Council had decided last year to set up a Working Group on the scale of contributions. The Working Group had felt that the only solution likely to be accepted was one where the impact of the 1 % reduction was shared amongst all the other Members. With regard to the question of a change in the present scale, at its 56th Session in Chennai the Policy Commission had decided not to pursue this matter. The Chairperson of the Finance Committee supported this decision. The Finance Committee therefore proposed to the Council a scale of contributions for 2007/2008 with a maximum rate fixed at 24 %. He also indicated that numerous delegations had urged the United States to pay its contribution on time. He also recalled that, as indicated by the Secretary General during the current Sessions, accession to the WCO by the European Communities would have no impact on the 2007/2008 scale of contributions. This matter would be considered at the Finance Committee's 85th Session, as would the question of a mechanism for adjustment of contributions in line with inflation in Belgium.

Sanctions resulting from the delay in payment of contributions

281. The Finance Committee had continued its work relating to sanctions resulting from the delay in payment of contributions and had prepared several proposals in that respect. However, it had also taken into account the fact that the rate of receipt of contributions for financial year 2006/2007 was 98 %. This was a much improved situation since in 2004, for example, the rate had been only 80 % with seven inactive Members, whereas there would be only three for the next financial year. This question would be included again on the Agenda of the Finance Committee's next session.

Publications

282. The policy for the sale of publications and copyright endorsed by the Council was based on a distinction between sales to Members and sales to the public. Publications represented a large part (53 %, or 453,000 euros) of the Organization's income other than from contributions. The Finance Committee had been presented with proposals for making WCO products available free of charge from : (i) the Permanent Technical Committee relating to the Guidelines to the Revised Kyoto Convention, and (ii) the Information Management Sub-Committee concerning the Data Model. However, acceptance of these proposals without identifying possible compensation would have significant financial impact and could constitute a precedent. The Finance Committee Chairperson said that sales to Members should be treated differently and take account of the situation of the poorest Members. Finally, he reported that the Finance Committee had instructed the Secretariat to undertake a study on the way in which other international organizations deal with sales of their publications.
283. In conclusion, the Chairperson of the Finance Committee once again emphasized the Organization's current sound financial situation and proposed :
- not to change the sales and copyright policy for the time being and, concerning the Data Model, advocated that contractual co-operation should be established with UN/CEFACT and possibly with the private sector;
 - to approve the Report of the Finance Committee and the recommendations therein and, in particular, to adopt the draft Decision appended thereto;
 - to acquit the Secretary General of his financial responsibilities for financial year 2005/2006.
284. The Delegate of JAPAN indicated that he appreciated the Secretariat's efforts to increase revenue and cut costs in order to achieve a balanced budget. However, the problem of the structural deficit in the Organization's general operating expenses had not been resolved since the budget would only be balanced after the total contributions were increased at least for this year. Hence, fundamental budget reforms continued to be of urgent importance. He also added that, as indicated at previous meetings, Japan could not commit itself to multiple-year increases in contributions, but would closely examine the proposed WCO budget on a year-to-year basis, paying due regard to Japan's fiscal situation as well as the Secretariat's efforts to reduce expenditure each year.
285. He stressed that proper accounting management of voluntary contributions was essential not only as a pre-requisite for the implementation of activities but also to ensure meaningful future outcomes for the Organization. Finally, he stated that with regard to the use to which the Customs Co-operation Fund (CCF) was put, Japan expected clear accounting information and improved management. He had just received information from the Secretariat and wished to continue the clarification process with the Secretariat.
286. In response, the SECRETARY GENERAL explained that the 2007/2008 budget was the last providing for a 3 % increase in overall contributions. The final budget he would present to the next session of the Finance Committee, relating to financial year 2008/2009, would be balanced through an increase in overall contributions which

could not be predicted at present. The Organization's finances were at the end of a cycle and his successor would therefore be able to adopt a new budget approach with the approval of the Council. With regard to reducing the general operating expenses, he pointed out that since between 75 % and 78 % of these expenses related to salaries, this would necessarily entail a reduction in salaries for Secretariat officers whereas they were currently competitive with those of other international organizations (e.g. NATO, European Union). He considered that a reduction in salaries would devalue Customs and Customs officers and make it hard to recruit staff. Consequently, he was not in favour of this approach and pointed out that the question of a reduction in salaries had already been studied by the Finance Committee and it had been concluded that this would be a huge disadvantage for WCO officials vis-à-vis national officers or officers serving abroad.

