



COUNCIL  
-  
132<sup>nd</sup> Session  
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SC0179E1a

Brussels, 14 August 2018.

**DRAFT MINUTES OF THE 132<sup>ND</sup> SESSION**  
**OF THE CUSTOMS CO-OPERATION COUNCIL**  
**(Brussels, 28 - 30 June 2018)**

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## **DRAFT MINUTES**

### **OPENING OF THE SESSION**

1. The 132<sup>nd</sup> Session of the Council was held at WCO Headquarters in Brussels from 28 to 30 June 2018. The list of participants is reproduced at Annex I.
2. The CHAIRPERSON declared the proceedings open and welcomed the participants.
3. The Council began by observing a moment's silence in memory of Customs officers all over the world who had lost their lives in the course of their duties during the previous year.
4. Before proceeding to Agenda Item 1 (Adoption of the Agenda), the Chairperson said he wished to start the meeting with his comments as Chairperson.

### **3. COMMENTS BY CHAIRPERSON OF THE COUNCIL**

5. The CHAIRPERSON began by referring to the current world economy whose growth forecasts for 2018 and 2019 had been updated to 3.9 %. Although this was good news, experts had emphasized that such growth should not be regarded as "the new normal". Policy makers had to be prudent and focus on structural reforms, and invest in productive infrastructure and in people. Meanwhile, Customs administrations had to assist in raising economic efficiency. He emphasized that demographic change, lower productivity growth and increased protectionism were hazards threatening economies and trade growth.
6. Turning to Customs, he said that the upswing in trade had brought with it a need to act on matters that were relevant to all Customs administrations, such as strengthening the multilateral trading system, cooperation on international tax policies (including the fight against money laundering and terrorism), and the growth of e-commerce.
7. This rapid upturn in trade was attributable to openness policies (accounting for 25%), as well as falling trade costs and technology.
8. The consequences - positive and negative - of the use of technology, and those of the link between technology and trade, could be observed in two areas that were crucial for all administrations, namely trade facilitation and Customs controls.
9. Thanks to technological advances such as digital technologies and 3D printing, Customs now faced the challenge of cross-border trade that was 100% digital, and that would require drastic changes in Customs procedures and control mechanisms.
10. At the same time, Customs administrations were benefiting from technological advances such as Single Window, digital records of international trade operators, digital certificates and online payment of duties and taxes, among other developments. These advances had improved Customs controls and a crucial element of Customs tasks, namely transparency.

11. In the near future, Customs administrations would also benefit from other technological advances that would entail major changes in the way Customs worked. These included : the Internet of Things, Cloud Computing, Blockchain, Artificial Intelligence and Extended Reality. An example was Cloud Computing to improve Customs cooperation between Namibia, Botswana and South Africa along the Trans-Kalahari corridor. Through an association between USAID, Microsoft and the Customs Administrations of Namibia, Botswana and South Africa, an open platform based on cloud computing had been developed to link Customs processes among the three Governments responsible for the road corridor.
12. The Chairperson emphasized that capacity building and technical assistance were of the utmost significance for Customs' modernization, particularly for developing countries. Given that some international organizations had transformed technical assistance into a profitable business for a group of "friends", the WCO Capacity Building Directorate had to be congratulated for keeping its distance from such practices, as well as showing the utmost care and transparency in the process of certifying experts.
13. He also pointed out that, according to the International Migration Report 2017 (United Nations), the number of international migrants worldwide had continued to grow rapidly in recent years, reaching 258 million in 2017. The figures were impressive and posed a huge challenge for Customs, not because the immigrants were not to be welcomed, but simply because of the role of Customs at borders.
14. The Chairperson then turned his attention to transnational crime, pointing out that States were falling behind in combating international crime organizations. Those organizations operated relatively successfully in the context of globalization within national law enforcement jurisdictions and were able to take advantage of the gaps between those jurisdictions. The control capacity of both national and international law enforcement agencies was being seriously questioned. In that regard, Integrated Border Management, both internally and externally, was required. In this connection, Customs and the WCO had an important role to play; exchange of data and cooperation between national Customs, between Customs and other government agencies, and between the WCO and other international organizations was of vital importance. The WCO could lead the fight against transnational crime, which endangered societies world-wide.
15. The Chairperson then addressed the question of prioritization. He referred to the many challenges that the WCO had faced in the past and would face in the future, as well as the tools that the Organization had developed and made available to the Members. In short, the WCO worked and would continue to work against terrorism, illicit trade, illicit financial flows via trade misinvoicing, drug trafficking, illegal trade in wildlife, human trafficking, illicit trafficking of cultural objects, and many other scourges. At the same time, it also acted in support of trade facilitation, capacity building, integrity, transparency, and many other areas.
16. The Chairperson said that he shared with many delegates a concern regarding the prioritization of activities, tools and issues, in the face of the challenge of rapidly changing scenarios, especially regarding economic and technological developments.
17. The Chairperson then turned to governance, defined as "the processes of interaction and decision-making among the actors involved in a collective problem that lead to the creation, reinforcement, or reproduction of social norms and institutions". The issue of governance had been discussed several times within the WCO and the

matter of accessions to the WCO was an example of the Organization's governance problems.

18. On the question of accessions to the WCO, the Chairperson recalled that, at the last Council Session, the Terms of Reference for the Working Group on Accessions to the WCO had been considered. Those Terms of Reference read as follows :

“The Council approves the establishment of a Working Group as agreed at the July 2017 Council Sessions to look at the matter of Accessions to the WCO, in the frame of a constructive approach.

#### Composition

According to the principle of fair geographical representation, each region will appoint two Members. These Members will provide experts for the Working Group, acting in their national capacity.

The Working Group will choose its Chairperson by drawing lots. At the beginning of each meeting, the Working Group will draw lots to decide on its Chairperson. No Member shall occupy the Chair for a second time until each Member has occupied the Chair.

#### Scope

The Working Group will discuss the issue of accession to the WCO taking fully into account the decisions of the Council.

Upon completion of its work, the Working Group will submit a report approved by consensus to the Council.”.

19. The Chairperson then read out a statement from himself addressed to all Members, including Serbia and Kosovo :

#### “Statement proposed by the Chairperson

20. At the December Council Session a very constructive proposal was prepared by Brazil, the United Kingdom and the Russian Federation for the Terms of Reference of the Working Group on “Accessions to the WCO”. These Terms of Reference reflect the spirit of the Council.
21. My consultations with delegates clearly confirm the will to avoid a blockage of the Organization over this issue, which could have undesirable consequences for all areas of activity of the Organization.
22. My consultations also confirm clear support for the Terms of Reference, and I suggest that the Working Group is set up with the Terms of Reference proposed in December. In order to allow the Working Group to study the question thoroughly, a report should be submitted to the Chair by the end of 2019.
23. Until that time, to ensure constructive progress on this matter and taking into account the setting up of the Working Group my understanding is that Kosovo will not vote and not seek to become a contracting party to any Conventions for which the

WCO Secretary General is the Depository. References to Kosovo in WCO documents, including Annexes to the Minutes of the July 2017 Council Session, are to be read in accordance with this understanding. This understanding was reached voluntarily in the spirit of promoting the functioning of the Organization and accomplishing the important Customs work we came here to do.

24. I have been informed that the regions' members of the Working Group are being decided.
25. I trust this is acceptable to all, and we can refocus on the core business of the Organization and move on to the next Agenda item.”.
26. The Delegate of SERBIA said that he could only reiterate what had been said so far. In order to reach out and find a compromise solution, this was considered a positive signal and a possible way out of the impasse in which the Organization found itself. Serbia's position was already known, namely that Kosovo was an autonomous province within Serbia under the auspices and interim administration of the United Nations on the basis of UN Security Council Resolution 1244. As such, it should not have been admitted to the Convention Establishing the Customs Co-operation Council because it was not a State. Serbia considered that all the valid and binding decisions of the Council from 2012 and 2017 remained in force and, as such, Kosovo should not be included on the list of Members or the list of contributors. However, in the spirit of cooperation and in order to proceed, the delegate said that Serbia found the Chairperson's statement to be encouraging and this should be reflected in the Minutes of the Session. Serbia was also hopeful that the nominations to the Working Group from the regions would be completed during the current Session.
27. The Delegate of the RUSSIAN FEDERATION thanked the Chairperson for the work he had done in respect of this complex matter, which was a critical issue for the Organization. Nonetheless, the Russian Federation considered it premature to refer to so-called “Kosovo” as a Member of the Organization and, in that respect, it supported the views of Serbia. The Russian Federation continued to believe that the presence at the Council meeting of structures whose status was not clear was against the Council's Rules of Procedure. With regard to the mandate of the Working Group, the Russian Federation thanked the colleagues from Brazil and the United Kingdom with whom this mandate had been drawn up and also thanked them for their constructive approach to this issue. Turning to the Chairperson's statement, she said that, generally speaking it was acceptable, however certain technical aspects needed to be clarified. First of all, from the technical point of view, how was the mentioning of so-called “Kosovo” in the Organization's documents to be read in line with that statement ? From the technical standpoint, there should be a specific editorial note, at least to the list of the Members. The second point to be clarified before endorsing the Chairperson's statement was the issue of the financial contributions.
28. The Delegate of KOSOVO very much welcomed the opportunity to address the Council, and thanked the Chairperson for his constructive approach in endeavouring to reach a consensus. However, as far as Kosovo was concerned and reflecting on the comments already made, Kosovo was an equal Member of the Organization, having acceded in accordance with the same rules and procedures as any other Member. As Kosovo had shown at the Council Session in December 2017, it was willing to work together in order to ensure the clear and smooth functioning of the Organization, but not in a way that jeopardized its membership and its rights in the Organization. The Chairperson's statement in its current form was unacceptable to Kosovo, but Kosovo

was willing to continue to look for solutions which would ensure the smooth functioning of the Organization.

### **1. ADOPTION OF THE AGENDA**

29. The CHAIRPERSON said that he intended to take Item 2 on the Agenda (Approval of the Minutes of the 129<sup>th</sup>/130<sup>th</sup> and the 131<sup>st</sup> Sessions of the Council) together with Agenda Item 6 on Accessions to the WCO.
30. The Agenda set out in Doc. SC0172 was adopted.

### **2. APPROVAL OF THE MINUTES OF THE 129<sup>TH</sup>/130<sup>TH</sup> AND THE 131<sup>ST</sup> SESSIONS OF THE COUNCIL**

31. [See paragraphs 418 to 428 below]

### **4. REPORT OF THE SECRETARY GENERAL**

32. The SECRETARY GENERAL began his oral report to the Council by drawing attention to recent accessions to some of the WCO's major instruments. He said that the number of Contracting Parties to the Harmonized System Convention had increased by one, bringing the total to 157. This year marked the 30<sup>th</sup> Anniversary of the Harmonized Commodity Description and Coding System (HS), and perhaps it was now time to contemplate a structural revision of the HS in order to improve it and make it more user-friendly. This question would be addressed at the December 2018 Policy Commission session.
33. The number of accessions to the Revised Kyoto Convention (RKC) now stood at 114 - an increase of three since the July 2017 Council Sessions. Kiribati, not a WCO Member but a Member of the United Nations, was among the countries that had recently acceded to the Convention, and this showed that the WCO's message promoting the RKC as the blueprint for modern and effective Customs procedures had been heard even outside the community of WCO Members. Another island country, Vanuatu, was expected to accede during the current Council Session, leading the Secretary General to underline how important the RKC was for island economies.
34. Regarding staffing, the Secretary General said that the Secretariat currently had 208 staff, representing 64 nationalities, including 51 Technical Officers, 38 Technical Attachés (TAs) generously seconded by Members at their own expense, and 10 Professional Associates who had been given the opportunity to obtain international work experience in the WCO thanks to funding provided by Japan under the Career Development Programme. He expressed his appreciation to those Members which had provided TAs to assist the Secretariat, as without them it would have been difficult to carry out many of this year's activities. In addition, he acknowledged the invaluable contribution made by Members' Attachés, whether Brussels- or nationally-based.
35. Turning to the WCO's finances, the Secretary General said that the Secretariat had continued to apply strict management principles in order to achieve a balanced budget. At the end of the previous financial year the Organization's Reserves had

amounted to 11 million euro, and a balanced budget was expected for the current financial year (2017/2018). He recalled that the Council had approved the allocation of one million euro per year from the Organization's Reserves to the Customs Co-operation Fund (CCF), for a period of three years, in order to fund capacity building activities. This money was being used to produce publications and e-learning modules, including those now available via the WCO Academy, an e-learning portal aimed at building the Customs skills of trade professionals. In the future, a pilot to test the use of additional languages at the WCO would also benefit from funding from the Reserves, as would the review of the RKC should the Council decide to proceed with that project. For financial year 2018/2019, the Finance Committee was proposing a modest increase (3 %) in the general operating expenses (GOE), and a 1 % increase in Members' statutory contributions. The GOE would rise to 17 million euro and Members' contributions to 16 million euro, with the gap being filled by revenue collected by the Secretariat.

36. The Secretary General thanked Members for their generous voluntary contributions, mainly in support of capacity building activities, which had totalled 16.5 million euro this year. He was pleased to report that existing donors had agreed to expand their contributions, while new institutions and Members had offered funding for the next few years.
37. Moving on to activities aimed at raising the profile of the WCO and Customs as a whole, the Secretary General said that, in 2017/2018, 388 capacity building missions had been delivered at the national level and 115 at the regional level, with the number of such missions increasing every year. In addition, a number of new publications had been issued and many events had been held, including three major conferences which had taken place in the past six months : one on e-commerce in China, one on Authorized Economic Operators in Uganda, and another on Information and Technology in Peru. Social media was also being used to promote the activities of the WCO. The Secretary General added that he, as well as his senior staff, had met with heads or deputy heads of government, as well as numerous ministers and heads of international and regional organizations, to promote the role of Customs and the work of the WCO.
38. He then drew attention to the Annual Report on the WCO and its key activities, which also included Member profiles. Of particular interest, in the context of the WCO's efforts to promote women in Customs, was the fact that the proportion of female Directors General had increased to 12 % from the previous year's 10 %. It was also noteworthy that 31 % of the WCO's Members had revenue authorities - a stable figure in comparison with the previous year. Still on the subject of profile-raising publications, the Secretary General said that the Secretariat continued to publish the WCO News, the latest issue of which focused on the Harmonized System. He added that he had attended all of the WCO regional meetings during the year, in order to ensure that the needs and priorities of the Directors General were incorporated in the WCO's agendas and work programmes.
39. The Secretary General then focused on the six priority areas of work identified in the WCO Strategic Plan, which had been selected following Members' requests and based on the outcomes of the regional meetings. These were trade facilitation, e-commerce, security, illicit financial flows, Customs-Tax cooperation and performance measurement.
40. Regarding the first priority area, namely trade facilitation, he recalled that following the entry into force of the WTO Trade Facilitation Agreement (TFA) in

February 2017, the WCO had intensified the Mercator Programme to help Members that needed assistance in implementing the Agreement's provisions. In 2017/2018, 150 TFA-related missions had taken place, and a pool of Mercator Programme Advisors had been created in each WCO region in order to guarantee the sustainability of the Programme. With the WTO having established a Committee on Trade Facilitation, another objective had been to position the WCO as a reliable and trusted partner. The Secretary General explained that he had been invited to attend the previous year's WTO Ministerial Conference as a special guest, where he had met with the WTO Director-General and his Deputy to discuss the WCO's participation in the work of the aforementioned Committee. The WCO had been invited to attend the Committee's meeting in May 2018, and expected to receive ongoing invitations to its future meetings. The next step was for the WCO to define the messages it wished to convey to the WTO through the Committee.

41. Turing to other aspects of trade facilitation, the Secretary General said that following the previous year's focus on transit, this year more attention would be paid to small island economies and to emerging so-called disruptive technologies such as Artificial Intelligence and Blockchain. A research paper on Blockchain had already been published, and a study paper was being prepared for discussion at the next session of the PTC. Also, at the recent dialogue session between representatives of the Policy Commission and the Private Sector Consultative Group, the discussions had focused on : how to enhance communication between Customs and Business; data quality and its importance in measuring performance; the need to undertake more pilot projects; and the development of expertise in data analysis within Customs.
42. Turning to the next priority area, namely e-commerce, the Secretary General said that the Working Group set up to address this topic had prepared a Framework of Standards on Cross-Border E-Commerce, that would be presented to the Council for consideration and adoption. The Framework placed emphasis on advance electronic data for pre-arrival risk assessment, and in this regard the WCO was looking at how to obtain advance information from postal operators; a conference to promote cooperation between Customs and Posts at the national level would be organized with the UPU. Other standards dealt with the inclusion of e-vendors/platforms and intermediaries in AEO programmes, and with the use of non-intrusive inspection technologies and data analytics. Many international organizations had joined the Working Group on E-Commerce, and the WTO was very supportive of the work and was following it closely, as it too was working on this issue. The OECD was also very interested, as Customs was recognized as a key actor in the management of e-commerce cross-border flows. The Policy Commission had suggested that the Working Group's mandate be extended, as it was now necessary to develop further technical specifications and an implementation strategy, as well as a robust capacity building mechanism. Moreover, in the future, consideration should be given to the treatment of non-physical goods.
43. On the third priority area, namely security, the Secretary General reported on the work done to raise the profile of Customs with bodies such as the United Nations Security Council Counter-Terrorism Committee. The WCO had been asked to join the Global Counter-Terrorism Coordination Compact, together with relevant UN bodies and INTERPOL. The Compact would, among others, support the implementation of the UN Global Counter-Terrorism Strategy, help share relevant capacity building and coordination/coherence-related information with the Compact's members, and develop mutually reinforcing capacity building projects. The WCO had also been invited to attend the first UN High-Level Conference of Heads of Counter-Terrorism, taking place at the same time as the Council Session, where the Organization was being

represented by the Deputy Director, Compliance and Enforcement. Finally, the Counter-Terrorism Implementation Task Force (CTITF) wished to involve the WCO more closely in its work. The WCO was already participating, as a co-chair, in the inter-agency Working Group on Border Management and Law Enforcement relating to Counter-Terrorism, and had recently been asked to join the Working Group on Countering the Financing of Terrorism.

44. The Secretary General recalled that, as a result of the Punta Cana Resolution, the WCO had launched a Security Programme based on the Counter-Terrorism Strategy to address illicit trafficking, when security-related or found to be funding terrorism. As part of the Programme, the South East Asia Security Project had been initiated in 2017 with activities currently at full speed, and a new Project for West and Central Africa had been launched a few months previously. The Secretary General also indicated that cooperation with anti-money-laundering authorities such as the Egmont Group and the Financial Action Task Force continued to advance, and that a Customs-Financial Intelligence Unit Cooperation Handbook was under development. The WCO had also continued to work on passenger control through API and PNR-related programmes, and would be broadening the scope to the maritime area and the issue of cruise ship passengers, reaching out to the International Maritime Organization for cooperation.
45. He went on to stress the role played by data analysis and related modern software in terms of border security, and invited Members to better leverage data and join WCO projects on data analytics. By way of example, he mentioned that geospatial technology had been used in the SPC++ Project, an initiative proposed by Nigerian Customs to have the countries of the West and Central Africa region work together to identify fragile borders and see how they could collaborate more effectively. Noting that regional cooperation was key to protecting countries from security threats, the Secretary General said that the RILO network continued to support Members on a regional level with the assistance of the WCO's Information and Intelligence Centre (I2C). He urged Members to ensure that the regional structures and the I2C received the necessary resources to function efficiently.
46. Turning to the fourth priority area, namely illicit financial flows (IFFs), the Secretary General recalled that at the G20 meeting held in China in 2016, a Communiqué had been issued on IFFs that focused on trade mis-invoicing, requesting the WCO to produce a Study Report on the issue. The Report, the fruit of a long collaboration between the Secretariat, Members, academia and other international organizations, had been presented during the Conference on Illicit Financial Flows and Trade Mis-invoicing organized by the WCO in May 2018. It would also be submitted to the Council for consideration and approval. Focusing on concrete actions to combat IFFs, the Report listed a number of recommendations inviting countries, in particular, to ensure that Customs had a sufficient mandate and the resources necessary to tackle trade mis-invoicing, had access to the right information and technology, and cooperated with Tax Authorities, Financial Intelligence Units and other relevant agencies. The WCO would continue to engage with the G20 in this regard, and had been invited by the Argentinian Presidency to attend the forthcoming G20 Development Working Group meeting. In the future, the WCO would also develop programmes aimed at strengthening Members' capacity to tackle IFFs, and might organize specific IFF-related enforcement operations.
47. Regarding the fifth priority area, namely Customs-Tax cooperation, the Secretary General referred to the proposal to develop a joint IMF/WCO survey tool. The IMF was often asked by Ministries of Finance to provide advice on Customs policy, and as a

result the WCO had engaged with the Fund to expand its perspective beyond the fiscal functions of Customs, in order to achieve further recognition of Customs' non-fiscal role. In order to review its revenue-focused position, the IMF needed access to specific datasets, hence the idea to develop a specific survey tool. Later in the Session, the Council would be considering a proposed Memorandum of Understanding (MoU) on this subject between the WCO and the IMF. More generally, the Secretary General outlined work done in areas such as IFFs, e-commerce, special economic zones and the exchange of information with tax authorities via the use of Blockchain as part of Customs-Tax cooperation.

48. Turning to the sixth and final priority area, namely performance measurement, the Secretary General reported that many Members had expressed concerns about the performance measurement initiatives of other institutions, such as the World Bank's "Doing Business" report. Following discussions at the December 2016 Policy Commission session, the Secretariat had initiated a dialogue on the subject with the World Bank; the team in charge of preparing the "Doing Business" report had agreed to seek input from Customs by sending its survey to all administrations in addition to trade service providers, thus giving Customs the opportunity to engage in the process. The outcomes of the survey, and possible means of improving it, would also be discussed through a new WCO working group dedicated to the review of the "Doing Business" survey. In addition, the Policy Commission was recommending the development of a WCO performance measurement tool - a task which could also be assigned to the new working group.
49. The Secretary General then referred to another potential future area of work, namely the revision of the Revised Kyoto Convention (RKC). The RKC comprised a Body and a General Annex, which were binding on all 114 Contracting Parties, plus Specific Annexes whose implementation was optional. While the rate of accession to the Convention had progressed significantly, the acceptance of some of its Specific Annexes was rather low. That being the case and given that the trade environment had evolved since the entry into force of the RKC in 2006, the Council was being asked to consider the establishment of a working group to conduct a comprehensive review of the Convention. Such a review would require the allocation of additional human resources, in particular Technical Attachés, as well as the use of funds drawn from the Reserves.
50. The Secretary General also mentioned that the necessary number of Parties to the WHO Protocol to Eliminate Illicit Trade in Tobacco Products to enable its entry into force had been reached. The Protocol required the establishment of a global track-and-trace regime that would allow governments to effectively follow tobacco products from their point of production to their first point of sale. The Secretary General invited those Customs administrations whose governments were Parties to the Protocol to send their experts to the First Session of the Meeting of the Parties to the Protocol (MOP1), taking place in October 2018, to help ensure (among other things) that the track-and-trace regime was driven by Customs. The WCO Secretariat would also be present as an Observer.
51. Finally, the Secretary General drew the Council's attention to a number of forthcoming events, including the Knowledge Academy in July 2018, the PICARD Conference taking place in October 2018 in Turkey, the Respect for Intellectual Property Conference in South Africa, also in October 2018, and the UPU-WCO Conference (date yet to be confirmed).

52. He concluded by thanking all delegations for their contribution to the work accomplished during the year.
53. The CHAIRPERSON thanked the Secretary General for his detailed presentation and for all the work that had been done by the Secretariat, before inviting comments from the floor.
54. The Delegate of JAPAN expressed his appreciation of the comprehensive report and said that Japan Customs wished the WCO to continue discussing the use of PNR for border control, as well as the use of advance data for cruise passenger control. Japan Customs would continue supporting WCO activities aimed at facilitating and securing trade by providing human and financial resources, with Japan's voluntary contribution having amounted to 7 million euro last year, and a total of 47 million euro over the last ten years.
55. The Delegate of COLOMBIA explained that illicit trade had reached unprecedented figures in her country. Drug trafficking generated revenue of around 7 or 8 billion dollars, representing a fiscal cost of 3.1 billion pesos. Moreover, the nation was not able to raise revenue on products such as tobacco, alcohol, perfume, textiles and gas, due to the evasion of duties and excise tax. Illicit trade was a complex phenomenon that had different causes and manifestations, but in most cases it was driven by organized crime networks which endangered economic and political stability. The fight against illicit trade required a holistic approach, as well as cooperation between Customs agencies at the international level. Colombian Customs was leading the conversation on illicit trade and wanted to contribute to the work done at the WCO by sharing practices, information and intelligence, and by participating in global enforcement operations.
56. The Delegate of CHINA said that his Administration was continuing to implement reforms and restructuring measures, promoting Single Window services and an integrated clearance system, as well as other cross-border trade facilitation measures. A new round of institutional reforms had begun earlier in 2018, and the Inspection and Quarantine Agency had been incorporated into Customs. The Delegate also noted that boosting economic growth remained difficult and trade protectionism was rising, which posed huge challenges for the international Customs community. In this context, China Customs wished to put forward three suggestions : promote connectivity and cooperation between Customs to enable facilitated, safe and secure trade flows; focus on innovation and look into Artificial Intelligence and other technologies; and take part in the economic governance of the world and improve the WCO's visibility in world trade by strengthening the relationship with business and international organizations in order to break down trade barriers and streamline procedures. China had defined clear objectives; for example, in the coming five years clearance times should be reduced by one-third. This year marked the 40<sup>th</sup> Anniversary of China's Reform and Opening, initiated in 1978, and President Xi Jinping had said "Our gate will be open bigger and bigger". China Customs was ready to work with other Customs administrations around the world to tackle the many challenges that were being faced.
57. The Delegate of MALAYSIA thanked the Secretary General for visiting his country when it had chaired the ASEAN meeting of Customs Directors General. One of the issues raised at the meeting was the World Bank's performance measurement activities, with some Members expressing their concerns that the Bank's findings were not accurate and that their countries' rankings had gone down because their Customs performance had not been properly measured. Malaysian Customs therefore urged the WCO to engage seriously with the World Bank on this topic.

58. The Delegate of INDIA agreed that performance management was an important issue. Systems developed by other international organizations to evaluate Customs had acquired great political gravity. Many countries were concerned by the way they were being ranked, and India appreciated the efforts being made to engage with those organizations. Some WCO Members, including India, had been showcasing progress made in evaluating their performance, but they would like the WCO to develop its own system and benchmarks, which would benefit from the WCO's unique perspective and understanding of the depth of Customs functioning. If Customs was not able to critically evaluate itself, then others would do it their way, with their own perception of what Customs should do.
59. The Delegate of NIGERIA commented on the efforts made by the WCO in West and Central Africa with regard to security, explaining that the regional security programme had been escalated to WCO level. He also asked the WCO to provide leadership training to the region and help countries undertake a Time Release Study (TRS), as this was an exercise that should be performed as widely as possible.
60. The Delegate of GEORGIA pointed out that performance measurement was of crucial importance, and there was a need to assist Members in implementing existing WCO tools such as the Time Release Study. The international Tax community was ahead of the Customs community in terms of establishing a system for monitoring and assessing the work of Tax administrations. Also, his Administration supported the MOU with the IMF on the collection of Customs data using the Revenue Administration Fiscal Information Tool, as this instrument was an effective, harmonized and integrated platform for data exchange.
61. The Delegate of UGANDA, as Vice-Chair for the East and Southern Africa region, said that the region's three-year strategic plan was aligned with the WCO's strategic goals, and that the administrations of the region looked forward to working with the WCO to strengthen capacities that would enable them to better fulfil their mandate. Regarding performance measurement, he expressed Uganda's support for a WCO tool that would integrate all the parameters necessary for evaluating the different mandates of Customs, adding that his Administration would send the Secretariat a written document highlighting its thoughts on this matter.
62. The Delegate of BAHRAIN referred to data exchange, recalling that the first building block in the "Customs in the 21st Century" document highlighted the need for closer real-time collaboration between Customs administrations, and between Customs and business, in facilitating legitimate trade and undertaking Customs controls. In order to enhance trade facilitation and strengthen risk management and the effectiveness of controls, there was a need for data exchange between and among Customs administrations. His Administration would like to avoid the development of "data pipelines" in each country without agreement on a global standard. Whereas cooperation in the Tax area had been enhanced, cooperation between Customs agencies had not achieved the desired momentum despite a long history of data exchange at the bilateral level. The delegate said it was time to call for the establishment of a global data exchange platform, noting that the private sector was taking up its own initiatives and this could lead to a monopoly in the technology to be used. In this regard, Customs had already won a battle regarding non-intrusive inspection equipment and the format of the image produced, and he invited the WCO to focus on a global data exchange platform in the coming year.

63. The Delegate of MEXICO said that, in the area of e-commerce, the WCO should redouble its efforts to guarantee inclusivity. Also, his Administration welcomed further work on passenger control as well as the revision of the RKC, recognized the importance of using additional languages in the Organization, and endorsed the WCO Strategic Plan. He then mentioned recent progress made in his country, with the adoption of a new law improving the regulatory framework and giving priority to transparency and streamlining, and the development of a new Website for Customs, with simpler and quicker access to information. The country continued to strengthen its cooperation, with 28 cooperation agreements already signed and 20 more under negotiation. There were 826 AEOs, the trilateral Single Window with Canada and the United States was under preparation, and a new Regional Customs Laboratory in Mexico would be built by the end of next year.
64. The Delegate of the RUSSIAN FEDERATION recalled that the Chairperson had spoken of the volatility of economic growth and the appearance of new threats to the sustainable development of the world economy, such as cyber technologies and migration, which generated new risks for Customs administrations. He also recognized that the Secretary General had made a comprehensive report on the activities of the Secretariat, while highlighting the need for some practical guidance that administrations could use in their day-to-day activities. The WCO was seen as the only Organization which united Customs experts, and it should develop standards and recommendations related to Customs activities. It should, moreover, take a leading role in developing rules on how to regulate e-trade, how to measure performance and how to cooperate with Tax authorities, rather than just acting as an assessor of what other organizations were doing. Finally, the Delegate proposed the launch of an initiative to develop a model "Customs of the future", that could be used to promote Customs and its significance at government level and internationally.
65. The Delegate of BOLIVIA requested a study on the different realities that existed in WCO Member countries. For example, in the area of valuation, a database could be developed to provide more transparency on reference prices used in different countries, which would allow Customs to collect more revenue as well as making trade fairer.
66. The Delegate of INDONESIA said that his country especially appreciated the WCO's efforts to combat smuggling and illicit trade. In Indonesia, 3.2 tonnes of methamphetamines had been seized in 2018, and 2.2 million ecstasy pills in a three-month period the previous year. He added that the analysis of PNR had proved successful in fighting drug smugglers, but airlines flying from the European Union (EU) could not yet legally share their data as there was no agreement between the EU and Indonesia on data exchange and management - a precondition imposed by the EU for such data exchange. Indonesia respected other countries' laws, but would welcome WCO support in order to enter into such an agreement with the EU. Other countries were in the same situation, and would also benefit from such an initiative.
67. The Delegate of the ISLAMIC REPUBLIC OF IRAN explained that there were many problems in his region, such as money laundering and drug trafficking, and that international crime used Iran's territory to transport illicit goods to Europe. Fighting these phenomena required a lot of energy from Iran Customs, which had seized 200 tonnes of drugs and precursors the previous year - a record in the region. He said that his Administration was using tools such as Single Window and non-intrusive inspection equipment, and endeavouring to digitalize all procedures.

68. The Delegate of PERU highlighted the importance for administrations to continue working on concrete elements of comparison, noting that the TRS was at Members' disposal. Peru Customs had already carried out a TRS with the assistance of the WCO, and had found the methodology excellent for measuring performance across the entire clearance chain. He also mentioned the Customs Assessment Trade Toolkit developed by the World Bank, which contained more than 140 concrete indicators for measuring, among others, the implementation of standards, the level of transparency and control strategies. Peru Customs was currently repeating a performance measurement exercise first carried out in 2011, and this showed that the Administration's performance had improved vastly in the intervening years. The delegate stressed that it was also important to evaluate the implementation of the RKC and to better evaluate, in general, how WCO Conventions were applied across-the-board. New instruments could be developed but, in his view, WCO Members needed to continue moving forward in terms of standardizing the way in which they could compare their performances across the globe.
69. The Delegate of GUATEMALA thanked the WCO for the technical assistance given to his country this year, both in the area of integrity and under the Mercator Programme. This support had been fundamental to the Administration's modernization and reform process, enabling it to facilitate trade while strengthening its controls. He also mentioned that Guatemala had created a Customs Union with Honduras a year previously, and now had three integrated border posts and three peripheral posts. Participation in the AEO Programme had increased, and mutual recognition agreements were being negotiated with Costa Rica, El Salvador and other administrations in order to further facilitate trade across the region.
70. The Observer for the WORLD BANK emphasized that the Bank was committed to collaboration in order to identify how the "Doing Business" data could best be collected in order to more accurately reflect the situation at borders. In addition, he said that the survey measured performance quite differently from the TRS, and that the Bank stood ready to work with the WCO not only on "Doing Business" data collection, but also to assist with the development and redesign of the TRS methodology. Moreover, if desired, the Bank would be pleased to partner with the WCO on the design of a Customs performance assessment tool that would look into the full suite of competencies, skills and functions of a modern Customs administration.
71. The Delegate of EGYPT commented on illicit financial flows and the importance of mis-invoicing, a practice which impacted on the budgets of many Members. In order to bring an end to such activities, further cooperation was needed between agencies at the national level, and his country had created a specialized unit to combat IFFs. He also mentioned the need to cooperate with the private sector, thanked the WCO for agreeing to the use of Arabic during the pilot project aimed at assessing the feasibility of having additional languages at the WCO, and expressed his support for a global database to enable price comparisons and facilitate the determination of the Customs value of goods.
72. The Delegate of FIJI thanked the Secretariat for its continuous support. He noted that the Fiji Revenue and Customs Authority had been working under one umbrella with the merger of the Tax and Customs arms of the service, which greatly assisted the Administration to achieve its vision of revenue collection, border protection, and trade and travel facilitation through the use of the unique Tax Identification Number (TIN) in all areas of Tax and Customs transactions. Customs and Tax cooperation also facilitated integrated audit and investigation of the areas of trade-based money laundering, illicit financial flows, VAT/GST input claims, undervaluation, and facilitated

data collection and analysis of declaration mismatches. However, in an environment marked by emerging new trade patterns such as e-commerce, by the combating of illicit financial flows, by the use of technology enablers and by performance measurement, further work was required to strategically mitigate the new cross-border trade challenges and their implications for the national economy. He welcomed the Secretary General's specific reference to small island economies for focused capacity building and continuous assistance. Furthermore, with respect to the TFA, the delegate said that his Administration had already started working with all the border agencies through the National Trade Facilitation Committee and in close collaboration with World Bank in matters of technical assistance. One of the milestones for 2018 was single submission of the cargo manifest to meet multiple border agency requirements. At the same time, Fiji was piloting AEO through its Gold Card Initiative which was scheduled to be officially launched during the celebration of the World Customs Day next year.

73. The SECRETARY GENERAL thanked delegates for their comments, encouragement and support, before addressing the specific issues raised during their interventions. He also took the opportunity to express his agreement with the Council Chairperson about the need for the Council to focus on technical issues.
74. Responding to the comments by the Delegate of Japan, he thanked the Administration for its contribution to WCO capacity building efforts and pointed out that all donor funds entrusted to the WCO were carefully managed and effectively used. Referring to the points raised by the Delegate of Colombia about the complexity of the fight against illicit trade, he welcomed Colombia's willingness to share best practices and encouraged the Administration to propose, or join, a global enforcement operation. Referencing the comments by the Delegate of China about the reorganization of the national Customs administration and the recent integration of the quarantine service, he expressed an interest in learning more about China's perspective on coordinated border management. He also noted the Administration's efforts towards enhanced connectivity, pointing out that China had hosted this year's Conference on E-Commerce - a domain where the notion of connectivity was key, and welcomed the focus on innovation, which would be critical when responding to the challenges posed both by e-commerce and by traditional trade.
75. Recalling the intervention by the Delegate of Malaysia about performance measurement, he explained that, based on a Policy Commission recommendation, the Secretariat would continue to dialogue with the World Bank team that was currently finalizing the latest survey. The new Working Group on Performance Measurement would also be looking at this issue in detail, and would determine the WCO's position vis-à-vis the survey. Referring to the Delegate of India's remarks on the same topic, he acknowledged the Indian Administration's efforts to measure its performance using the TRS and replicate the "Doing Business" survey, and encouraged India Customs to participate actively in the working group that would consider the development of a new and more comprehensive WCO tool dedicated to performance measurement.
76. Thanking the Delegate of Nigeria for launching the SPC++ initiative and boosting regional cooperation by so doing, he stated that the Secretariat was ready to continue supporting the regional project in terms of data analysis. Regarding the need to build leadership capacities, he announced that material made available under the Leadership and Management Development Programme was being updated, and that training was available to Members. Responding to the Delegate of Georgia's comments on performance measurement and the need to better monitor the implementation of WCO tools, he said that this very point was going to be addressed

by the Policy Commission. He also thanked Georgia Customs for expressing its support for the MOU with the IMF.

77. Turning to the intervention by the Delegate of Uganda, he thanked Uganda Customs for hosting the AEO Conference which had been a huge success, and for its intention to submit a written document about the kinds of tools the Customs community might need when it came to performance measurement. Referring to the point raised by the Delegate of Bahrain about data exchange, he highlighted the fact that the WCO had been working on this topic for some years now, and had developed the concept of Globally Networked Customs. Developments with technologies such as Blockchain were a game changer, and the question now was how these technologies could enable Customs to establish a global data exchange system not limited solely to Customs data.
78. Addressing the remarks by the Delegate of Mexico, the Secretary General said he welcomed the Mexican Administration's commitment to the RKC as well as its establishment of a Customs laboratory, which would benefit the region and enhance the harmonization of classification work and other decisions across the region. Regarding the proposal by the Delegate of the Russian Federation to develop a model "Customs of the future", he said it might be time to review or adapt the WCO Orientation Package for Decision Makers, which had been developed to assist administrations to secure national support for reform, and which provided a clear picture of modern Customs functions. Where the comments by the Delegate of Bolivia about a global valuation database were concerned, while recognizing that valuation remained a challenging area the Secretary General stressed that the appropriate use for valuation databases was as risk management tools. He invited the delegate concerned to discuss the matter further with Secretariat experts.
79. Addressing the remark by the Delegate of Indonesia concerning access to PNR, the Secretary General agreed on the importance of PNR data in evaluating the risk posed by passengers before their arrival, and said that the WCO was ready to facilitate communication between parties which needed to arrive at an agreement on the use of personal data. Referring to the intervention by the Delegate of the Islamic Republic of Iran, he thanked the Iranian Administration for sharing news of its latest developments, including the launch of a Single Window environment and the purchase of new scanning equipment based on WCO guidelines. Turning to the intervention by the Delegate of Peru, he thanked the Peruvian Administration for hosting the latest WCO IT Conference and Exhibition, and said he agreed with Peru about the importance of evaluating the implementation of the RKC and other key instruments; the issue relating to the monitoring of concrete implementation would be discussed in the coming months.
80. Regarding the comments by the Delegate of Guatemala, the Secretary General expressed his satisfaction with the work done under the Mercator Programme, and with efforts made to strengthen regional integration. Referencing the points raised by the Observer for the World Bank, he reaffirmed the willingness of the Secretariat to collaborate on the "Doing Business" project and ensure that Members' voices were heard on issues related to methodology, data quality and lack of communication. He concluded his responses to the various interventions by thanking the Delegate of Egypt for his remarks and for hosting the December 2017 Policy Commission session in Luxor; he expressed his appreciation to the Egyptian Administration for the excellent organization of the event, and for the hospitality it had extended to all participants.