287. With regard to the CCF, the external financial auditors had noted anomalies which had required correction. This meticulous task had been completed after this year's Finance Committee session and had primarily brought to light certain book-keeping difficulties related to the conversion rate for the Yen and, to a lesser degree, the fact that certain invoices concerning missions carried out by Japan had not been recorded. He had therefore asked Japan to conduct an audit of the CCF accounts and, once the audit was completed, he would inform the Policy Commission and the Council of developments and the implications of the audit. The main problem, i.e. the conversion rate for the Yen vis-à-vis the euro, would be the subject of bilateral discussions with the Japanese Administration.

288. Concerning the relationship between the Audit Committee and the Finance Committee, the Secretary General indicated that the respective Chairpersons would follow the work of the other Committee and that this approach would be the key to greater transparency and effectiveness in the management of the Organization.

289. In conclusion, the Council :

- adopted the Decision concerning budgetary and financial provisions for 2007/2008 and amendments to the Staff Regulations and Staff Rules and the Financial Rules (Decision No. 319) reproduced at Annex IX hereto, which also included the scale of Members' contributions for financial year 2007/2008 circulated during the Sessions;
- adopted the Revised Terms of Reference for the Finance Committee;
- took note of the Audit Report on the accounts for 2005/2006 and the recommendations therein;
- acquitted the Secretary General of his financial responsibilities for financial year 2005/2006;
- approved as a whole the Report of the 84th Session of the Finance Committee, reproduced in Doc. SF0206.

8. NOMINATION AND ELECTIONS

(a) Nomination of a Director, Tariff and Trade Affairs

290. It was announced that there were now only seven candidates for this post :

Ms. Jaclyne FISHER (Australia)

Mr. Alvaro RIBEIRO (Brazil)

Mr. Antoine MANGA MASSINA (Cameroon)

Mr. Firouz ZARGHAM (Islamic Republic of Iran)

Mr. Mumo MATEMU (Kenya)

Mr. Doorgaprasad RAJCOOMAR (Mauritius)

Mr. José Fernando JAUREGUI ZAVALA (Mexico)

291. After indicative voting had taken place, Mr. A. Manga Massina (Cameroon) was nominated by acclamation for appointment as Director, Tariff and Trade Affairs, for a five-year term of office to begin on 1 January 2008.

292. The CHAIRPERSON congratulated Mr. Manga Massina on his nomination. Mr. MANGA MASSINA thanked Directors General for the trust they had shown by electing him to the post of Director, Tariff and Trade Affairs. He said that it was both a great honour and a heavy responsibility, and he hoped that he would fully live up to the challenges of the post.

(b) Elections

293. It was proposed that Mr. T. ERLING (Finland) be re-elected Chairperson of the Council for 2007/2008.

294. The Council approved the above proposal by acclamation.

295. The CHAIRPERSON then announced that following consultations between the Members in the various regions, it was proposed that the Delegates of Canada, India, Ireland, Jordan, Mozambique and Senegal be elected Vice-Chairs for 2007/2008. In the case of Jordan, this required a derogation from Rule 8 of the Council's Rules of Procedure since Jordan had already served as Vice-Chair for more than two consecutive terms.

296. The Council agreed to the above proposals which were approved by acclamation.

297. Following consultations between the Members in the various regions, it was proposed that the Council elect as members of the Policy Commission for 2007/2008 and 2008/2009, the Delegates of France, Japan, Nigeria, Norway, Russian Federation, Rwanda, Saudi Arabia, Slovenia, United Kingdom and United States. It was noted that they would serve alongside the Delegates of a number of Members which had been

elected to the Policy Commission one year previously, namely Argentina, Italy, Korea (Republic of), Mexico, New Zealand, Singapore and Spain.