81. Finally, the Secretary General expressed his gratitude to delegates for their feedback and proposals, all of which would be carefully considered by the Secretariat with a view to ensuring that the WCO remained responsive to Members' concerns, needs and priorities.

## 5. POLICY MATTERS

82. The CHAIRPERSON invited participants to consult the Reports of the Policy Commission's 78<sup>th</sup> and 79<sup>th</sup> Sessions (Docs. SP0630 and SP0650), which had taken place in December 2017 and June 2018 respectively. The 78<sup>th</sup> Session, in December 2017, had been concerned primarily with matters which were examined further at the 79<sup>th</sup> Session and were therefore reflected in Doc. SP0650. He therefore invited participants to consult the Report of the Policy Commission's 79<sup>th</sup> Session (Doc. SP0650), which had taken place earlier in the week. With the assistance of the Secretary General and the senior management of the Secretariat, he presented to the Council, item-by-item, the key outcomes of that session as reported in Doc. SP0650. He informed the Council that for the "A" items before the Policy Commission, which had been for information or had required endorsement only, there had been no presentations and no discussion.

<b>"A" ITEMS</b>
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**(a) Economic Competitiveness Package Action Plan - Progress Report**

83. At the invitation of the Chairperson, the Council took note of the progress made with the implementation of the Economic Competitiveness Package (ECP) Action Plan for Phase III.

**(b) Compliance and Enforcement Package - Progress Report**

84. At the invitation of the Chairperson, the Council took note of the activities reported by the Secretariat, including the 2018/2019 Compliance and Enforcement Package (CEP) Action Plan.

**(c) Revenue Package Phase III Action Plan - Progress Report**

85. At the invitation of the Chairperson, the Council :
- took note of the activities reported by the Secretariat;
  - noted the new and updated materials prepared by the Secretariat under Phase III; and
  - noted the completion of work on the Phase III Action Plan.

**(d) SAFE Framework of Standards and aviation security**

86. At the invitation of the Chairperson, the Council :
- endorsed :
    - the SAFE Framework of Standards 2018 edition; and

- the Recommendation of the Customs Co-operation Council concerning the use of Trader Identification Number.
- took note of :
  - the Advance Cargo Information (ACI) Implementation Guidance;
  - the Guidelines on Trader Identification Number;
  - the Authorized Economic Operator (AEO) Validator Guide;
  - the Handbook on Data Analysis;
  - the Mutual Recognition Arrangement/Agreement (MRA) Strategy Guide;
  - the outcomes of the 19<sup>th</sup> SAFE Working Group Meeting;
  - progress with Unified File Format development at the Third Meeting of the Technical Experts Group on Non-Intrusive Inspection (TEG-NII);
  - significant outcomes of the 12<sup>th</sup> Meeting of the Technical Experts Group on Air Cargo Security (TEGACS); and
  - the conclusions of the Fourth Global AEO Conference.

**(e) Report on Private Sector Consultative Group**

87. At the invitation of the Chairperson, the Council took note of the Summary Report on the Private Sector Consultative Group's meeting, held on 12 and 13 March 2018.

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88. The CHAIRPERSON then invited the Council to turn its attention to the more substantive items from the Policy Commission's Agenda (known as "B" items). It is pointed out that the "B" item on the Security Initiative is covered under Agenda Item 7 (b) - Compliance and Facilitation (see paragraphs 261, 262 and 295 below).

<b>"B" ITEMS</b>
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**(f) E-Commerce**

89. The DIRECTOR, COMPLIANCE AND FACILITATION, recalled that in July 2016 the Council had approved the establishment of a Working Group on E-Commerce (WGEC) to develop standards and guidelines on cross-border e-commerce. Thanks to a very diligent and committed group of Members and private sector stakeholders, the WGEC had been able to develop a Framework of Standards that had been finalized and presented to various WCO working bodies such as the Enforcement Committee, the Permanent Technical Committee and, immediately before the Council Session, the Policy Commission. She especially acknowledged the outstanding level of support

from the private sector representatives who had invested their time and resources to contribute to the WGEC's work.

90. The Director noted that although the core Framework of Standards had been developed, quite a lot of work still needed to be done. To this end, a proposal for a one-year extension of the WGEC had been made in order to further enrich the Framework, primarily through the completion of technical specifications, Annexes and other supplementary items such as case studies and innovations shared by Members. She also requested approval of the Immediate Release Guidelines that had been updated to better reflect the e-commerce environment. The Director concluded by stating that the Policy Commission had endorsed the Framework of Standards, recommended that the Working Group's term be extended to June 2019 in order for it to complete the work envisaged, and approved the work plan. The Policy Commission had also endorsed the updated Immediate Release Guidelines and encouraged Members to share their operational experiences and initiatives in the area of cross-border e-commerce in order to further enrich the Framework of Standards.
91. During the ensuing discussion, several delegates applauded the significant progress made by the WCO in the area of e-commerce, and in particular the development of the Framework of Standards, and supported the proposed future work.
92. Noting that the collective work on e-commerce had contributed to more efficient global Customs practices, more secure trade and greater economic prosperity, the Delegate of the UNITED STATES congratulated the WCO and expressed her country's support for the Framework of Standards on Cross-Border E-Commerce and its commitment to the continued development of the Framework. She also supported the proposed extension of the term of the WGEC in order to advance the more technical aspects of the Framework, recognizing that there were many challenges in this realm that the Group should address. Such challenges included new players in the supply chain, an evolving business model, large volumes of shipments, and generating and obtaining advance electronic data in the postal environment. In the latter context, she mentioned that US Customs and Border Protection (CBP) received advance electronic data from some 44 postal operators, which accounted for 40% of the total volume of postal shipments received; this was expected to increase to 70% by the end of 2018. This had been possible due to a significant investment of time and resources on behalf of the United States Government. She noted that the WCO had also made good progress in this area through strong collaboration with the UPU, and hoped that more Customs administrations and postal services would move towards the use of advance electronic data for targeting and risk assessment. Here, she recognized the support provided by the WCO in creating the relevant harmonized international standards.
93. The delegate continued by mentioning that, in March 2018, CBP had released its e-commerce strategy which focused on four pillars : advancing the legal and regulatory framework to better enable CBP to assess threats such as counterfeiting, opioids and other dangerous contraband; reworking the internal CBP processes and operational environment; working with the private sector to incentivize compliance; and encouraging partnership with the parties in the supply chain to make sure that they had a good risk-based approach. She believed that businesses and consumers looked to Customs administrations to ensure the safety and security of goods involved in e-commerce, and to support the economic prosperity resulting from e-commerce growth. Finally, the delegate expressed strong support for a harmonized international standard and looked forward to working towards reflecting the rapidly-changing business models to identify critical data elements that could support risk assessment, as well as the sharing of advance electronic data.

94. The Delegate of the RUSSIAN FEDERATION commended, and expressed support for the excellent work done by the WCO in the area of e-commerce, noting that the Russian Federation had taken part in the drafting process during the intersessional period and shared all the concerns relating to e-commerce that other Customs administrations were also facing. He outlined his Administration's perspective on the growing phenomenon of e-commerce, noting that 400 million small parcels were expected to arrive in Russia this year. In order to manage this volume, there was a need to improve existing standards and move towards newer technologies. It was also important to take note of the discussions initiated at the WTO on the future principles and approaches of trade regulatory systems with respect to e-commerce. Russian Customs was part of the Russian Federation's delegation at WTO negotiations, and had been directly promoting the role of the WCO in that forum. He stressed the importance of having the WCO involved in such discussions in order to avoid any misunderstandings on issues of cross-competencies.
95. The delegate continued by expressing support for extending the WGEC's term in order to further develop the Framework of Standards through, for example, technical specifications and provisions concerning the monitoring of the implementation of the Framework of Standards, as well as provisions regarding how it would be updated in the future. Expressing some concerns over minor organizational issues with respect to the omission or amendment of certain proposals put forward by the Russian Federation, he suggested looking into the possibility of improving the standards by including some crucial elements (e.g. identity management) at a high level, in order to align them appropriately with the "Luxor Resolution" adopted by the Policy Commission in December 2017.
96. The Delegate of INDONESIA also expressed his appreciation of the work done in the area of e-commerce, and recognized the significant progress made. He then reiterated Indonesia's proposal that intangible/digital goods be included in future discussions on e-commerce. Indonesia had also presented this proposal for the inclusion of intangible, as well as tangible goods, to the WTO for discussion.
97. The Delegate of SINGAPORE joined previous speakers in extending his Administration's support for the Framework of Standards on Cross-Border E-Commerce, as e-commerce represented a key and important challenge commonly faced by Customs administrations across the globe. The Framework of Standards set out principles for WCO Members when dealing with e-commerce issues, but there should be sufficient flexibility regarding their implementation, given the vast differences in the conditions and realities faced by Customs administrations, as no two administrations were in exactly the same situation on the ground. He praised the good work of the WGEC in putting together the standards, and expressed his hopes for the continuation of this good work.
98. Acknowledging the extensive work done by the Secretariat, Members and stakeholders, the Delegate of INDIA congratulated the WGEC on developing the draft Framework of Standards in what had been a relatively short time frame. He would welcome the further development of this body of work, as the Policy Commission had recommended, and looked forward to learning from pilots of the implementation of the Framework of Standards as and when they became available. In this context, he underscored that it was prudent to highlight the management of the identity of consignors and consignees, as this was an important aspect of dealing with growing volumes of e-commerce, and he hoped that this issue could be dealt with by the WGEC as part of its future work. Indian Customs had come across a large number of

cases where postal and courier channels had been misused. These growing instances of misuse were a warning signal that the Framework of Standards should be put to great use, and further developed to a level where it could be implemented effectively. India would be hosting a WCO Seminar on the Framework of Standards in July 2018 with the aim of adding more value to the Framework, specifically with regard to technical specifications.

99. The Observer for the GLOBAL EXPRESS ASSOCIATION (GEA) thanked the Secretariat for its detailed account of the work on e-commerce and expressed his full and ongoing support for the Framework of Standards, noting that GEA had been a partner in the process since its inception. He congratulated the WCO for its efforts, commitment and leadership, and in particular for involving the relevant private sector stakeholders in a way that many other international organizations failed to do. The Framework of Standards should remain a living document due to the dynamic nature of e-commerce; even if something was agreed upon today, there was no guarantee that it would remain valid for the next five years. The WGEC needed to be cognizant of, and careful with, this scenario, as it had an ambitious agenda ahead.
100. The Observer for GEA went on to say that while Customs had concerns about e-commerce, Business too had raised concerns when faced with unilateral actions by some WCO Members regarding e-commerce developments. This was why there was a need for global standards, so that global economies could develop and emerge. In his view, Customs should avoid making e-commerce more complicated than traditional trade, otherwise it would not lead to the economic growth that everyone would like to see. Thus, there was a need to invest in smart technologies, procedures, processes and people, and move to paperless solutions. For the past 20 years, his organization had been advocating this for traditional trade as well. In the case of e-commerce, more efforts should be made to move towards a paperless environment and make changes in the legislation to allow electronic trade to happen in a seamless manner, using digital documents and digital authentication.
101. The Observer for GEA also emphasized the importance of ensuring a level playing field. Recalling the statement by the Delegate of the Russian Federation about receiving 400 million parcels, he noted that GEA had handled 200-300 million packages worldwide in 2017 - an indication that express carriers were not the main problem that Customs administrations were facing. Thus, Customs administrations should be prepared to apply the same rules and rigorous measures, including compliance and penalty regimes, to postal operators as were being applied to express carriers. For years, express carriers had been providing advance electronic data that were part of the Framework of Standards, in order to allow Customs administrations to conduct risk assessment in advance. The same requirement should be imposed on postal operators even if they were part of government, in order to effectively address high risks, including illicit trade, through that channel. Finally, with reference to Indonesia's proposal regarding the inclusion of digital/intangible goods in future work on e-commerce, the Observer asked the WCO to establish a definition of the goods for which Customs should be responsible, i.e. physical goods crossing borders only, or intangible goods also.
102. The Delegate of BRAZIL said that e-commerce in his country had risen by 40% annually in recent years, and the risks associated with this phenomenal growth were colossal. Every year, drugs, weapons, ammunition, counterfeit goods, etc., were seized by Brazilian Customs in postal shipments. The percentage of advance electronic information received was extremely low, and this was the key issue that required more work. The WCO and the UPU should continue to work together to

address this issue, in order to be able to better manage the information flow and ensure that Customs administrations could receive information in advance.

103. Congratulating the WGEC on its achievements, the Delegate of CHINA expressed his support for endorsing the Framework of Standards, as well as renewing the WGEC's term for another year, adding that the Chinese Government, including China Customs, had been giving high attention to e-commerce due to its rapid growth in China. He put forward two specific suggestions for future work on cross-border e-commerce, relating to capacity building and the promotion of the Framework of Standards. Regarding capacity building, he said that the WGEC should pay more attention to capacity building methodologies by studying and analysing the requirements of Members (especially developing-country Members) in order to provide tailor-made technical assistance. At the same time, there was a need to expedite the collection of best practices relating to e-commerce, and include them in the Framework of Standards as Annexes. Furthermore, he suggested exploring the possibility of organizing a cross-border e-commerce Advisors Accreditation Programme in order to provide better capacity building support to Members. With respect to promotion, the delegate suggested that once the Framework of Standards had been adopted, it could be shared with other international organizations as a Customs solution on e-commerce.
104. The Observer for the INTERNATIONAL CHAMBER OF COMMERCE (ICC) expressed his gratitude for the encouragement provided to the private sector by the WCO over the years with respect to its involvement in many issues, including e-commerce. He highlighted the value of having Customs administrations and the private sector collaborate together on e-commerce, adding that the holding of interesting and challenging discussions within the WGEC had assisted participants in learning about and understanding their shared and unique challenges; this had been vital to the process. The work on e-commerce was critical to small and medium sized enterprises (SMEs) around the world (some 40 million of which were represented by the ICC), as SMEs were the cornerstone of the world economy. The Observer for the ICC said he hoped that this model of including both WCO Members and the private sector in detailed tasks could be expanded into other important areas also. Lastly, he concurred with India's proposal regarding identity management, and asked the WCO to look into this issue with a view to establishing a global trader identifier for the cross-border movement of goods, going beyond AEO identifiers. No-one knew borders better than Customs administrations, and there were some concerns from the perspective of Business that other groups, outside the WCO, were working on the trader identifier issue.
105. The DIRECTOR, COMPLIANCE AND FACILITATION, thanked delegates for their appreciation, comments, encouragement and support, before addressing the specific issues raised during their interventions. She recognized that there was still further work to be done, in collaboration with the UPU, regarding the exchange of advance electronic data in the postal sector, and she drew attention to some of the ongoing engagements in this domain. Although some progress was being made in this area through engagement with the UPU, there were still certain issues around how quickly the UPU could advance and mandate its postal operators for the submission of advance electronic data. Recognizing that some administrations had moved beyond this stage and had legislated a faster mandate within their countries for advance information from the postal environment, she expressed the hope that the WGEC could capture these best practices in its future work. In this connection, she acknowledged the progress the United States had made with regard to increasing the level of advance electronic data on postal items.

106. Referring to the comments about identity management made by several participants, the Director indicated that the technical specifications would cover this issue and related discussions would continue once the term of the WGEC had been extended for another year. She thanked the GEA, ICC and other private sector representatives for contributing significantly to the WGEC's efforts with realistic input on the situations which arose in the business world. With regard to Indonesia's proposal on intangible goods, the Director explained that the WGEC had focused on tangible goods, this having been approved by the Council as part of the Terms of Reference for the establishment of the Working Group, because this was the identified priority from the Customs perspective. She further explained that focusing on the definition of physical goods crossing borders had narrowed down the work and enabled it to be better managed within the current scope. A potential future discussion on the issue of intangible goods would also require finding synergies with the ongoing discussions at the WTO, in view of the moratorium on the imposition of Customs duties on electronic transmissions. Finally, the Director confirmed that the Framework of Standards was envisaged to be a living document and, as such, was expected to be reviewed and updated in the future as appropriate.

107. In conclusion, the Council :

- endorsed the draft Framework of Standards on Cross-Border E-Commerce and the accompanying draft Council Resolution (the Resolution is set out at Annex II hereto);
- agreed to extend the term of the Working Group on E-Commerce to June 2019 to enable it to finalize outstanding work, taking into account the suggestions put forward by delegates;
- approved the associated Work Plan, recognizing the need to have a flexible approach over the next year;
- endorsed the updated Immediate Release Guidelines that had been adapted to reflect the cross-border e-commerce context; and
- encouraged Members to share their operational experiences and initiatives/pilot projects in the area of cross-border e-commerce in order to further enrich the Framework of Standards and associated guidance tools.

**(g) Trade facilitation**

108. The DIRECTOR, CAPACITY BUILDING, presented the outcomes of the discussions at the 79<sup>th</sup> Session of the Policy Commission, which had been updated in respect of intersessional developments and the latest measures carried out by the WCO in that area, including TFA implementation and the recent work accomplished by the WCO's TFA Working Group (TFAWG), emphasizing the need to monitor and evaluate the progress of TFA implementation. The report to the Policy Commission had also included achievements under the overall and tailor-made tracks of the Mercator Programme, and listed the main topics for which assistance was required, including Authorized Economic Operator, Risk Management, Post Clearance Audit, Time Release Study, Project Management approaches, Performance Measurement and Maturity Modelling. He also highlighted the importance of coordination with all relevant stakeholders, including the WTO through its Trade Facilitation Committee.

109. In the wide-ranging discussion that had followed, the Policy Commission had expressed its appreciation of, and support for, the activities of the WCO and the TFAWG and the progress made to date, including continued dynamic support to Members regarding the harmonized and efficient implementation of the TFA by means of the various WCO instruments and tools. Policy Commission delegates had recognized that the TFAWG had a pivotal role to play in TFA implementation from both a political and a technical perspective, and that this required effective and efficient coordination, especially with the WTO, as well as the ability to monitor the progress of implementation - through Time Release Studies, for example. The Director also mentioned that the Policy Commission had suggested that the TFAWG review its current Terms of Reference and submit a revised version to the Policy Commission in December 2018.
110. Policy Commission delegates had also proposed that the WCO continue to collect best practices and the results of capacity building efforts and share them among the global Customs community in order to update and further enhance WCO instruments and tools, as well as with the WTO Trade Facilitation Committee in order to enhance coordination with the WTO and raise the profile of Customs. Equally, it had been agreed that cooperation with other stakeholders at national level was crucial to successful TFA implementation, and the WCO's efforts in establishing and sustaining National Committees on Trade Facilitation were essential in this respect.
111. In addition to acknowledging the achievements of the TFAWG and the Mercator Programme, expressing their satisfaction with the results and voicing encouragement to continue the efforts, the Policy Commission had also emphasized the importance of strengthening coordination with various border agencies and other stakeholders at the national level, and avoiding potential duplication through effective donor coordination.
112. Finally, the Policy Commission had taken note of the work carried out in the TFAWG, including the support and suggestions from delegates. It had also taken note of the technical assistance provided under the Mercator Programme.
113. The Director said that there were now three main issues to consider : TFAWG progress and its role for the future; the Mercator Programme; and WCO participation in the WTO Trade Facilitation Committee.
114. The Delegate of COLOMBIA thanked the Directors of Capacity Building and Compliance and Facilitation for the support provided through a number of technical assistance and capacity building missions, including support in implementing the Time Release Study, the results of which would be shared with the WCO in July 2018. She acknowledged the importance of WCO assistance, especially for the modernization of Colombian Customs' IT systems where the use of the WCO Data Model was critical.
115. The Delegate of CUBA thanked the Director for the assistance provided to his country, pointing out that there were numerous projects now in place where the WCO was working jointly with Cuban Customs. However, there were still many challenges in achieving a balance between the facilitation of legitimate trade and preventing illicit goods from moving across borders.
116. In conclusion, the Council :

- took note of the work carried out in the Working Group on the Trade Facilitation Agreement, as well as the support and suggestions expressed by delegates; and
- took note of the technical assistance and capacity building support provided to the Members.

**(h) Combating illicit financial flows**

117. The DIRECTOR, TARIFF AND TRADE AFFAIRS, informed the Council that the Policy Commission had taken note of developments in the area of combating illicit financial flows (IFFs), with particular reference to : the draft WCO Study Report on IFFs via trade mis-invoicing (TM) tasked by the G20 Leaders' Communiqué from the Hangzhou Summit in 2016; and the Secretariat's engagement with the G20. He explained that the Study Report was composed of two parts. The first part emphasized that global attention should focus on actions to combat IFFs/TM rather than on the high estimates of IFFs/TM, which were not sufficiently robust across the methods. The second part highlighted the need for Customs to secure a sufficient mandate and adequate resources to combat IFFs/TM, enhance capacity building and partnerships with business, Tax authorities, Financial Intelligence Units (FIUs) and the Customs administrations of trade partners, and avail of new technologies such as Blockchain. With regard to engagement with the G20, he reported that the Argentinian G20 Presidency had invited the Secretariat to present the WCO Study Report at the next G20 Development Working Group meeting, scheduled for July 2018.
118. The Director went on to inform the Council that the Policy Commission had expressed support for the WCO's work on IFFs/TM, including the Study Report, and had emphasized the importance of such work in combating terrorist financing and other crimes. Policy Commission delegates had also acknowledged the importance of sharing intelligence through inter-agency collaboration between Customs, Tax authorities, FIUs, Police and other law enforcement agencies, and of international cooperation between Customs administrations. There had been two proposals from delegates, namely that further discussions on the exchange of information between Customs administrations should take place in relevant WCO working bodies, and that a review of existing WCO tools and instruments in relation to the fight against IFFs/TM should be included in the Action Plan, as a starting point for the possible development of new instruments.
119. The Delegate of INDIA expressed his appreciation of the work done by the Secretariat in assisting Members to combat IFFs, took note of the Study Report, and welcomed the Policy Commission's recommendation that it be kept open for comments from Members and other organizations. India looked forward to the further enrichment of the Study Report in this regard. He also suggested that consideration be given to including in the Study Report an analysis of the correlation between IFFs and fraud relating to consignments which were in transit or transshipment, with or without warehousing between export and import.
120. The Delegate of the RUSSIAN FEDERATION referred to his country's proposal, made in the Policy Commission, that a one-day session on the topic of illicit financial flows be held in the margins of the next Enforcement Committee session.
121. In conclusion, the Council :

- took note of the report on the developments and progress made to date and recommended that a one-day session on the topic of illicit financial flows be held in the margins of the next Enforcement Committee session;
- invited the Secretariat to take note of the guidance provided regarding the WCO's approach and future work in relation to illicit financial flows;
- approved the Study Report, including the Executive Summary and the Policy Recommendations, before its submission to the G20; and
- noted that the Study Report would be kept open so that comments from Members, the G20 and other stakeholders could be taken into account.

**(ij) Customs-Tax cooperation**

122. The DIRECTOR, CAPACITY BUILDING, provided some background information on this matter, informing delegates that a report addressing the decisions taken at the December 2017 Policy Commission session had been presented to the Commission at its most recent session, and further discussions had been held on the topic. There were in fact two issues to be considered in relation to Customs-Tax cooperation. The first concerned developments and achievements in terms of WCO tools and instruments such as the Guidelines for strengthening cooperation and the exchange of information between Customs and Tax authorities at the national level, e-commerce recommendations on the use of information and communication technologies (ICT) to improve efficiency when processing imports of low-value small shipments, and the implications - particularly for Tax administrations - regarding VAT and global services taxes.
123. After indicating that these achievements had been noted by the Policy Commission, he said that the second issue was the ongoing negotiations with the International Monetary Fund (IMF) on the International Survey on Customs Administration (ISOCA) - a cooperative framework between the WCO and IMF to develop a platform for the collection of data on Customs to support research and analysis, as well as the identification of trends and needs for capacity building support.
124. The Director indicated that the IMF was already providing some capacity building assistance to Members; in the past year, more than 70 Customs administrations had benefited from IMF capacity building activities, and dialogue regarding coordination on this matter was currently ongoing. He added that the ISOCA cooperation framework should be based on voluntary participation by administrations, under which they would have full discretion regarding whether or not to join the platform; no external measurement, ranking or scoring system was envisaged, as the platform was designed simply to facilitate the comparison survey. The survey would be further developed, taking into account the input from participating administrations.
125. Turning to the draft Memorandum of Understanding (MoU) on this subject, the Director recalled that there had been discussions at the Policy Commission's 78th Session in December 2017. On that occasion the majority of Members had expressed support for the draft MoU, but as a number of countries (particularly from the Europe region) still had some concerns about the text, it had been decided that the draft MoU would be further discussed at the Europe regional meeting, where presentations were made by both the WCO and the IMF. Taking into account that some doubts still remained, the WCO Secretariat had then entered into a second round of consultations in which it had received input from a few administrations, leading to the

preparation of an improved new version of the draft MoU which had been circulated to all Member administrations in advance of the Policy Commission's 79th Session, held immediately before the current Council Session.

126. The Director said that, at the session, there had been a lot of discussion around the initiative, with some Members still expressing concerns about the signature of the draft MoU. Nevertheless, it had been agreed that the Policy Commission would recommend to the Council that following further written submissions, and direct contact to analyse those submissions, a final version of the draft MoU would be circulated to Members in early November 2018, with signature of the MoU scheduled for December 2018.
127. The Delegate of the RUSSIAN FEDERATION expressed his gratitude to the Director, Capacity Building, for his understanding and willingness to take account of the concerns and needs expressed by a minority of Members and actively seek to accommodate them, rather than imposing a solution because it was acceptable to the majority. In this regard, if the Council accepted the proposal made by the Policy Commission, following further input from Member administrations the signature of the MoU could be scheduled for December 2018.
128. In addition, he drew attention to the fact that an MoU between the WCO and IMF on Customs and Tax cooperation would not fully cover all issues related to cooperation between Customs and Tax authorities. Therefore, he urged the Secretariat and Member administrations to be more proactive in proposing topics on this subject, since he believed that Customs should take the lead in this area, shaping the relationship and cooperation between Customs and Tax to promote a better understanding, at both national and international levels, of the fact that Customs was not only about Revenue collection, but also involved different areas of activity, including for example the four pillars of the Strategic Plan, Coordinated Border Management and Smart Customs.
129. The Delegate of GEORGIA reiterated his country's full support for the draft MoU between the WCO and IMF on Collection of Customs data using the Revenue Administration Fiscal Information Tool (RA-FIT). He thanked the Director, Capacity Building, for highlighting the fact that data collection would take place on a voluntary basis, and that the data collected would not be used for ranking Customs administrations. He also drew attention to the fact that information about the tool could be found under the "Tax Administration Series" available on the OECD Website, stressing that it was a unique platform which would enable Member administrations to benefit from the best data management practices.
130. The Delegate of ANTIGUA AND BARBUDA said that, although Customs and Tax cooperation was vital, he remained sceptical where the draft MoU was concerned, in particular because IMF interventions in Antigua and Barbuda during a period of economic depression had not, in his opinion, been in the best interests of the country. He urged Members to look carefully at the purpose of the draft MoU, how the IMF would use the data collected for the benefit of the countries concerned, and how the data would be protected.
131. The DIRECTOR, CAPACITY BUILDING, thanked delegates for their comments, and said he had taken note of the need to further develop the topic of Customs-Tax cooperation.
132. In conclusion, the Council :

- took note of and welcomed the development of cooperation with the IMF and the corresponding MoU;
- having received confirmation from the IMF that there was no specific deadline for signing the MoU, and in response to a number of Members' requests for another opportunity to contribute to the text, recommended that any written proposals concerning the text be submitted to the Secretariat by October 2018;
- decided that a meeting be convened with interested administrations in early November 2018 to finalize the text;
- agreed that the revised draft MoU would be signed in December 2018; and
- requested that the Secretariat prioritize the Customs-Tax cooperation agenda, with the WCO playing the lead role in this respect, and suggested that capacity building support be offered in this regard.

**(k) Performance measurement**

133. The DIRECTOR, TARIFF AND TRADE AFFAIRS, informed the Council of the discussions which had taken place on this subject in the Policy Commission session earlier in the week, and summarized the conclusions of those discussions. He noted that the World Bank Group (WBG) had appreciated the WCO's offer to encourage Members to respond to the WBG's "Doing Business" survey for 2019, adding that 96 completed surveys had been received from Members to date. He explained that on the one hand, the Policy Commission had given its full support to continued engagement with the WBG with a view to bringing more reality to the survey; on the other hand, the Policy Commission had indicated its desire to take the work forward in this area, with a view to developing a new WCO tool for comprehensive performance measurement which would cover all Customs' areas and would go beyond the Time Release Study. The Policy Commission had agreed to either establish a new working group for this purpose, or to use the existing virtual working group on performance measurement.
134. The OBSERVER FOR THE PRIVATE SECTOR CONSULTATIVE GROUP (PSCG) proposed that the WCO involve the private sector as a contributor to this work.
135. The Delegate of INDIA noted that this was a key area in terms of reflecting Customs' strength, and supported the recommendation to involve Members and share experiences on a practical level. He also supported the establishment of a new working group in order to maintain the momentum, adding that India volunteered to participate in the group.
136. The Delegate of the RUSSIAN FEDERATION said he would welcome the involvement of the PSCG, as business played an important role since the "Doing Business" survey was based on business views. He supported the development of the WCO's own performance measurement tool and also the establishment of a working group, and offered to participate in the group. He further proposed that two to three Members from each WCO region should participate in the working group.
137. The Delegate of INDONESIA explained that his Administration had experience of discussing this issue with the WBG, and pointed out that the Customs clearance process was more complex than was described in the current methodology. Indonesia

supported the establishment of a working group and the development of a possible new methodology for the World Bank “Doing Business” survey.

138. The Delegate of SINGAPORE also agreed with the proposal and offered to contribute to the work of the working group.
139. The Delegate of UGANDA agreed with the proposal and supported the PSCG having a role in the process. Also, Uganda favoured the establishment of a full working group, rather than the use of a virtual group, as this would lead to the creation of a proper, credible performance measurement tool for Customs.
140. The Delegate of CHINA supported the proposal, and hoped that the working group would ensure there was more information-sharing with organizations such as the WBG in the future, so that Customs’ opinions could be fully reflected by other international organizations.
141. The Delegate of the DEMOCRATIC REPUBLIC OF THE CONGO also agreed with the proposal, adding that his Administration would be willing to participate in the working group and discuss the performance measurement activities which took place in the region. He also observed that while other ministries were often responsible for the “Doing Business” survey as a whole, Customs should take the lead on the “Trading Across Borders” aspect because the clearance of foreign trade depended on Customs.
142. The Delegate of COLOMBIA supported the proposal, including the suggestion that the private sector be involved in the work, and offered to participate in the working group.
143. In conclusion, the Council :
- took note of the activities reported by the Secretariat and the potential opportunities in respect of ongoing cooperation with the World Bank Group;
  - tasked the Secretariat to prepare an information paper with input from interested Members to analyse the “Doing Business” methodologies, and identify concerns and ways to improve the process;
  - agreed to establish a new Working Group on Performance Measurement to examine the possible development of a comprehensive WCO performance measurement tool for Customs and review the World Bank Group’s “Doing Business” survey, and supported the participation of the PSCG in this Working Group; and
  - endorsed the proposal that the World Bank Group explain its work in relation to the “Doing Business” survey and have a dialogue with the Customs community at the Policy Commission session in December 2018.

**(I) Review of the Revised Kyoto Convention**

144. The CHAIRPERSON introduced the item on the comprehensive review of the Revised Kyoto Convention (RKC) and gave the floor to the Secretariat.
145. Taking the floor for the first time, the DEPUTY SECRETARY GENERAL thanked the WCO Council for affording him the opportunity to serve the international Customs

community in his new capacity and pledged to do his utmost to earn the trust placed in him by the Council in electing him to this post.

146. Turning to the Agenda item at hand, the Deputy Secretary General reported on the discussions at the 79<sup>th</sup> Session of the Policy Commission and gave a brief historical account of the progress made since the entry into force in 1974 of the original version of the International Convention on the Simplification and Harmonization of Customs Procedures. He said that two main considerations had been taken into account during those discussions. Firstly, the revised version, which had been adopted in 1999 (the revision work having begun 20 years after adoption of the initial version) and had entered into force in 2006, currently had 114 Contracting Parties and, nearly 20 years after its adoption, there was a need to update it. Secondly, despite a significant increase in the number of Contracting Parties, acceptance of the Specific Annexes remained low. He referred to the discussions held during the most recent meetings of the Revised Kyoto Convention Management Committee (RKC/MC), pointing out that at its 16<sup>th</sup> Meeting, the RKC/MC had unanimously endorsed a comprehensive review of the RKC to ensure that it remained the blueprint for modern and efficient Customs procedures in the 21<sup>st</sup> Century.

147. The Deputy Secretary General recalled that, at its 18<sup>th</sup> Meeting, the RKC/MC had considered and adopted a draft Business Case and draft Terms of Reference, as well as an estimate of the related costs, for the establishment of a Working Group on a comprehensive review of the RKC. He went on to present the key considerations for this review, indicating that based on the previous revision of the Kyoto Convention, the comprehensive review would require the use of three officials for a period of three years. The proposal to establish a Working Group was now being submitted to the Council for consideration. In that connection, he pointed out that the budgetary matters (including the engagement of staff and the requisite interpretation and translation costs) had been discussed at the Finance Committee's most recent session and that, in the light of budgetary constraints related to the Organization's current priorities, the Committee had suggested selecting one of the following two options :

Option 1 : One existing WCO Technical Officer post, plus two Technical Attachés made available by Member administrations (Cost to WCO : 160,000 euro per annum);

Option 2 : Three WCO Technical Officers or equivalent (Cost to WCO : 360,000 euro per annum).

148. He concluded by stating that this question had been examined at the Policy Commission's 79th Session and that the latter had approved the establishment of a Working Group on a comprehensive review of the Revised Kyoto Convention, along with its Terms of Reference, and had taken note of the costing discussed at the Finance Committee's session. The Deputy Secretary General added that, for the completion of this task, the Policy Commission recommended, to the Council, using one existing Technical Officer post plus two Technical Attachés provided by Members or, failing that, one existing Technical Officer post plus two temporary staff recruited for the duration of the project, using the Organization's financial Reserves.

149. The Delegate of INDIA recalled that the RKC had always been the WCO's reference instrument and hallmark, containing relevant provisions which had been used to develop the WTO Trade Facilitation Agreement, even though the RKC was much broader in scope as it also encompassed compliance and enforcement aspects. India, which considered the RKC to be the bedrock of Customs administrations around the

world, supported the comprehensive review process and was prepared to play an active role in this task.

150. In conclusion, the Council :

- approved the establishment of a Working Group on a comprehensive review of the RKC, along with its Terms of Reference;
- endorsed, for the completion of this task, using one existing Technical Officer post plus two Technical Attachés provided by Members or, failing that, one existing Technical Officer post plus two temporary staff recruited for the duration of the project, using the Organization's financial Reserves.

**(m) Study on the use of additional languages at the WCO**

151. The CHAIRPERSON OF THE WORKING GROUP ON THE USE OF ADDITIONAL LANGUAGES, Mr. Maxim Nikitin (Russian Federation), presented this topic, recalling that the Working Group's objective had been to increase Members' participation in WCO work, one of the perceived obstacles to increased participation being the language barrier. He drew attention to the external Auditor's recommendation that the WCO disregard a proposal to introduce 100% interpretation as this would require an increase in Members' contributions.

152. The Working Group Chairperson outlined the main outcomes from the Working Group, which had met for the first time in November 2017. Firstly, the Group had identified coordinators for the different language groups and specified the tasks required. The Secretariat had provided the Working Group with a list of WCO bodies and the degree of interpretation available for each body. The Group had then, during the intersession between its November 2017 and March 2018 meetings, conducted an assessment of the interpretation and translation available for Committee meetings and WCO instruments and tools. One issue that had been observed was a lack of coordination between the Customs administrations of language groups; documents were sometimes translated more than once with different versions circulating, adding a degree of confusion to the translation process. In order to avoid duplication of tasks and an overlapping of translated documents, the Group had decided to lead coordination efforts in the six WCO regions and, more specifically, within the individual language groups.

153. During the second meeting, held in March 2018, delegates had unanimously agreed to focus their attention on interpretation of the most important WCO meetings into the four principal additional languages : Arabic, Portuguese, Russian and Spanish. Five priority areas had been identified by the coordinators of the four language groups. The Secretariat had prepared a cost analysis for the provision of interpretation for each of the priority areas identified by the language groups. This would not amount to more than 300,000 euro in total. The Finance Committee had subsequently agreed to recommend the launch of a two-year pilot project which would be funded from the WCO's Reserves. The pilot project was also endorsed during the Europe regional meeting held in April 2018.

154. The Working Group Chairperson stressed that the work of the Group had not concluded with the launch of the two-year pilot project; rather, it would continue to analyse the results of the pilot project and to explore additional funding mechanisms. Furthermore, the Group would monitor the success of the project by analysing the participation rates of Members during meetings with additional interpretation, and

assessing Members' views regarding the project. The Group would also continue to examine the issue of the translation of documents in collaboration with Customs administrations, in addition to the translation of WCO tools. The Working Group Chairperson asked the Council to endorse the Finance Committee's proposal for the launch of a two-year pilot project with funding from the WCO's Reserves.

155. The Delegate of BRAZIL thanked the Chairperson of the Working Group on the Use of Additional Languages for the excellent work accomplished, and stated that the addition of further languages, particularly the Portuguese language, would improve the level of participation of delegates and their interaction with the WCO. Furthermore, it was very important for Brazil and the other Portuguese-speaking countries that experts be trained in languages other than the two official languages of the WCO - English and French.

156. In conclusion, the Council :

- endorsed the progress made to date by the Working Group on the Use of Additional Languages at the WCO;
- adopted the proposal by the Finance Committee that a two-year pilot project for interpretation at the meetings of identified working bodies be initiated with effect from the next financial year (2018/2019), and that the funding for this be drawn from the WCO's Reserves;
- agreed to extend the mandate of the Working Group to allow it to continue to work during the period of the pilot project in order to monitor the progress, to look at the next stages, and to identify long-term sustainable funding in the event that the pilot project proved to be successful; and
- agreed that the Working Group should be asked to report on progress with the pilot project at the Finance Committee's Spring 2019 session and the Policy Commission's June 2019 session. Additionally, the Group would deliver an oral report to the Policy Commission in December 2018 on the progress made up to that point.

**(n) Strategic Plan 2016/2017 to 2018/2019 : Operational Plan for 2018/2019**

157. The CHAIRPERSON explained that the Operational Plan for 2018/2019, the last one for the three-year Strategic Plan 2016/2017 to 2018/2019, had been presented to the Policy Commission by the Deputy Secretary General and invited him to explain the cycle of the Plan now being submitted to the Council.

158. The DEPUTY SECRETARY GENERAL recalled that the Strategic Plan was complemented by three annual Operational Plans and, after a successful completion of the first and second Operational Plans (2016/2017 and 2017/2018), the third one - for the financial year 2018/2019 - had been presented to the Policy Commission for consideration and was now submitted to the Council for approval.

159. The cycle for the Operational Plan 2018/2019 had started with the presentation of the Tactical Activities at the December 2017 Policy Commission session in Luxor. The recommendations of the Policy Commission, namely the prioritization of Tactical Activities, had then been discussed during the Management Away Day in January 2018. The Audit Committee had reviewed the Key Performance Indicators in February 2018 and found that there was a good balance of qualitative and

quantitative indicators. The Finance Committee had subsequently analysed the financial implications in April 2018 and the document had been presented to the Policy Commission before now being submitted to the Council for approval.