298. Following consultations between the Members in the various regions, it was proposed that the following Members be elected to serve on the Finance Committee for 2007/2008 : Australia, Brazil, France, Gabon, Germany, Italy, Japan, Kazakhstan, the Netherlands, Pakistan, Panama, Saudi Arabia, Spain, Switzerland, Uganda, the United Kingdom and the United States.
299. It was proposed that Mr. P. Ndong Nguema (Gabon) be elected Chairperson of the Finance Committee for 2007/2008, and that Mr. T. Schoeneck (Germany) be elected Vice-Chairperson for that period.
300. Following consultations between the Members in the various regions, it was proposed that the following Members be elected to serve on the Audit Committee : Belgium (Alternate : Azerbaijan), Canada (Alternate : Mexico), Ghana (Alternate : Democratic Republic of the Congo), Lesotho, Malaysia (Alternate : India) and Morocco (Alternate : Libyan Arab Jamahiriya).
301. It was proposed that Mr. A. Jolicoeur (Canada) be elected Chairperson of the Audit Committee for 2007/2008.
302. All these proposals were approved by acclamation.

9. OTHER BUSINESS

WCO instruments and bilateral Protocol

303. In the course of the Sessions, a brief ceremony took place at which the Delegate of GHANA deposited his country's instrument of ratification to the Harmonized System Convention (bringing the number of Contracting Parties to 131) and the Delegate of MADAGASCAR deposited his country's instrument of accession to the Revised Kyoto Convention (bringing the number of Contracting Parties to 53).
304. The Delegate of PORTUGAL presented to the Secretary General the single Portuguese version of the 2007 Harmonized System Nomenclature which had been prepared by a working group with the involvement of all Portuguese-speaking administrations. This would undoubtedly be a useful tool for the Customs administrations concerned and for Portuguese-speaking economic operators.
305. The Delegates of NEW ZEALAND and the UNITED STATES signed a bilateral mutual recognition protocol on security, this being a concrete example of two administrations working together to introduce a system for the mutual recognition of companies.

Competition in respect of the combating of counterfeiting and piracy

306. The SECRETARY GENERAL recalled that, at the Council Sessions in June 2006, a trophy had been awarded for the first time to administrations which had demonstrated particular excellence in the combating of corruption and piracy. A similar competition had been organized in the current year and it had been decided to personalize the competition by giving the trophy the name of Yolanda Benitez, an official working for the Paraguayan Customs Administration who had been shot dead by an organized crime syndicate in September 2005 because she and her staff were fighting against counterfeiting and piracy. Her unit had detained several containers of pirated CDs in line with the strong anti-counterfeiting stance adopted by Customs under the leadership of the Director General. With the latter's permission, it had therefore been decided now to name the trophy in honour of Ms. Benitez who had been so tragically murdered.
307. With regard to the competition for the current year, 23 dossiers had been received from Member administrations and it had been decided to give three formal prizes, plus two special awards.
308. The third place in the competition went to Malta, a small country geographically speaking, which had achieved results in combating counterfeiting that were exceptional both in terms of the nature of the products seized and the quantities (some 40 million fraudulent products had been intercepted). Many of the seizures had been made in transshipment. Maltese Customs had established a special targeting unit and it employed risk analysis for combating counterfeiting, making use of the Customs Enforcement Network (CEN).
309. In the runner-up spot was Togo, a developing country with no legal obligation under the Geneva TRIPS Agreement to implement IPR legislation at this time. It had nevertheless achieved a great deal in the combating of IPR infringements, having modified its Customs legislation in this respect and having seized 17 container-loads of counterfeit cigarettes. Like Malta, it had undertaken a great deal of work with regard to transshipment.
310. The winner of the competition and the recipient of the Yolanda Benitez trophy for 2007 was Germany. In 2005, the German Administration had seized a total of 16 million counterfeit products; that figure had risen to 142 million in 2006. In addition, in a single operation, German Customs had seized 170 containers full of counterfeit goods. German Customs had established a specialized IPR unit and co-operated very actively with the private sector. Finally, Germany had been instrumental in placing IPR at an extremely high level on the political agenda.
311. The first of the special awards went to the Algerian Customs Administration, which had totally revised its legislation to have specific powers in respect of IPR and had established a special unit to deal with IPR infringements. The issuing of special Alerts had also been instituted to keep the individual Customs offices and services informed. In addition, the Algerian Customs Administration had made a major seizure of counterfeit gas boilers.
312. The second special prize was awarded to China, a country that was often cited as a producer of counterfeit goods, but whose Customs Administration had increased

its seizures of counterfeit articles in 2006 and which also employed controls at exportation.