160. The Deputy Secretary General explained that the Operational Plan for 2018/2019 was composed of 68 Tactical Activities, 91 Key Performance Indicators and 102 deliverables. Nine Tactical Activities had been prioritized according to the six strategic priorities previously identified. He concluded by explaining the way forward for the next Strategic Plan 2019/2020 to 2021/2022, which would be developed through a feedback mechanism which would include surveys, regional workshops and written submissions from Regional Vice-Chairs in order to listen to the concerns of Members. Ultimately, the suggestions would be taken into consideration by a working body chaired by the Deputy Secretary General, which would have as its main assignment to assist him in drafting the Strategic Plan 2019/2020 to 2021/2022 as well as the Operational Plan 2019/2020, to be presented at the December 2018 Policy Commission session.
161. The Delegate of UGANDA expressed his support regarding the proposed Operational Plan and commended the Secretariat on the regional consultative process being proposed for the drafting of the Strategic Plan 2019/2020 - 2021/2022.
162. The Delegate of NEW ZEALAND supported the proposal of the Policy Commission and commended the Deputy Secretary General on the proposed way forward for the Strategic Plan 2019/2020 - 2021/2022. He added that inclusiveness and engagement with the regions were valuable initiatives, and proposed that New Zealand be part of the working body that would be tasked with assisting the Deputy Secretary General to draft the new Strategic Plan.
163. The Delegate of MALI proposed to start the process regarding the next Strategic Plan by evaluating the previous Strategic Plan (2016/2017 - 2018/2019). Activities that had not been completed could be included in the new Plan.
164. The Delegate of the EUROPEAN UNION expressed her support for the proposed approach for the new Strategic Plan, as well as for the inclusive strategy proposed, based on consultation with Members and the Regional Vice-Chairs. With regard to the number of Key Performance Indicators and Strategic Activities in the Strategic Plan 2016/2017 - 2018/2019, she considered that there were too many activities and proposed that the Strategic Plan 2019/2020 - 2021/2022 be simpler and more focused.
165. The DEPUTY SECRETARY GENERAL thanked delegates for their comments and indicated, following the comment from the Delegate of Mali, that activities included in the Strategic Plan 2016/2017 - 2018/2019 would be analysed before drafting the new Strategic Plan and also that the Activities and Key Performance Indicators would be streamlined, as suggested by the Delegate of the European Union. He also stressed that regional consultation would be a priority for drafting the new Plan, as evoked by the Delegates of Uganda and New Zealand.
166. At the Chairperson's invitation, the Council :
- adopted the Operational Plan for 2018/2019, as set out at Annex III to these Minutes;
  - took note of the proposed way ahead for the preparation of the new three-year Strategic Plan for the years 2019/2020 to 2021/2022.

**(o) Audit Committee Report**

167. The CHAIRPERSON OF THE AUDIT COMMITTEE, Mr. B. Røse (Norway), reported that, at the Audit Committee meeting, a number of important issues relating to good governance, transparency, internal audit and risk analysis had been discussed and concluded. These concerned the implementation of earlier audit recommendations, the Internet-based risk survey, the external audit on the WCO Communications Strategy, and the internal audit on IT Security. The Audit Committee had also made recommendations to the Policy Commission on the Audit Plan for the next year. In summary, all recommendations and conclusions presented by the Audit Committee had been endorsed by the Policy Commission and were now being proposed to the Council for approval.
168. The Delegate of the RUSSIAN FEDERATION endorsed the work accomplished by the Audit Committee and congratulated Mr. Røse on his personal achievements and his engagement in the audit-related work, always striving to assign the appropriate level of priority to the various issues under discussion. The Russian Federation endorsed the Audit Plan for the coming year. The Delegate drew the attention of the Council to the work being undertaken by the Audit Committee to develop a model Memorandum of Understanding (MoU) for MoUs to be concluded in the future between the WCO and other international organizations.
169. Speaking as Vice-Chair for the Europe region, the Delegate of the Russian Federation endorsed Mr. Røse's candidature for another year as Chairperson of the Audit Committee.
170. There being no other comments, the CHAIRPERSON concluded the discussions and, at his invitation, the Council adopted :
- the external Audit on "The implementation of the WCO Communications Strategy and its impact on the WCO's international influence";
  - the internal Audit on "IT Security";
  - the Audit Plan for 2018/2019; and
  - the Report of the Audit Committee (Doc. SA0122).
171. Finally, the Council adopted as a whole the Reports on the Policy Commission's 78<sup>th</sup> and 79<sup>th</sup> Sessions.

## **6. ACCESSIONS TO THE WCO**

172. The CHAIRPERSON opened this Agenda item by indicating that following the statement he had proposed earlier in the Session concerning the status of the negotiations on “Accessions to the WCO”, he had received a written communication from the Kosovo Delegation, signed by the Director General of Kosovo Customs, reading as follows :

“Dear Chairperson Canon.

We would like to inform you that the instructions we have from the capital is that the Republic of Kosovo does not support the statement of the Chair. Kosovo is an independent and sovereign State and a full Member of the WCO. The statement of the Chair will not oblige Kosovo to any commitment and Kosovo will exercise fully its rights and obligations as a Member of the WCO.

We welcome the efforts the Chair has made to narrow the gap between all sides, but the statement is in violation of the Convention and, as such, it is unacceptable for Kosovo. We appreciate the support you have provided to us in the WCO. We will inform you also about the moment Kosovo will submit the instruments of accession to the WCO Conventions.

It is in the best interest of Kosovo for this Organization to function in a good manner and return to good governance. Kosovo will defend its rights as a full Member of the WCO and is ready to work with all Member States to contribute to the return to Customs affairs. Kosovo is ready to play its role, but only in respect to the Convention. Sincerely yours, Bahri Berisha, DG of Kosovo Customs.”.

173. The Chairperson said that as a result of this written communication, the proposed statement he had read out earlier in the Session was no longer applicable. He would now reiterate the Terms of Reference of the Working Group on Accessions to the WCO, which read as follows :

“The Council approves the establishment of a Working Group as agreed at the July 2017 Council Sessions to look at the matter of Accessions to the WCO, in the frame of a constructive approach.

According to the principle of fair geographical representation, each region will appoint two Members. These Members will provide experts for the Working Group, acting in their national capacity.

The Working Group will choose its Chairperson by drawing lots. At the beginning of each meeting, the Working Group will draw lots to decide on its Chairperson. No Member shall occupy the Chair for a second time until each Member has occupied the Chair.

The Working Group will discuss the issue of accession to the WCO taking fully into account the decisions of the Council.

Upon completion of its work, the Working Group will submit a report approved by consensus to the Council.”.

174. The Chairperson said he was proposing these Terms of Reference to the Council for approval. He added that he had now received the names of the two

Members appointed by each region, namely : for Asia/Pacific, China and India; for Europe, Russian Federation and United Kingdom; for the Americas and the Caribbean, Brazil and the United States; for East and Southern Africa, Angola and Zimbabwe; for West and Central Africa, Nigeria and Sao Tome and Principe; and for North of Africa, Near and Middle East, Egypt and Saudi Arabia.

175. The Delegate of the EUROPEAN UNION said that the European Union and its Member States continued to support the establishment of the Working Group as proposed by the Council Chairperson the previous December, and also supported the nomination of the United Kingdom and Russia as the Europe region's representatives on the Working Group. He said it was very important to get the Working Group "up and running", and allow the WCO to continue working on the very important business it had before it.
176. The Delegate of the RUSSIAN FEDERATION thanked the Chairperson for his efforts, adding that, in general, her country supported the Terms of Reference that the Chairperson had read out. Taking into account the Council's decision to create such a Working Group, and in line with previous statements by the Russian Federation, she said that in order for the Working Party's work to be fruitful, decisions were needed on the following issues. Firstly, it should be clearly shown in WCO documents that the status of Kosovo in the Organization was not clear. A note indicating that the status of Kosovo would be clarified on the basis of the Working Group's results might be helpful in this regard. Secondly, there was a need to clearly reflect the fact that until such time as its status in the WCO was clarified, Kosovo would not present its contributions, and the Secretariat would not accept such contributions. Unless these two issues were resolved, constructive work by the Working Group would not be possible.
177. The Delegate of the Russian Federation then said she wished to draw attention to a situation on the previous day of the Session, when the Council's Rules of Procedures had been violated. A group of countries had prepared a brief joint statement on this precedent, which she read out on behalf of the countries concerned. The statement read as follows :

"Dear Mr. Chairman.

On behalf of a group of Member States of the WCO, *inter alia* the Republic of Argentina, the Republic of Azerbaijan, the Republic of Belarus, the Republic of Brazil, the Kingdom of Cambodia, the People's Republic of China, the Democratic Republic of Congo, the Republic of Cuba, the Republic of Kyrgyzstan, the Russian Federation, the Republic of Serbia, the Republic of Sierra Leone, the Democratic Socialist Republic of Sri Lanka and the Syrian Arab Republic, we would like to draw your attention to the following matter.

We were surprised by the fact that, during the current WCO Council Session, so-called "Kosovo", whose status in the WCO is unclear, was given the floor. At the same time, some of the Member States were not given the possibility to intervene and react to it.

According to the Rules of Procedure of the Council, only Member States or observers can be given the floor.

Therefore, we believe that giving the floor to so-called "Kosovo" is an unprecedented violation of the Rules of Procedure. We underline that there have been no such violations before and that we do not accept that it creates a precedent. Also, we believe that it undermines the huge efforts made by you as a Chairman in order to

unblock the situation in the WCO caused by the "Kosovo" issue. We are concerned that such a development can negatively influence the result of our work in this regard.

We request you, Mr. Chairman, and the Secretariat to disseminate this Joint Statement among the Member States and to attach it to the Minutes of the 132<sup>nd</sup> Session of the WCO Council."

178. The delegate added that some other delegations also subscribed to this statement, but for certain reasons they did not want their countries to be named. She said Armenia also believed that the situation on the previous day, when Members had not been given the possibility to react to Kosovo's being given the floor, was unacceptable.
179. The Delegate of BRAZIL began by thanking the Chairperson for the considerable efforts he was making to mediate, and to try and find a constructive and acceptable solution for all parties; he could count on Brazil's support in this process. Brazil still supported the Chairperson's proposed statement. The delegate said it was highly regrettable that the WCO found itself in this situation. Brazil's position had not changed - it supported the creation of the Working Group, with the Terms of Reference read out by the Chairperson.
180. The Delegate of INDIA said that his country welcomed the formation of the Working Group, and looked to the Working Group for a lasting solution. However, his delegation had noted that during the current Council Session Kosovo, whose position and status in the WCO was a little unclear, had been given the floor. According to the Council's Rules of Procedure only a Member State or an observer could be given the floor, and therefore India believed that the intervention by so-called "Kosovo", and the fact that it had been given the floor, constituted an unprecedented violation of the Rules of Procedure. In line with the sentiments expressed, India was concerned that such a development could negatively influence the working of the Council, and strongly objected to this violation.
181. The CHAIRPERSON said he acknowledged the need for him to respond to the various interventions concerning precedent. Obviously the Council was split, with some Members not recognizing Kosovo as a Member, while others did recognize Kosovo as a full Member. So, he had judged it unfair to let some Members make statements on Kosovo without giving Kosovo what he felt was its right to respond. The same applied now : Kosovo was requesting the floor, and he would again give Kosovo the floor.
182. The Delegate of KOSOVO thanked the Chairperson for his efforts to make compromises on all sides; however, as had been indicated officially earlier in the day, Kosovo considered that the compromise proposed was not in line with the Convention. On that basis, he reiterated that Kosovo was a Member of the WCO, it had acceded to the Convention and, as a full Member, it would exercise all of its rights and obligations under the Convention.
183. The Delegate of BELARUS also thanked the Chairperson for his efforts to solve the situation and make it possible for the Council to advance. Unfortunately, this had not been achieved, and he wished to reconfirm his country's support for the joint statement read out by the Delegate of the Russian Federation.

184. The Delegate of GEORGIA said he was sure that all delegations would like to move on to Customs issues, but unfortunately these political matters had to be discussed again. Respecting the principle of equal rights for all Member administrations, Georgia was deeply concerned that the interventions by so-called "Kosovo" during the Council Sessions had accentuated the sentiments of the Members concerned, while politicizing the Council Session again. His Administration supported a constructive approach, and firmly believed that it should be left to the Working Group to finalize this sensitive issue, bearing in mind the Member-driven spirit of the World Customs Organization. There was an understanding that the Working Group had been created for this purpose, i.e. to solve the political issues while allowing the Council to concentrate on its real work. While Georgia understood the Chairperson's position and acknowledged his very positive role, in its view the interventions by so-called "Kosovo", along with the fact that it had been given the floor, constituted a violation of the Rules of Procedure and undermined the huge efforts made by the Chairperson to unblock the situation caused by the Kosovo issue.
185. The Delegate of ARGENTINA said his country agreed with the proposed statement by the Chairperson. He also thanked the Chairperson for the efforts he had made to achieve a constructive solution. The remarks made and statement read out by the Russian Federation reflected the views of Argentina. A Working Group should be set up, and the commitment of all Members was needed to multiply the chances of success for the Working Group. A decision from the Council was clearly needed on this point.
186. The Delegate of ANTIGUA AND BARBUDA joined previous speakers in thanking the Chairperson for his efforts to resolve the matter. In his view, this kind of debate was unwarranted while the Working Group was being constituted and its deliberations had yet to bear fruit. At the same time, he wished to draw the attention of the Working Group Members to the fact that out of 193 United Nations Members, 113 had recognized Kosovo as a sovereign State; this fact should be noted when discussing the issue. It was very unfair to say that any persons present should be denied the opportunity to express their feelings, and this was a disproportionate reaction given that a consultation mechanism, in the form of a Working Group, had already been put in place. The Group was going to study the matter and come up with final recommendations for a lasting solution; he urged all Members to remain patient and await the Working Group's report, which hopefully could be expected soon.
187. The Delegate of CHILE welcomed the efforts of the Chairman to resolve this issue, adding that Chile supported the creation of a Working Group, as well as the Terms of Reference proposed. Chile found the intransigence displayed today to be regrettable and supported the joint statement read out by the Delegate of the Russian Federation; he requested that Chile's name be added to that statement.
188. The Delegate of CHINA said she was puzzled by the manner in which the Council and the WCO were operating in respect of this issue, especially given recent references to good governance. The Chairperson had mentioned the importance of fairness in the Council, and she wondered in what sense it could be considered fair for a legitimate Member of the Organization to be deprived of the right to speak. She had been attending Council Sessions for a number of years, and the current situation was not familiar to her. Was the WCO still an Organization operated "for the Members, by the Members and from the Members", as had previously been the case? Also, the delegate said she had not fully understood the Chairperson's opening remarks about the statement he had made on the previous day, and she asked him to explain the current status of that initial statement in the light of the communication from Kosovo's

Director General of Customs which he had read out earlier.

189. The Delegate of China went on to say that because there had been no consensus on a particular application for membership, and the WCO was an Organization which operated by consensus, the decision had been taken to establish a Working Group to settle the issue. This meant that the application was still pending, and she did not understand why the Chairperson had assumed it to be a fact. She agreed with previous speakers that the points raised should be addressed by the Working Group, and reiterated her comment that this situation revealed a need for more work in the area of good governance in the WCO in general. Having worked in the international field for more than 20 years, she cared very deeply about the WCO and it was important to her that the Organization be managed properly. She always looked forward to Council Sessions, when Customs came together as a family, but today the atmosphere in the meeting room seemed different and this was truly regrettable. She asked the Chairperson for an explanation of the way in which this meeting was being conducted, particularly where the concept of fairness was concerned.
190. The Delegate of AZERBAIJAN said that his delegation adhered to the position it had stated during the Europe region's meeting. The norms of international law were being contradicted, and it was important to stress that when this issue was raised at the 119<sup>th</sup>/120<sup>th</sup> Council Sessions in 2012, his delegation had advised that it should not be discussed further. Taking into account the activities of the WCO, Azerbaijan did not believe it was acceptable to discuss such issues in the Organization, because they went beyond its competence. The Council should continue to discuss technical issues, and in general Azerbaijan supported the creation of the Working Group on Accessions to the WCO.
191. The Delegate of SERBIA began by thanking the Chairperson for his efforts to find a solution. He welcomed the decisions made at previous Sessions regarding the establishment of the Working Group to deal with this matter, and its Terms of Reference. At the same time, Serbia regretted that a non-Member, i.e. a party which should not be present in the room and should not be allowed to speak, was being permitted to do so. It was not a Member, and as far as Serbia was concerned no Member's contribution should be assigned to it. It was an entity which was part of Serbia under UN administration. Those present in the meeting included representatives of countries which were on the UN Security Council, as well as Members of the UN, and they knew that Security Council Resolutions were binding on everyone, irrespective of what the normative documents might say. He added that listing an entity of Serbia in the Annual Report was unacceptable, as was any reference to that entity in other WCO Reports, or in any list of contributors to the Organization. Serbia wanted all such references to be deleted.
192. The Delegate of CUBA recalled that Cuba was a signatory to the statement read out by the Russian Federation, and said Cuba supported the establishment of the Working Group and its Terms of Reference. He found it regrettable that issues which had been discussed at length during the Council Sessions in July 2017 were being revisited because certain delegations had breached the agreements reached at that time; it was unfortunate that more time was not being spent discussing important technical Customs issues.
193. The Delegate of the UNITED STATES expressed his appreciation for the Chairperson's efforts, and said he generally supported the creation of the Working Group, based on the Terms of Reference as agreed in December 2017. However, the

United States had agreed to the establishment of the Working Group on the understanding that all current Members would be able to exercise their rights and privileges within the confines of that Group. With regard to the status of Kosovo, the delegate reiterated the United States' view that Kosovo's accession was fully consistent with Article XVIII of the Convention. Furthermore, good governance had been mentioned a number of times and was a principle to which all Members subscribed, along with the Rules of Procedure, and it was important to note that the procedures outlined in the Convention with regard to new Members, which had served the Organization well for decades, had been followed by Kosovo. When similar issues regarding new Members had arisen in the past, Members had been able to separate their choices regarding bilateral relations from questions regarding membership. He expressed the hope that Members could reach a constructive solution that would ensure a renewed focus on technical matters.

194. The Delegate of ICELAND expressed her regret that a compromise had not been reached on this issue, while noting that at the previous Policy Commission session her delegation had expressed doubts about the viability of the proposed solution. Iceland considered Kosovo to be a full Member of the WCO, and wished to reaffirm that Kosovo should of course be permitted to take the floor in any WCO forum, like any other Member.
195. The Delegate of ALBANIA thanked the Chairperson for his work; although the initial statement he had prepared represented a bad compromise from her perspective, it was an attempt at reaching a compromise nonetheless. She said she had read the Convention several times, and had concluded that it did not foresee any circumstance whereby the Council could deprive a Member of the right to vote, with the exception of Members who neglected to pay their contributions - and Kosovo had paid. Article XVIII of the Convention was rather straightforward and brief, but it left no doubt as to its meaning; it did not envisage any screening procedure with respect to new Members, as had become clear during the 2012 Council Sessions. There was no mention of the accession of a Member being put to a vote, nor of any possible negotiations. Three Members - Palestine in 2015, and Somalia and South Sudan in 2012 - had joined the Organization despite the fact that they were not recognized by every Member present, and there had been no discussion on a possible vote to determine their status. She said that one of the most inclusive and straightforward definitions of democracy was 'a system of the people, run by the people, for the people', and that the right to vote was a fundamental right; no country or organization had the right to deprive Kosovo of this right.
196. The delegate went on to say that it was important to preserve the integrity of the Convention and endeavour to prevail against the emotional decisions of a few Members which opposed the accession of Kosovo. At the previous Council Session the floor had been given several times to Russia and Serbia. If this were to continue, and statements were modified, she would request the floor every time Serbia and other countries raised the issue of Kosovo's membership within the Organization. The Delegate of Serbia had mentioned several times that the decisions of the Organization's supreme body, the Council, had to be respected and implemented, but the decision on whether or not Kosovo could vote, which had been taken at the July 2017 Council Sessions, was totally illegal and had been contested by the Secretary General before voting had taken place.
197. The Delegate of Albania then referred to the decision taken, and the conclusion reached, during the 2012 Council Sessions, which had been controversial. When Serbia had spoken about governance during the previous Council Session, it had

disregarded the opinions of other Members such as the United States, the United Kingdom, Australia, Sweden, Switzerland, France, Belgium, Turkey, Iceland, Germany, Austria, Finland, Canada, New Zealand, Italy, Saudi Arabia, Bahrain, United Arab Emirates and others. These Members had on multiple occasions emphasized their view that Kosovo's membership of the WCO was fully compliant with the conditions stipulated in the Convention.

198. She went on to refer to the Europe Region's Heads of Customs Conference which had taken place in April 2018 in Sochi. Kosovo had not been invited to the Conference despite the protestations of more than 25 Directors General from the region. The Vice-Chair for Europe had claimed that these objections were not official because they had been sent by e-mail, which seemed contradictory considering that nowadays the majority of communication took place via e-mail. The delegate remarked that this situation had been greeted by silence from the Chairperson and from the Secretariat, as well as during the Conference. In conclusion, the delegate referred to the opinion expressed by Mr. Jan Klabbers, a Professor with the University of Helsinki, who had concluded that Kosovo had legally acceded to the WCO on 25 January 2017, and should be considered as a full Member with effect from that date. The substantive and procedural requirements for accession laid down in the Convention had been met.
199. The Delegate of NORWAY said that Norway recognized Kosovo as a fellow Member of the WCO, with full rights to speak and to vote. He expressed his appreciation of the Chair's efforts to handle this issue, and his support for a solution-oriented approach. He supported the establishment of the Working Group with the Terms of Reference as proposed, which he considered to be the only way forward.
200. The Delegate of COSTA RICA also expressed his gratitude to the Chairperson, and acknowledged that not all Members recognized Kosovo as a State. However, Costa Rica did recognize Kosovo as a State and thus considered it to be a full Member of the WCO, particularly as it had complied with all the criteria laid down in the Convention. As a fully paid-up Member, Kosovo should have the right to vote. The delegate also expressed support for the creation of the Working Group on future accessions.
201. The Delegate of SWITZERLAND also agreed with the creation of the Working Group and the Terms of Reference as proposed. Switzerland believed that Kosovo was a Member of the WCO, with the same rights as any other Member, including the right to participate and the right to vote. The delegate considered that further discussion on this would not be constructive and would go against the objectives of the WCO; he felt it would be more appropriate to focus on important Customs-related issues. On 15 December 2017 Switzerland had made a declaration regarding its position, which remained unchanged.
202. The Delegate of SERBIA recalled the events of the July 2017 Council Sessions, at which two decisions had been adopted. The first related to stripping so-called "Kosovo" of its voting rights, and agreeing to continue the debate on its status. Additionally, it had been agreed that the Agenda item related to so-called "Kosovo" should be merged with the item on future accessions, to ensure a harmonized approach to the accession issue at the WCO. The second decision reached during the July 2017 Council Sessions concerned the establishment of a Working Group with a mandate to review criteria and procedures for WCO accessions, including the issue of so-called "Kosovo". The Working Group had been requested to submit its proposals to the Council for adoption. This Working Group constituted the only appropriate mechanism to decide upon the status, if any, of so-called "Kosovo", which was subject

to a valid and binding Security Council Resolution, i.e. Resolution No. 1244. The delegate said that Kosovo was under the interim administration of the UN, however it remained under the territorial integrity and sovereign entity of the Republic of Serbia. He emphasized the importance of not forgetting certain facts, and if the debate continued he would reserve the right to respond to each and every statement concerning the status of Kosovo. The delegate reiterated his position that Kosovo was not a Member; therefore it should not be represented at Council Sessions, nor should it be listed in the working documents. There were valid decisions on this from both the Council and the UN Security Council, and they should be respected. The delegate urged Members to refrain from taking independent decisions in this respect.

203. The Delegate of the RUSSIAN FEDERATION said she was obliged to react to the unprecedented behaviour demonstrated by certain delegates, who should refrain from repeatedly mentioning the names of other States in a hostile manner in their interventions; this was unhelpful, and was not permissible in the context of an international organization.
204. The Delegate of TURKEY expressed her appreciation for the efforts made by the Chairperson, and her support for the establishment of the Working Group. Turkey's position was clear, and indeed had been clearly stated at the Council Sessions in July and December 2017. All Members were bound by the existing Convention establishing the Customs Co-operation Council; the provisions of the Convention were very clear with respect to accession and membership, and they should be adhered to.
205. The Delegate of GERMANY expressed appreciation for the work of the Chairperson, and support for the establishment of the Working Group as well as the Terms of Reference. He reiterated his country's position with respect to Kosovo, which was that, as all the rules had been followed, Kosovo should be regarded as a full Member of the WCO. The decision taken in 2017 was the result of an illegal vote, and consequently it could not be considered binding.
206. The Delegate of OMAN said his country believed that Kosovo was a full Member of the Organization, as the accession procedure had been followed correctly. Oman supported the establishment of the Working Group on future accessions.
207. The Delegate of the UNITED KINGDOM joined previous speakers in thanking the Chairperson and complimenting him for the work he had done, not only during the current Policy Commission and Council sessions but also since December 2017, in trying to find a compromise solution to this very difficult and complex issue. He expressed his support for the establishment of the Working Group, under the Terms of Reference read out by the Chairperson at the start of the discussion. The United Kingdom's position, which had been stated previously, was that Kosovo was a full Member of the WCO and the Depositary had acted completely properly and rightly, breaching no international conventions, in accepting Kosovo's Instrument of Accession. At the same time, he acknowledged that other Members strongly disagreed with that stance. The issue had given rise to passionate debate, and emotions were running high because all Members saw themselves as being part of a Customs family, and once again the family was being disrupted by a discussion that ought to be taking place not in the WCO, but in a different forum. The delegate remarked that breaking a complex issue down was sometimes a means of arriving at a compromise; on that basis, if the Working Group could be established now without any conditions being placed upon its work, this would be a starting-point, and perhaps it would offer some hope of a final resolution of this issue.

208. The Delegate of KOSOVO took the floor to remind certain countries that Kosovo's accession had been fully in line with the Brussels Convention of 1950. He wished to reiterate, as previously mentioned by certain colleagues, that Kosovo was recognized by 116 United Nations Member States and he urged delegations to read the opinion on Kosovo's independence issued by the International Court of Justice.
209. The Delegate of CYPRUS thanked the Chairperson for his efforts to break the deadlock and find ways out of this very difficult situation. He also appreciated the Chairperson's constructive manner and suggestions, which were a step in the right direction towards finding a compromise and moving forward. The delegate supported the creation of the Working Group under the suggested Terms of Reference, while additionally supporting the Chairperson's initial statement. He believed that the latter struck a very delicate balance by giving some breathing space to all Members of the Organization, so that they could put aside this political issue or place it within the framework of the Working Group and continue working and focusing on the most important core issues of the Organization, namely the technical matters. In terms of its position on Kosovo, Cyprus had submitted a national declaration at the previous Session and had also clearly articulated its position in the Note Verbale dated 16 March 2017. The position of Cyprus on the status of Kosovo was in accordance with the generally applicable rules and principles of international law and in conformity with UN Security Council Resolution 1244 of 1999 as well as with the International Court of Justice's opinion. Cyprus consequently felt that there was a need to move forward with the creation of the Working Group, so that the Council could concentrate on all the other issues covered by the Organization.
210. The Delegate of FRANCE expressed his gratitude to the Chairperson for the substantial effort made. He stated France's support for the setting up of a Working Group, as suggested, to try and break the deadlock caused by this inextricable situation. He underlined the fact that France's position had not changed; it recognized Kosovo as a fully-fledged State. From a personal perspective, he did not feel that he was in a meeting of a Customs organization, given the nature of the discussion. He therefore voiced his support for the United Kingdom's proposal. In his view, delegations should endeavour to make progress on technical matters at the Council Session and leave it to the Working Group to try to resolve this issue.
211. The Delegate of SWEDEN also expressed support for the establishment of the Working Group and its Terms of Reference, and endorsed what had just been stated by the United Kingdom and France.
212. The Delegate of SLOVAKIA joined with the other delegates in thanking the Chairperson for all the hard work done by him and his predecessor to reach a compromise that would be acceptable to all sides, and which would enable the Organization to continue with its work. He expressed sympathy for the difficulties faced by the Chairperson, stressing that a compromise had to be sought and that there was a need to show patience. Although Slovakia's position on Kosovo was well known, his country still respected differing views. It therefore fully supported the establishment of the Working Group on Accessions to the WCO and encouraged other Members to support that Group. Slovakia cared about the Organization, and the Working Group was the best and probably only way to move towards finding a solution and to avoid jeopardizing the work of the Organization.

213. The Delegate of CROATIA expressed his country's view that the Republic of Kosovo was a Member State of the WCO with full rights and obligations, and that Kosovo should not be an issue in future discussions. Croatia was, nevertheless, open to discussions on the rules for future accessions.
214. The Delegate of INDONESIA thanked the Chairperson for his tireless efforts to reach a resolution on this issue. His country's position was clear, namely that the accession of a new Member must be decided on by the WCO Council. In this regard, Indonesia fully supported the establishment of the Working Group as mandated by the Council at its Session in December 2017. Having said that, Indonesia urged the meeting to accelerate the establishment of the Working Group based on the Terms of Reference already read out by the Chairperson. In Indonesia's opinion, this was the best and only way to decide on this accession issue without obstructing the work of the Organization, as it did not wish to have a further prolonged debate on this matter.
215. The Delegate of SERBIA said that it was important to remember that States were recognized bilaterally and that international organizations did not recognize States. He felt that the normative documents of a convention or legal treaty giving entities the right of membership of an organization should not be misused in order to promote disputed statuses and, in this particular case, to have an entity which was under the trusteeship of the UN become part of the Organization. He emphasized that for the sake of the Organization's future, the right way to sort out such issues, including the disputed status of Kosovo, was the Working Group on Accessions to the WCO. For that reason, while respecting the Chairperson's work and giving it his full support, Serbia still felt that an entity such as Kosovo should not be part of the Organization, and should consequently not be sitting, voting or speaking in this forum.
216. The Delegate of BELGIUM expressed his gratitude to the Chairperson for his efforts to reach a solution. Belgium supported the establishment of a Working Group and, in relation to Kosovo's membership, shared the position already stated by the United States and the United Kingdom. He then quoted from the Roman Emperor Marcus Aurelius, "What you do in life echoes in eternity". He hoped that this discussion would not, however, echo in eternity as he was sad, hurt, angry and disappointed with it. This discussion had to stop, as Directors General from all over the world did not come to the WCO to discuss politics. Given the many challenges facing the Customs community, he no longer wished to waste any more time on politics. If this discussion were to continue, he would reluctantly take a step back from it.
217. The CHAIRPERSON then took the floor to respond to the statements made, which he fully respected. Referring to a delegate who had spoken about a solution acceptable to both sides, he regretted having to say that such a solution had not been reached since no compromise had been struck. This meant that the Council was entering dangerous territory, especially for him in his capacity as Chairperson as he had to make judgment calls as to what was fair or unfair. Nonetheless, that was his right as he had been given the responsibility for steering this Council to a safe outcome. Members might agree or disagree with his judgment calls and sometimes he had to take very unpopular decisions, such as curtailing the discussions, for the sake of unity and to prevent responses to other interventions from deepening the divide within the Organization.
218. He went on to say that it would be wonderful if the Organization could reach a solution by having two-thirds of the votes on one or other side of the argument. However, both sides knew that neither had that proportion of the votes and they could not, therefore, ignore the reality of the situation or the fact that there were other

opinions in the meeting room. Indeed, opinions were split more or less down the middle. If he had thought that the easiest solution was to put the matter to a vote, then he would have been the first to choose that option; he knew, nevertheless, that it would not be that simple. He apologized if he had offended anyone by curtailing the discussions, though his sole concern in so doing was the Organization which meant a great deal to many people, to trade and to the economy.

219. Turning to the comment by the Delegate of China regarding the statement which he had read out on the first day of the Council Session, the Chairperson explained that it was a statement of compromise. Sadly, that statement was no longer valid as no compromise had been reached and Members had to face the fact that, as a result, decisions would be taken now and in the future that would cause hurt within the Organization. Some of those decisions would be taken by him, and he would be judged upon them when the Council voted to elect the next Chairperson. He brought his comments to a close by indicating that the main area on which consensus appeared to have been reached was the issue of the Working Group, its Terms of Reference, and the immediate constitution of the Working Group with the composition as proposed. Almost every intervention had seemed to be in agreement with this approach. In the absence of any further interventions by delegates, he therefore declared that the Council approved the Terms of Reference for the Working Group.

## **7. TECHNICAL MATTERS**

### **(a) Tariff and Trade Affairs**

#### **(i) Nomenclature and Classification**

220. The DIRECTOR, TARIFF AND TRADE AFFAIRS, noted that this was a milestone year for the Harmonized System (HS) which had celebrated its 30<sup>th</sup> Anniversary in January 2018. He indicated that it would be an appropriate time for a review of the achievements over the last 30 years, as well as for reflection on future challenges that lay ahead. He informed the Council of the initiatives taken by the Secretariat to commemorate the 30<sup>th</sup> Anniversary of the HS, including the creation of a dedicated column on the WCO Website and the publication of a series of cover-story articles in the latest issue of the WCO News magazine, for which a digital edition had been made available.
221. In its first year in 1988, there had been 39 Contracting Parties to the HS Convention. Now, 30 years on, Vanuatu had just become the 157th Contracting Party. The HS was applied by 209 economies and had undergone five major revisions. Through 61 meetings, the HS Committee (HSC) had examined 4,224 Agenda items, prepared 10 WCO Council Recommendations, taken 2,555 classification decisions, and had adopted 906 Classification Opinions to ensure uniform classification around the globe.
222. On 1 January 2017, the latest version of the HS had entered into force and was currently being implemented by 117 out of the 157 Contracting Parties, with 5 further Contracting Parties indicating that they would implement the HS 2017 before the end of 2018. However, he noted that Contracting Parties had a legal obligation to implement the latest version of the HS and encouraged the remaining Contracting Parties to act with due diligence. He announced the recent launch of the mobile App e-learning course on the HS 2017, which was the first of its kind for the WCO, and

expressed his appreciation to the Secretariat's Capacity Building Directorate for its leadership on this project.

223. Further, the Director noted that the work for the HS 2022 was nearing an end, with only one Review Sub-Committee (RSC) session remaining before the proposed amendments were sent to the HSC and then to the Council in 2019.
224. With regard to the HSC's 60<sup>th</sup> Session, held in October 2017, the Director noted that 51 classification decisions had been made, and 18 amendments to the Explanatory Notes and 25 Classification Opinions adopted. There were six reservations from that session. With regard to the HSC's 61<sup>st</sup> Session, held in March 2018, 42 classification decisions had been taken on issues raised by Members, as well as 237 classification decisions on INN products. Twelve amendments to the Nomenclature had been provisionally adopted while 11 amendments to the Explanatory Notes and 36 Classification Opinions had been adopted. There were five reservations from this session.
225. He informed the Council that Ms. Lu Gan (China) had been elected Chairperson of the HSC, Ms. U. Larsson (Sweden) had been elected Chairperson of the HS Review Sub-Committee, and Mr. L. Callaghan (Canada) had been re-elected Chair of the HS Working Party.
226. With regard to the activities of the Nomenclature Sub-Directorate during the past year, the Director informed the Council that it had conducted 16 national seminars, 9 regional seminars, and given presentations to 13 organizations and groups. The topics included the HS 2017 amendments, Advance Rulings, classification infrastructure, Customs laboratories and the accreditation of experts. Additionally, 106 requests for classification advice from the Secretariat had been issued.
227. The CHAIRPERSON OF THE HARMONIZED SYSTEM COMMITTEE, Mr. S.-C. Kim (Republic of Korea), noted the special commemorative session for the celebration of the 30<sup>th</sup> Anniversary of the HS at the Committee's session in March 2018. He also noted that, over the last two sessions of the HSC, 93 classification decisions had been taken with 11 reservations being entered in respect of those decisions. Among those reservations, some had utilized the "fast-track" procedure to refer them directly back to the Committee at its 61<sup>st</sup> Session or to the upcoming 62<sup>nd</sup> Session. However, there were five reservations submitted to the Council for referral back to the HSC for reconsideration. He invited those Administrations to make their requests for referral by the Council back to the Committee for re-examination, in accordance with Rule 20 of the HSC Rules of Procedure.
228. He noted that the end of the Review Cycle for the HS 2022 was approaching. Many of the amendments to the Nomenclature that were being discussed involved environmental protection and advancements in technology. There was only one session of the RSC and two sessions of the HSC remaining. The Council would receive all of the provisionally adopted amendments from the HSC at its next Sessions in 2019. Finally, he invited the Council to approve the Reports of the 60<sup>th</sup> and 61<sup>st</sup> Sessions of the HSC.
229. The following delegates took the floor to request that reservations which had been entered by their Administrations be referred back to the next session of the HSC for re-examination :

- The European Union, on the classification of an “emergency kit for motor vehicles” in heading 85.44 (subheading 8544.42) and a “DJI PHANTOM 4 PRO+ Quadrocopter” in heading 88.02 (subheading 8802.11);
- Saudi Arabia, on the classification of a “tobacco product called ‘EHTP’” in heading 24.03 (subheading 2403.99);
- Japan, on the classification of “three products presented by the Russian Federation at the 31<sup>st</sup> Session of the Scientific Sub-Committee” in heading 27.10 (subheading 2710.12 for Product 1 and subheading 2710.19 for Products 2 and 3); and
- The United States requested the Council to refer the decision of the HSC to classify four different hub unit bearings in heading 87.08 (subheading 8708.50) back to the HSC for re-examination. Specifically, the United States requested re-examination of the classification of Products A, B, D and F. In addition, the United States requested re-examination of the legal basis for the classification of Product E.

230. With regard to the Council Recommendation of 6 July 2017 regarding the Amendment to Article 8 of the HS Convention to limit the number of reservations in respect of HS decisions to two, the Director noted that an objection had been entered by Saudi Arabia in accordance with Article 16.2 of the HS Convention.

231. The Delegate of SAUDI ARABIA remarked that, while it understood the Secretariat’s efforts to speed up the HS decision-making process, his Administration had looked at the need for setting up an expert group on HS dispute settlement, including which countries should participate, whether there should be a standing committee and who should pay for the expense involved. Since the HSC expressed its view that there was no ideal solution for HS dispute settlement, his Administration would prefer to stick to the present procedure without amendment, until a better solution was found. He stressed that, while he could accept that the amended procedure would apply to future classification decisions, it should not apply retrospectively to pending decisions.

232. The Delegate of the RUSSIAN FEDERATION called on Members not to go back on the Council Recommendation already adopted at the Council Sessions in July 2017.

233. The DIRECTOR, TARIFF AND TRADE AFFAIRS, then invited the Council to re-adopt the Council Recommendation, reaffirming that the amended procedure would not apply to pending decisions.

234. In response, the Delegate of SAUDI ARABIA said that he would need to look at the text in writing and reflect further on this.

235. Later in the Session, the Delegate of Saudi Arabia stated that, after further consultation with the Secretariat, his Administration’s concerns were addressed and it agreed to the re-adoption of the Recommendation, subject to clear affirmation of certain parameters.

236. In closing, the CHAIRPERSON OF THE COUNCIL thanked the outgoing Chairs for their hard work and fruitful results and wished the incoming Chairs good luck in their upcoming endeavours.