313. In closing, the Secretary General expressed the hope that next year even more administrations would submit dossiers to participate in the competition for the Yolanda Benitez trophy.

2008 ICT Conference and Exhibition

314. The Delegate of KOREA pointed out that IT applications for Customs were increasingly important and could help with both trade facilitation and security. In this connection, he drew delegates' attention to the 2008 WCO ICT Conference and Exhibition which would be held in Seoul from 23 to 25 April 2008. This would mark a new turning point in Customs IT advancement and he urged the widest possible participation in the event. The theme of the Conference would be Integrated Border Management.
315. The CHAIRPERSON said that the 2007 ICT Conference and Exhibition, held in Mexico, had been a considerable success and he was sure that the 2008 version in Korea would be equally successful.

General

316. The Delegate of GABON said that unfortunately his country's Director General of Customs and Indirect Taxation had not been able to attend the Sessions, but had asked him to convey to the Council his heartfelt gratitude for the technical assistance, support and co-operation that Gabon had received over a number of years, and was continuing to receive, from the WCO. In the most recent such action, in November 2006, two experts had been sent to Gabon to conduct a phase one diagnostic under the capacity building programme. A comprehensive report arising out of that mission was now with Gabon's Minister of State for the Economy, Finance and the Budget, and Privatization. The instructions for implementation of the report's recommendations by the Customs Administration were expected in the very near future, after which Gabon should be ready to move on to phase two. He thanked the Members of the WCO, the Secretary General and all those who were supporting the modernization, capacity building, technical assistance and training efforts in Gabon.
317. Gabonese Customs had represented the West and Central Africa region on the Finance Committee for a number of years, and had held the post of Vice-Chair of that Committee since 2004. One of its most senior officials had now been elected to the prestigious post of Chairperson of the Finance Committee, and this was a great honour for the entire country, both on the international stage and in the regional context.
318. The Delegate of JAPAN congratulated Mr. Erling on his re-election as Chairperson of the Council. He also thanked the Finance Committee Chairperson Mr. Lüssi for his excellent leadership of that Committee, and welcomed the new Chair, Mr. Ndong Nguema of Gabon. He said that, during these Council Sessions, a historic decision had been taken with regard to the accession of the European Communities to the WCO. Japan welcomed the EC's new status, and he was sure that this would further activate the discussions in various WCO Committees.

319. The Delegate of Japan went on to remind the EC and other ASEM Members of the forthcoming 7th ASEM Customs DG-Commissioner Meeting to be held in Yokohama, Japan, on 12 and 13 November 2007. He looked forward to the participation of all ASEM Members.
320. Finally, he said that Japan looked forward to co-operating with the Chairperson and with the Secretariat, including the newly-elected Director of Tariff and Trade Affairs, Mr. Manga Massina from Cameroon.
321. The Delegate of MOZAMBIQUE said that Mozambique, like other developing countries, was facing many challenges and was successfully implementing WCO recommendations on harmonized standards and international best practices. In 2006, following more than a decade of Customs reform, the Government of Mozambique had created the Mozambique Revenue Authority, bringing together domestic taxes, Customs and common services, and reporting to the Minister of Finance. The main commitment of this new institution was to collect tax revenues and control the transportation and trade of goods countrywide, using appropriate and high-level means and mechanisms, with particular emphasis on upgrading the IT communications system.
322. The many challenges to be faced in the context of the new structure called for continuous modernization and capacity building, under the umbrella of a WCO change management system. In that context, he made a number of recommendations which should facilitate the development and sustainability of least-developed countries (LDCs), including : donor funding to be applied with reference to progressive performance associated to local efforts at fighting poverty; the holding of the annual Council Sessions in different regions on a rotating basis, or using video conferencing to interact with local leaders; greater WCO involvement in local training workshops; WCO sponsorship of Customs scholarships, study tours, on-the-job training and libraries; participation of WCO management representatives in events promoting good Customs corporate governance, and campaigns aimed at fighting corruption, smuggling and other misdemeanours; ensuring that WCO policies connected with regional priorities including, in the case of his region, the SADC Regional Integration Protocol.
323. He believed that these suggestions would help donors to tailor their assistance to accord with local vision, strategic objectives, needs and priorities, as well as instilling a culture of national identity and ownership and taking account of the principal local constraints. At the same time, they would help the WCO to strive towards the establishment of a new international order for Customs in which each Member acted as a real WCO partner, paying its contributions and benefiting from the corresponding WCO support, while striving - individually or regionally - for real and effective economic and technological sustainability in the long term. [The full text of the statement by the Delegate of Mozambique is available on the Members' Web site, linked to Item 9 on the Council's Agenda for the current Sessions.]
324. The SECRETARY GENERAL congratulated Mr. Chriticles Mwansa, the outgoing Director of Tariff and Trade Affairs, on his technical expertise and his diplomacy, which had enabled him to manage the complex issues dealt with in the various Committees for which he was responsible. While Mr. Mwansa's return to his home country would be a welcome development for Zambia and its political authorities, for the Secretary General it signalled the loss of a great Director in whom he had been able to place his full confidence. He thanked Mr. Mwansa for all he had done for the WCO, and wished