237. Following these interventions and at the invitation of the Chairperson, the Council :

- adopted certain amendments to the Explanatory Notes for the correction of editorial errors;
- took note of the status of implementation of the HS 2017;
- re-adopted the Recommendation of 6 July 2017 concerning amendments to Article 8 of the HS Convention with a view to speeding up the decision-making process by limiting the number of reservations to two (2) after further affirming, in accordance with the Preamble to the Recommendation, that the limit of two re-examinations would not apply to any matters already under re-examination prior to the entry into force of the amended texts and bearing in mind the Recommendation of the Customs Co-operation Council on the application of Harmonized System Committee decisions (30 June 2001);
- referred the questions of the classification of the following products back to the Harmonized System Committee for re-examination :
  - “Tobacco product called ‘EHTP’” in heading 24.03 (subheading 2403.99);
  - “Three products presented by the Russian Federation at the 31<sup>st</sup> Session of the Scientific Sub-Committee” in heading 27.10 (subheading 2710.12 for Product 1 and subheading 2710.19 for Products 2 and 3);
  - “Emergency kit for motor vehicles” in heading 85.44 (subheading 8544.42);
  - “Hub Unit Bearings (wheel hubs)” in heading 87.08 (subheading 8708.50) for Products A, B, D and F and the legal basis established for the classification of Product E in heading 84.82; and
  - “DJI PHANTOM 4 PRO+ Quadcopter” in heading 88.02 (subheading 8802.11);
- approved the Reports of the 60<sup>th</sup> and 61<sup>st</sup> Sessions of the Harmonized System Committee; and
- took note of the various other HS-related developments which had taken place since the July 2017 Council Sessions.

**(ii) Valuation**

238. With respect to valuation-related work, the DIRECTOR, TARIFF AND TRADE AFFAIRS, noted that the Technical Committee on Customs Valuation (Technical Committee) had met twice during the past year for its 45<sup>th</sup> and 46<sup>th</sup> Sessions, and had adopted Case Study 14.2 concerning related party transactions. The Technical Committee had also launched a review of the working methods used to address technical questions, recognizing the need to reposition itself, 38 years after the introduction of the WTO Valuation Agreement, in order to take into account areas such as evolving business models in the global supply chain and e-commerce, as well as the growing capacity building needs of developing countries.

239. The Director also reported that ten capacity building activities had been conducted in relation to Customs valuation, including a joint WCO-OECD workshop on Customs valuation and transfer pricing for the Americas and Caribbean region, held in Bogota (Colombia), and a workshop on valuation fraud for the North of Africa, Near and Middle East region, held in Jordan.
240. The CHAIRPERSON OF THE TECHNICAL COMMITTEE ON CUSTOMS VALUATION, Mr. J. Birkhoff (Netherlands), advised that the newly-adopted Case Study 14.2 provided an example of Customs making use of transfer pricing information when examining the circumstances surrounding the sale in the context of related party transactions.
241. He referred to other technical questions currently under consideration by the Technical Committee concerning topics such as royalties and licence fees, submitted by Uruguay, and purchases via flash sales, submitted by Mauritius. He advised that the Technical Committee had decided to close discussions on a case study submitted by Ecuador as it was unable to reach consensus.
242. At the invitation of the CHAIRPERSON, the Council :
- approved the Reports of the 44<sup>th</sup> and 45<sup>th</sup> Sessions of the Technical Committee on Customs Valuation, contained in Docs. VT1098E1c and VT1117E1c respectively;
  - took note of the draft Report of the 46<sup>th</sup> Session of the Technical Committee on Customs Valuation, contained in Doc. VT1137E1a;
  - approved Case Study 14.2; and
  - took note of the various other valuation-related developments referred to in the Technical Committee Chairperson's written report.

**(iii) Origin**

243. Highlighting the origin-related work, the DIRECTOR, TARIFF AND TRADE AFFAIRS, reported that with the WTO Harmonization Work Programme on hold, the WCO had focused on its Action Plan on Preferential Rules of Origin to improve the understanding and application of preferential rules of origin, including updating of the Database of Preferential Trade Arrangements and the Comparative Study.
244. He then announced the launching of the ITC-WCO Rules of Origin Facilitator, a joint initiative between the International Trade Centre (ITC) and the WCO to increase transparency and knowledge in trade and to make the subject of rules of origin more easily accessible for Customs officers, companies, trade policy makers and trade institutions. The Facilitator contained specific information on duty rates and relevant origin requirements applicable to specific products under different regional trade agreements.
245. The Director also reported that the new WCO Practical Guide to the Nairobi Ministerial Decision on Rules of Origin for Least-Developed Countries (LDCs) was now published and freely available on the WCO Public Website. The Guide provided practical information to ensure that the LDCs benefit to the maximum extent possible

- from the Decision. The Secretariat would follow up with capacity building activities for the smooth implementation of the Nairobi Decision.
246. The Secretariat had also developed new e-learning modules in relation to origin, including modules on origin criteria, cumulation, origin certification, consignment criteria and origin verification.
247. The CHAIRPERSON OF THE TECHNICAL COMMITTEE ON RULES OF ORIGIN (TCRO), Ms. N. P. Umoh (Nigeria), highlighted that the TCRO and the WCO Secretariat had remained very proactive and responsive to the requests and needs from Members in relation to the management, understanding and application of preferential rules of origin. The activities of the TCRO and the Secretariat had greatly impacted on Member administrations, especially in the areas of regional integration and uniform application of rules of origin.
248. Back to back with the TCRO the WCO had organized a global workshop on origin with presentations and discussions on the WTO Nairobi Decision for LDCs, FTA utilization and origin procedures including certification and verification. The workshop had showed that there was still a great deal to be done to ensure a correct and streamlined application of the rules and procedures linked to origin - for the benefit of both Customs and the trading community.
249. The TCRO Chair emphasized that Members could count on continued support from the Secretariat to ensure the uniform application of rules of origin through workshops and technical assistance, as well as various guidelines developed under the Revenue Package.
250. She concluded by recalling that the WCO provided technical assistance, including on advance rulings which were part of the Trade Facilitation Agreement, and advised Members to implement the various WCO guidelines and tools related to origin.
251. Finally, she thanked the Members, the Director and the Secretariat for their continued support during her tenure.
252. The Delegate of GEORGIA congratulated the Secretariat on the tools developed in the area of origin, especially the Comparative Study and the Study on Origin Irregularities. He suggested to extend the survey to the private sector to learn about the challenges and irregularities encountered by economic operators. He also suggested to focus more on e-platforms for certificate-of-origin applications which would take away some of the requests for verification linked to the authenticity of the certificates.
253. The CHAIRPERSON OF THE COUNCIL thanked the Chairperson of the TCRO, the Secretariat and the Members for the good work accomplished.
254. At the invitation of the Chairperson, the Council :
- took note of the ongoing efforts in the negotiations for the harmonization of the Non-Preferential Rules of Origin;
  - took note of the work carried out by the WCO Secretariat in relation to the WCO Action Plan on Preferential Rules of Origin.

**(b) Compliance and Facilitation**

255. The DIRECTOR, COMPLIANCE AND FACILITATION, summarized the work which had been carried out by her Directorate and the Committees it served, namely the Enforcement Committee (EC) and the Permanent Technical Committee (PTC) during the financial year 2017/2018. The presentation also included the outcomes of the Policy item related to the Security Initiative. Before starting, she informed the Council that the Chairperson of the PTC, Mr. J.R. Van Kuik (The Netherlands) was present and would reinforce some outputs from his Committee. Unfortunately, the Chair of the EC, Mrs. A. Bradshaw (Australia), could not be present due to other parallel commitments.
256. The Director provided a detailed overview of the main topics dealt with by the Compliance and Enforcement Sub-Directorate in the preceding year, particularly the main outcomes of the 37<sup>th</sup> Session of the EC. She explained that work had continued to focus on the main high-risk areas as directed by the Policy Commission which had all been captured under the Compliance and Enforcement Package (CEP) and the future activities had been included in the new draft CEP Action Plan for 2018/2019.
257. The theme of the session had been “Customs enforcement : securing trade and travel” which reflected the increasingly important role played by the international Customs community in addressing cross-border security challenges, while safeguarding the interests of legitimate traders and travelers. As part of the cross-cutting issues, she informed delegates that a panel on Customs investigations capabilities had taken place which covered the results of the WCO COPES Programme. The risks related to the exploitation of cruise ships had also been addressed, as directed by the December 2017 session of the Policy Commission; a presentation given by New Zealand had included an overview of the global cruise industry, the future growth trend, the vulnerabilities of ports and cruise ships, jurisdictional challenges involved and the risks identified.
258. In the area of Cultural Heritage, the Director indicated that operational coordination, including the outcomes of the Global Customs-Police Operation Athena, had been at the centre of the discussions. The completion of a dedicated training curriculum had been mentioned and delegates had been invited to reflect on sustainable funding possibilities for providing assistance to Members in this very specialized field.
259. In terms of Customs-Police cooperation, she highlighted that the Handbook had been finalized jointly with INTERPOL and was now being widely promoted. She further commented that the EC had also addressed the topic of illicit financial flows, with particular focus on areas directly linked to core Customs enforcement responsibilities such as countering bulk cash smuggling and trade-based money laundering.
260. Turning to the Environment Programme, she noted the main developments in the WCO INAMA Project on combating illegal wildlife trade (IWT) and mentioned that the EC had endorsed several environment-oriented operations including Operation Demeter IV, which focused on illegal waste, as proposed by China Customs. With regard to the Drugs Programme, the Committee had endorsed the proposal presented on Project COLIBRI, targeting the movement of drugs through light aircraft aviation. Additionally, the Director highlighted discussions on flagship joint projects such as the Container Control Programme and AIRCOP. In the Revenue area, the Report of the Fourth Meeting of the Working Group on Revenue Compliance and Fraud had been approved, as well as an update on the tobacco-related operational activities and the

Global Trade Enforcement Network. Additionally, a revised version of the WCO PCA Guidelines had been endorsed.

261. With regard to the Security Programme, the Director indicated that all planned activities had been discussed and that Members were particularly invited to provide guidance for further development of the Small Arms and Light Weapons (SALW) strategy, including the relevant training materials and technical expertise available in this area. She noted the update on Programme Global Shield (PGS) and Operation Global Shield MENA, including the endorsement of the comprehensive list of commodities monitored under PGS, and welcomed Japan Customs' offer to provide the necessary financial support to expand PGS. An important panel session dedicated to airports in the 21<sup>st</sup> Century had been held, where, among other things, delegates had discussed the use of API and PNR in assessing passenger and cargo risks, and the benefits of new technologies such as biometrics and facial recognition to address security concerns. The EC had supported the proposal made by Japan on recommending the modification of the Terms of Reference of the API/PNR Contact Committee to allow more focus on enforcement aspects of its work and to report back those outcomes and developments to the EC.
262. This topic had also been discussed during the recent Policy Commission sessions, where delegates had expressed strong support for the WCO's work in the area of security. Some had provided details of the respective provisions and actions undertaken in their Administrations to address security risks, such as the smuggling of SALWs and illicit financial flows. One delegate had expressed his region's appreciation of the launch of the West and Central Africa Security Project. Delegates had also addressed the need to expand the work on passenger data beyond air controls and bring more focus to land movements and advance information on cruise ship passengers, for instance. In that regard, several delegates had considered the Global Travel Assessment System (GTAS) to be a good tool to support targeting activities and better assess passenger risks. She indicated that the Policy Commission had concluded by noting all of the developments in the different areas of work of the WCO Security Programme, and by agreeing on the establishment of a Brussels-based Attachés working group to further address the topic of cruise ship controls, to be led by New Zealand.
263. Turning to IPR and the health and safety area, the Director referred to the outcomes of the 14<sup>th</sup> Counterfeiting and Piracy Group Meeting, as well as the main operational and capacity building activities. She also noted the outcomes of discussions on the topic of environmentally safe storage and destruction of seized counterfeit goods. Finally, for the Intelligence, Risk Management and CEN Programmes, she highlighted the endorsed Rail Cargo Risk Indicators and Manuals and the Post Seizure Analysis Guidance. Members were encouraged to share cases of seizures in rail cargo, to be incorporated into the Manuals, as well as country experiences on post seizure analysis. She added that the 16<sup>th</sup> Report of the CENMaT Meeting as well as the Reports of the 22<sup>nd</sup> and 23<sup>rd</sup> Global RILO Meetings had been endorsed by the EC.
264. The Director then turned to the activities of the Procedures and Facilitation Sub-Directorate and the work of the Permanent Technical Committee (PTC). She highlighted some of the key topics that had been dealt with during the past financial year, such as e-commerce which was still very much in the focus, with the Working Group on E-Commerce mandate being extended for another year to make sure that all the outstanding deliverables were achieved. The Framework of Standards on Cross-Border E-Commerce and the accompanying Resolution had been approved by the

PTC, while the Immediate Release Guidelines had been revised to adapt to the changes brought about by cross-border e-commerce. In addition, a Work Plan had been agreed that provided detailed activities along with timelines for finalizing the outstanding items of work, such as the Data Elements, Technical Specifications, Definitions, Implementation Strategy, Capacity Building Mechanism, Pilots and Case Studies.

265. The Director explained that another area that remained in the focus was the WTO Agreement on Trade Facilitation (TFA) where the Sub-Directorate continued with the awareness-raising activities, including participation in WTO events and Annex D meetings. The WCO had taken part in the 11<sup>th</sup> WTO Ministerial Conference where it had supported, with a number of speakers, a joint event organized with the WTO, World Bank, UNCTAD and other Organizations. Moreover, and with the consensus of the WTO membership, the WCO had been invited and participated, for the first time, in the WTO Trade Facilitation Committee (TFC) Meeting and engaged more actively with Geneva-based delegates. The Sub-Directorate had organized two meetings of the TFA Working Group, one jointly with the PTC. In addition, the Sub-Directorate had continued to support the tailor-made track of the Mercator Programme through numerous missions. She referred to a number of tools developed in terms of supporting TFA implementation, such as the Guidelines on Customs Brokers, the FAQ document on the linkages between SAFE AEOs and Article 7.7 of the TFA, and others.
266. She then turned to the Future of Customs topic which was gaining momentum, especially with the exploration of disruptive technologies to the fore. At its meeting in October 2017, the PTC had held an extensive discussion on disruptive technologies, resulting in a list of recommendations and a decision to have a full day devoted to this topic at the April 2018 meeting. The PTC had also agreed to develop a Study Report on Disruptive Technologies, that would collate all the work already carried out under the Virtual Working Group on the Future of Customs (VWG FC), including papers developed by a number of its members, and to more broadly bring together relevant information from open sources, as well as outcomes of discussions under the PTC and other WCO working bodies and meetings. As a result, the April 2018 PTC had welcomed the first draft of the Study Report and the whole day devoted to this topic, both developments being particularly timely. The Study Report would be further elaborated with the stakeholders during the intersession and revisited at the PTC session in Spring 2019.
267. The Director elaborated on a number of other topics, some of which had also already been discussed under other items on the Agenda, such as the Revised Kyoto Convention (RKC) which would be reviewed in a comprehensive manner. Turning to the SAFE Framework of Standards, she explained that the 2018 edition of the SAFE and the SAFE Package were now available, together with a number of related tools adopted by the PTC such as the Handbook on Data Analysis, the Recommendation and the Guidelines on the Trader Identification Number, the MRA Strategy Guide including MRA Implementation Guidance, and others. In addition, the PTC had adopted the updated Integrated Supply Chain Management Guidelines.
268. The Director explained that Customs-Railway cooperation was a new topic on the PTC agenda, launched at the October 2017 meeting with the presence of a number of railway organizations such as the OSJD and OTIF, with which MoUs had recently been signed. This discussion had been leveraged at the April 2018 PTC session, and a Virtual Working Group formed, consisting of interested Members, which would share practical information and move this agenda forward.

269. In relation to the Time Release Study (TRS), the PTC had adopted Version 3.0 of the Guide; the key new features included : the monitoring and evaluation phase; the use of technological means for collecting time stamped data; and Members' experiences and initiatives. The new Version was very much responsive to the TFA requirement.
270. In the area of Special Customs Zones or Free Zones, the Secretariat had presented, at the April 2018 PTC session, the background and the content of a detailed project plan to examine the current situation and share experiences; this included an on-line survey, field studies and regional workshops. The aim was to develop a comprehensive paper that would contribute to the possible revision of an existing, or development of a new WCO tool on Special Customs Zones/Free Zones.
271. The Director also provided information on the Customs Revenue Benchmarking Database (CRBD), a proposal submitted by Switzerland, originally to the Fourth Meeting of the WCO Working Group on Revenue Compliance and Fraud, which had decided to bring the matter forward for discussion at the PTC for further guidance and consideration. The purpose of the planned CRBD was to create a transparent and easy-to-use global database of the tax revenue collected by Customs authorities. This database would be made available in full to WCO Members and potentially to the private sector, international organizations, universities and the media. The PTC had agreed to take the work forward, firstly by submitting a proposal to the Finance Committee, to be followed by submission to the Policy Commission and Council.
272. The Director also touched on a number of other topics including transit; natural disaster relief; cooperation with Posts where the WCO was developing Guidelines on the exchange of advance electronic data and the Guidelines on electronic data capture and improving compliance with CN22 and CN 23 declarations; the updated IT Guide for Executives; the updated Compendium on Coordinated Border Management; the work in the area of Customs-Tax cooperation, where guidance on Customs' role in the collection of indirect taxes on imported goods was being developed; and the commencement of a round of regional workshops on Single Window.
273. She then gave the floor to the outgoing CHAIRPERSON OF THE PERMANENT TECHNICAL COMMITTEE, Mr. J.R. Van Kuik, who reflected on the past three years and what the PTC had endeavoured to achieve. He recalled that the Council had, five years previously, asked the PTC to become more engaged in strategic discussions. He felt that the PTC had lived up to that expectation, as most of the items on the Council's agenda had previously been discussed at the PTC.
274. Another aspect Mr. Van Kuik touched upon was inclusiveness and how to involve all the relevant stakeholders in the discussions. At the last two PTC sessions, this had been achieved by organizing one-day thematic discussions, such as the ones on e-commerce and disruptive technologies.
275. Looking ahead, he expressed his expectation that the PTC would be working towards a future model of Customs, because a great deal of what this Committee did, went into that picture. In that connection, he expressed special thanks to the outgoing Vice-Chairperson of the PTC, Mr. M. Mathole, who had served as the moderator of the Virtual Working Group on the Future of Customs over the past three years.

276. Lastly, he congratulated the newly elected Chairperson, Mr. I. Saunders from the United States, and Vice-Chairperson, Ms. M. Khvedelidze from Georgia, and wished them all the best in their contribution to the PTC in the future.
277. Opening the discussions, the Delegate of PAKISTAN commended the activities of the WCO Security Programme and noted her Administration's strong involvement in these activities, including the Container Control Programme, Programme Global Shield and the STCE Programme. She stated that new challenges needed to be addressed by the international Customs community, such as e-commerce, the increasing need for an enhanced coordinated border management, and the importance of data analytics.
278. The Delegate of COLOMBIA expressed the need to address the topic of information exchange, particularly in the context of combating undervaluation, in the relevant WCO working bodies. She referred to the importance of including prosecutors in the coordinated border management strategy due to their leading role in ensuring the successful prosecution of crimes such as smuggling and money laundering.
279. The Delegate of UGANDA expressed his appreciation for all the work to date and indicated that many of the activities had been implemented in his region. He highlighted that the INAMA Project and the Container Control Programme had led to the improvement of profiling capabilities in the field of narcotics and CITES prohibitions. He stressed the importance of wildlife conservation, for which his country had developed interagency cooperation frameworks at the highest level with the Police and wildlife and other authorities to combat wildlife crimes. He highlighted challenges related to destruction and disposal of seized objects, including the need for increased capacity building in this regard, as well as evidence collection and other means to ensure successful prosecutions.
280. The Delegate of MALDIVES thanked the WCO for making the Global Travel Assessment System (GTAS) available to Members. His country had implemented GTAS and considered it to be a very effective tool, adding that, in order to maximize the benefits from GTAS, additional training for Customs staff in passenger targeting techniques was required. He also highlighted the importance of addressing challenges associated with cruise ship controls.
281. The Delegate of NEW ZEALAND acknowledged the leadership role played by Australia and the Netherlands in leading the Enforcement Committee and Permanent Technical Committee. He commended the actions implemented under the WCO Security Programme and welcomed the further developments under the Punta Cana Resolution and Customs security mandate. He highlighted the role played by New Zealand in the implementation of passenger controls and in particular he noted the cruise ship paper presented to the Policy Commission in 2017. He stated his appreciation for the support this topic had received from the WCO and its Members, and reiterated New Zealand's commitment to chair the Brussels-based Attachés working group. Furthermore, he supported the comprehensive review of the RKC, it being one of the flagship instruments of the WCO. Finally, as the Co-Chairperson of the WCO/UPU Contact Committee, he took the opportunity to thank the Co-Chairperson from the French "La Poste" and the Contact Committee members and observers, as well as the Secretariat, for the good progress achieved to date.
282. The Delegate of NORWAY thanked New Zealand for addressing the issue of cruise ship passengers and highlighted the increase in volumes of cruise ship passengers that his country had been experiencing. He supported the future work to be carried out in that area.