him every success with his future career in the service of Zambia, its development and its people.

325. The Secretary General then paid tribute to Mr. Robert Lüssi who, during his six years as Chairperson of the Finance Committee, had brought to bear on the Organization's finances all the rigour and professionalism to be expected from a senior official of a country, Switzerland, which was renowned for those qualities. He had offered valuable advice and support to the Secretary General, enabling genuine progress to be made in this difficult area. Mr. Lüssi was moving on to other, important responsibilities in his home Administration. The Secretary General wished him well for the future, and said that he was confident that Mr. Lüssi's successor, Mr. Ndong Nguema of Gabon, would assist the Organization as ably in this very complex function as Mr. Lüssi had done.
326. Finally, the Secretary General said that Dierk Hahn, a senior Customs official from Germany who was an institution both in his home Customs Administration and in the WCO, was attending his last Council Sessions as he was soon to retire. A stalwart of many WCO bodies, he commanded great respect for his carefully thought out and clearly stated views. He was the perfect example of a career civil servant who had devoted his working life to Customs, occupying a wide range of posts as he rose up through the hierarchy, and he would be sorely missed by the international Customs community to which he had contributed so much.
327. Mr. MWANSA, outgoing Director, Tariff and Trade Affairs, said it was with a feeling of great satisfaction and pleasure that he was returning to Zambia, after a very positive experience with the Organization. He wished the WCO, and his successor, every success in the future. The team he had worked with in the Secretariat, under the leadership of the Secretary General, was very competent and he had enjoyed being a part of it, imbibing a culture he would take back with him to enhance his work in Zambia. He thanked the Zambian Government for giving him the chance to stand for election in 2003, and thanked the President of the Republic of Zambia for appointing him to a position he could only have dreamt of. He hoped to be able to make a positive contribution, with the help of the network he had built up with his colleagues in the WCO. He extended his thanks and his best wishes to all his colleagues in the international Customs community, and hoped that their paths would cross again in the future.

Resolution in honour of Directors General having recently left their administration

328. The Council adopted a formal Resolution (reproduced at Annex XI hereto) in honour of a number of Directors General who had recently left the service of their administrations, to recognize the contribution they had made to the work of the World Customs Organization.

10. DATE AND PLACE OF NEXT SESSIONS AND CALENDAR OF MEETINGS
FOR 2007/2008

329. The CHAIRPERSON drew attention to the draft Calendar of meetings for 2007/2008 and said that the 111th/112th Sessions of the Council would be held in Brussels from 26 to 28 June 2008, preceded by the 59th Session of the Policy Commission.
330. Subject to a number of amendments to the draft that had been circulated, the Council approved the Calendar of meetings for 2007/2008, which is reproduced at Annex XII hereto.

CLOSURE OF THE SESSIONS

331. The SECRETARY GENERAL expressed gratitude to the staff of the Secretariat for all their work over the past year. He then paid tribute to the Chairperson of the Council, Mr. Tapani Erling, for having skilfully steered the Council through a heavy agenda, culminating in the taking of a number of decisions which were of considerable importance to the Organization.
332. The CHAIRPERSON thanked the Secretary General for his kind words and declared closed the 109th/110th Sessions of the Council.

T. ERLING,
Chairperson.

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