283. The Delegate of the RUSSIAN FEDERATION supported the adoption of the SAFE 2018, as well as the adoption of the Framework of Standards on Cross-Border E-Commerce. The latter would need to be further developed to align it with the Luxor Resolution, adopted in December 2017. In that regard, the Russian Federation had some constructive proposals, which he hoped would be accepted.
284. The Delegate of GEORGIA said it was a privilege to be elected as the Vice-Chairperson of the PTC and she shared Georgia's experience in working towards paperless trade. In terms of the TRS, she stressed that this was a practical tool for improving efficiencies and identifying bottlenecks, and that focus now needed to be placed on the fourth phase of monitoring and evaluation, before preparing for the next TRS exercise. She highlighted the importance of a number of relevant topics, such as collaboration amongst border agencies, the future of Customs based on modern technologies and development of a global platform for exchange of information.
285. The Delegate of CHINA stressed the importance of environmental protection and noted the threat posed by the rampant smuggling of hazardous waste. He highlighted the launch of Operation Demeter IV, which to date was supported by 10 international organizations and over 70 Members. Welcoming the WCO's strong support, he called for Members increased and active involvement in order to achieve successful results.
286. The Delegate of the UNITED STATES, referring to previous speakers, stated that the United States was pleased that WCO Members were using GTAS, adding that it was a great resource for WCO Members. She stated that effective use of passenger targeting utilizing API and PNR data was the key to security in the 21st Century.
287. The Delegate of TOGO shared his country's experience on a government initiative to reduce dwell time in ports by developing an interagency cooperation platform. He also referred to some of the enforcement activities in maritime and air transport which had developed the capacities of Customs and increased the number of seizures.
288. The Observer for the PRIVATE SECTOR CONSULTATIVE GROUP, in his capacity as Co-Chairperson of the SAFE Working Group, thanked the Customs Co-Chairperson, Ms. S. Stauffer, and all the members of the SAFE Working Group for finalizing the 2018 edition of the SAFE.
289. The Delegate of CHILE underlined the importance of the RKC review to reflect the current realities and include technologies and innovation in order to modify this, already 20-year old instrument, in the light of the modalities of 21<sup>st</sup> Century trade. He also expressed his appreciation for the development of the Customs-Police Handbook.
290. The Delegate of AUSTRALIA endorsed the enforcement activities of the WCO, noting that while investment in technology to assist officers in processing passengers was needed, the WCO should also be reminded of the need to develop front-line Customs officers. Those officers were the greatest resources Customs administrations had, and more thought needed to be given to their professional development.
291. The Delegate of NIGERIA pointed out that Customs was surrounded by big data and therefore needed to work on improving ways in which it could collect and interpret that data. He therefore urged the WCO to develop a tool in that area.

292. The DIRECTOR, COMPLIANCE AND FACILITATION, took the floor and thanked delegates for their comments and appreciation for the work carried out over the past year. In responding to the comment about aligning the Framework of Standards on Cross-Border E-Commerce with the Luxor Resolution, she noted that there was room for improvement and that the tool would be a living document and could be updated in the future.
293. In relation to the Customs-Police Handbook, she emphasized that this type of interagency cooperation was very specific and was therefore tackled in a separate tool to the already existing Coordinated Border Management Compendium, which covered interagency cooperation more broadly.
294. Regarding the Future of Customs agenda, the Director said that there was a high level of interest in disruptive technologies, and that the WCO, in response to that interest, was exploring the matter, including how the development of Customs capacities could contribute to better use of these latest technologies.
295. In conclusion, with regard to the Security Initiative, the Council :
- took note of all the developments in the different areas of work of the WCO Security Programme; and
  - endorsed the establishment of a Brussels-based Attachés working group to further address the topic of cruise ship controls and welcomed New Zealand's offer to lead this work.
296. With regard to Enforcement matters, the Council :
- approved the Report of the 36<sup>th</sup> Session of the Enforcement Committee;
  - took note of the draft Report of the Enforcement Committee's 37<sup>th</sup> Session, which will be submitted to that Committee for final approval at its next session; and
  - acknowledged the various compliance and enforcement-related developments mentioned in the written report of the Chairperson of the Enforcement Committee.
297. With regard to Facilitation matters, the Council :
- approved the Summary Report of the 217<sup>th</sup>/218<sup>th</sup> Sessions of the PTC;
  - approved the Summary Report of the 219<sup>th</sup>/220<sup>th</sup> Sessions of the PTC;
  - took note of the various PTC-related developments to date; and
  - endorsed the Handbook on Data Analysis and the Guidelines on Customs Brokers.

**(c) Capacity Building**

298. THE DIRECTOR, CAPACITY BUILDING, started his presentation by informing the Council that the WCO had delivered more than 500 capacity building activities to beneficiary Members and regional groupings in a global coverage. This encompassed all WCO assistance provided to the global Customs community, representing on

average more than 40 activities per month in different formats : training sessions, workshops, seminars, diagnostics and assessments, planning, forums for dialogue, review of procedures and development of standard operating procedures, piloting initiatives, providing strategic and advisory support, organizing regional work for development of tools, supporting studies such as Time Release Studies and so forth.

299. This was a very impressive figure and the entire Secretariat, including the Capacity Building team, the other two Directorates, the administrative and logistical support, the regional structures (ROCBs and RTCs) and many other partners had worked hard and contributed to achieve this level of service. The majority of these activities could not have been delivered without the support and commitment of the Member administrations that engaged in the capacity building agenda either as a beneficiary, by appointing representatives to work in the various initiatives, or as a provider of experts to support other administrations. The majority of these activities were delivered due to the mobilization and deployment of Customs experts, mostly at the regional level, and whenever possible, with adequate language capacities. This was a clear demonstration of the collective commitment of the Customs community to the international cooperation agenda. It was one of the strengths of the Organization and it spoke directly to its nature, as the WCO had been formed as the Customs Co-operation Council.
300. The Director noted that the WCO Mercator Programme was the Organization's flagship capacity building programme aimed at assisting governments to implement the trade facilitation agenda in a uniform manner by applying the WCO instruments and tools. The Programme had two tracks. Firstly, the "overall track" that dealt with broader interests, including awareness-raising at the regional and national levels, as well as collecting good practices and implementation experiences on trade facilitation standards and tools. The second, the "tailor-made" track, focused on meeting Members' needs, which included needs assessments, strategic planning and implementation, and monitoring and evaluation. This support could be extended to cross-border regulatory agencies through National Committees on Trade Facilitation (NCTFs), where Customs should play a pivotal role.
301. One hundred and thirty beneficiary countries had benefited from the Mercator Programme since its launch, of which 109 had received some WCO-related technical assistance. There were two models of relationship with the beneficiary Members under the Mercator Programme. The first model was the "My Mercator Programme" which provided a sense of ownership to the beneficiary administration and was a multi-year programme concept, to allow for a more consistent and regular communication with the beneficiary Member. A dedicated Mercator Programme Advisor was assigned to work with the Secretariat in developing a multi-year plan that incorporated project management discipline, with activities sequenced to achieve concrete deliverables and milestones.
302. Under this model, the WCO did not assess only the technical aspects and requirements, but also the enabling conditions for implementation and moving forward with a reform agenda. This model required the conclusion of a scoping/planning mission with the Member, which also helped the Administration to better coordinate the assistance that was offered by other development partners. So whenever and wherever possible, the WCO sought synergies and complementarity of its support with other Organizations such as the World Bank (particularly the Trade Facilitation Support Programme), regional development banks, UNCTAD, the WTO, the International Monetary Fund, the Global Alliance and so forth.

303. The second relationship model referred to the delivery of specific and targeted demands by the Members, normally as a training initiative or a workshop, the great majority of which were related to the technical agenda such as the Time Release Study or Risk Management.
304. The Director noted that the number of countries engaged under the tailor-made track was growing and there were currently 47 administrations benefiting from this modality.
305. The WCO had expanded its pool of experts, particularly the Mercator Advisors, who worked in the main development agendas such as Authorized Economic Operator (AEO), Risk Management, Post Clearance Audit and Time Release Study.
306. Two years previously at the Capacity Building Committee, the Members had indicated that one of the challenges for the implementation of the Trade Facilitation Agenda was that many of the initiatives were complex by nature, and required engagement in multiple areas by the administrations and external stakeholders. For instance, the development of an AEO programme involved the Customs clearance systems. The WCO had therefore been encouraging administrations to strengthen their capacity on project management, such as the establishment of a project management office or a project management team, which could support the monitoring and evaluation of the reform and modernization agenda, but also help coordinate the external assistance, and not only from the WCO.
307. The Director then referred to the discussions at the Policy Commission session earlier in the week and during the current Council Session, and noted that Members had indicated the importance of organizational performance measurement monitoring including benchmarking, and the fact that administrations were at different levels of development in this regard. Many administrations had an advanced strategic management framework, with identified objectives and performance indicators that were collected and assessed on a regular basis, but other administrations were still reporting on just a few indicators such as revenue collection.
308. At the most recent Capacity Building Committee session, the participants had endorsed a Maturity Model assessment tool related to the Trade Facilitation Agreement to monitor progress on development assistance, and it was expected that all Mercator Programme recipients would conclude a first assessment round before the next Capacity Building Committee session. The Secretariat was completing a publication on the progress of the Mercator Programme to date, which would be available by the end of the year and would be presented at the next Capacity Building Committee session.
309. The Director recalled that every year the WCO Secretariat invited administrations to share their concrete developments in terms of Customs reform and modernization. He then highlighted some examples, region by region :

*West and Central Africa*

310. In Gambia, the Customs Administration had implemented a comprehensive competency-based human resources function, following the WCO Professionalism in Customs; the Administration had also introduced a project management methodology and had just designed a new strategic dashboard for performance measurement.
311. In Sierra Leone, under the WCO/HMRC Project, the National Customs Enforcement Network had been implemented and installed, and revised Post-

Clearance Audit procedures rolled out. Work was also under way on the expected termination of the destination inspection contract in 2019.

312. In Burkina Faso, advance ruling procedures had been drafted, a project management methodology developed, and a Time Release Study initiated.
313. In Cape Verde, a Time Release Study had been published and the National Committee on Trade Facilitation had been formed following stakeholder engagement support from the WCO. Customs played a very important role in that Committee.

*Asia/Pacific*

314. As a result of support in the modernization and reform area, Vanuatu had acceded to the HS Convention in March 2018 and would ratify the Revised Kyoto Convention during the current Council Session.
315. In Fiji, a People Development Diagnostic had been completed in August 2017, and Fiji Customs' human resource policy and strategy had been successfully updated and enhanced.
316. In the Islamic Republic of Afghanistan, there had been presidential endorsement of a WCO-mediated strategic plan for Customs reform and modernization addressing not only the Trade Facilitation Agreement but also integrity in Customs.
317. A Mutual Recognition Plan had been signed with the Republic of Korea.

*Americas/Caribbean*

318. Paraguay had launched an AEO programme two months previously. Progress had also been made in many other areas such as the implementation of advance air cargo information using IATA XML format.
319. Peru had concluded a Time Release Study and continued to work on the implementation of the FAST programme - Customs Facilitation, Security and Transparency - which took into account the WCO Data Model.

*East and Southern Africa*

320. In the East and Southern Africa region, 82 regional AEO companies had been accredited, collectively representing 7% of regional trade, roughly 3 billion U.S. dollars of annual trade and accounting for 9% of revenue collection. Regional AEO validation training material had been developed and a Post-Clearance Audit Manual finalized and endorsed in partnership with the East African Community Secretariat.
321. In Ethiopia, a first-ever advance ruling system had been designed and implemented, and 20 advance rulings had already been issued by the Ethiopian Customs Administration.
322. Also in the region, Members of the SACU-Connect Programme had defined a protocol to exchange data, using the Unique Consignment Reference Number and Globally Networked Customs Utility Block, based on the WCO Data Model. Swaziland and South Africa had already piloted an automatic exchange of data. There had been some legal constraints which had been addressed over the last month, and full implementation was expected in July 2018.

*North of Africa, Near and Middle East*

323. Sudan Customs had received WCO support with the implementation of risk management. At the beginning of the project, only 1% of the declarations went to the Green Channel. Now, over 30% went to the Green Channel at Khartoum airport and the project had been expanded to the Port Sudan.
324. The Director said these were just some of the highlights and that he could cite many other countries. The publication that would be completed and circulated by the end of the year would cover this.
325. He emphasized that the Mercator Programme was intrinsically linked to People Development and the latter was one of the main WCO capacity building agenda activities. It was an important part of the Capacity Building Directorate's work in the overall portfolio. He then informed the Council on recent developments related to the CLiKC! Platform :
- Designated National Coordinators could now register users directly, giving them access to 25 e-learning courses on various topics including : facilitation, enforcement, classification, valuation, and the environment. Around 90 virtual working groups or information exchange forums on technical matters were also currently active on the system.
  - A new Single Window e-learning package had been piloted with positive user feedback. For now, it was only available to Members in English but efforts were underway to translate into other languages.
  - A revamped course on Rules of Origin, including more detailed modules than the previous one, had been completed.
  - A mobile application with the latest changes to the 2017 version of the Harmonized System was now available on both Android and Apple mobile devices. This was a major innovation and the first mobile training solution offered by the WCO.
  - Ongoing course developments on the revised SAFE Framework of Standards, Time Release Study, and a blended course on Gender Equality.
  - Translations of several existing e-learning courses had been undertaken for broader dissemination. The additional languages included Arabic, Russian, Portuguese, Spanish and Aramaic.
326. Another important development was the launch of the WCO Academy, which was basically a platform to disseminate Customs knowledge to the private sector. For the time being, there was only content on three subjects : Harmonized System, Data Model and Customs Valuation. The Capacity Building Directorate was working with institutions that offered education training in order to disseminate the Academy as effectively as possible.
327. The Director then turned to the Leadership and Management Development (LMD) programme, stating that this was one of the WCO's major programmes for development of Customs managers. The programme was carried out using two separate methodologies. The first was via a top executive retreat for high-level management and the second was the LMD programme for senior managers in

- Customs. Demand for the programme had increased by 55% and efforts were being made to expand the pool of facilitators both in terms of quantity but also in language capacity. Dialogue was also ongoing with the regional Vice-Chair from the East and Southern Africa region on how to pilot and deliver the programme at the regional level.
328. Integrity development was also very high on the agenda, partly as a result of the Trade Facilitation Agreement, and was gaining traction internationally. For example, the G20 principles on corruption in Customs were based on the Arusha Declaration thanks to the leadership and support from Mexican Customs. Modes of cooperation with international organizations like the OECD were under exploration, including how a whole-of-government integrity strategy for cross-border operations could be developed. This could potentially be achieved using the OECD network with high-level administrative officials responsible for integrity in the country. The Director invited any interested Members to participate in piloting of this partnership.
329. The Capacity Building Directorate had been participating in a number of important integrity-related external initiatives such as those of the United Nations Office on Drugs and Crime, implementation of the United Nations Convention against Corruption, and the OECD's Global Anti-Corruption and Integrity Forum.
330. Gender equality was also an important topic for the Capacity Building Directorate but more traction and more interest from Member administrations was needed in that regard. The Director reminded the Council about the Gender Equality Organizational Assessment Tool. Unfortunately, only a few administrations had undertaken the assessment. The joint WCO-Finland Project had started work on a blended learning package on gender quality and a one-week training workshop had been piloted at the Regional Training Centre in Pretoria in May 2018. The final version of the e-learning model was expected to be available by the end of 2018.
331. The Capacity Building Committee had approved two virtual working groups at its last session. The first was the Virtual Working Group on Expert Management, chaired by Mr. G. Rodrigues from Australia. The Working Group was exploring ways to improve the governance process for accreditation of experts, communication, quality assurance and feedback. The second was the Virtual Working Group on Performance Measurement. There was no Chair yet for this Group and the Secretariat was currently chairing the meetings. Greater participation was needed to carry out the work of this Group. There were two agenda items for this Group : the Maturity Model, and negotiation with the IMF on the ISOCA survey for performance management.
332. There were also some new developments in terms of tools and instruments to build capacity. The Train-the-Trainer Package Workshop had been revitalized. A brand new Guide to Implement a Competency-Based HR Management had been completed and the People Development Diagnostic Tool updated. It now included a section on gender and diversity. A project management workshop was now available to the Members to further strengthen capacity in this area at the national level. Finally, the Project Management Chapter of the Capacity Building Compendium and the Chapter on Donor Coordination had been updated.
333. The Director expressed the Capacity Building Directorate's gratitude to its development partners, referring in particular to the China, Germany, Japan and Korea Customs Cooperation Funds, and the many other development partners that engaged with the Capacity Building Directorate on some level. The past year had been a year for renewal of these relationships. Her Majesty's Revenue and Customs (HMRC) and

the WCO had formally signed an extension of the cooperation programme, and JICA had also extended cooperation on its joint programme with the WCO.

334. The Norad Programme had ended in December 2017 and discussions were well underway on a new initiative on an anti-corruption and integrity programme. The Swedish Programme, SIDA, was projected to end in December 2018, and exploratory talks were being held on a new phase of this Programme, including discussion with potential beneficiary Members on how to prepare for the next phase.
335. New partners had also been brought to the table, including a very specific and targeted project with Bahamas Customs and the Inter-American Development Bank. This was a pilot project and, if successful, opportunities in other areas of the Americas region might be explored. Negotiations were in progress with the European Commission on the Harmonized System Project for Africa, and discussions were underway with the Swiss Economic Cooperation Organization on trade facilitation support. These initiatives were expected to materialize before the end of the year.
336. The Director concluded his presentation by noting that the Capacity Building Directorate had held two very exciting Committees this past year, with very qualified, committed and professional Chairs : Mr. Per Arvid Nordli in the Capacity Building Committee and Ms. Sigfríður Gunnlaugsdóttir in the Integrity Sub-Committee. Members had expressed considerable gratitude for the work they had accomplished over the last two years. He then gave the floor to Mr. Nordli to provide a summary of the Capacity Building Committee's work.

#### **Capacity Building Committee's Ninth Session**

337. The CHAIRPERSON OF THE CAPACITY BUILDING COMMITTEE (CBC), Mr. Per Arvid Nordli (Norway), provided a summary of the Ninth Session of the CBC, held from 26 to 28 February 2018 under the theme "Smart Customs, the Gateway to High Performance and Sustainability". The most important work of the Capacity Building Committee was to keep capacity building updated and relevant, indicating the need to use all available technology to achieve better results and well-developed systems to measure performance. He reported that, in his opening remarks at the Committee, the Secretary General had said that all the main WCO areas required capacity building in line with international best practices. Adding weight to this, the keynote speaker, the Director General of Swedish Customs, had underscored the need to identify key partners and collaborate with them to develop smart and simple solutions supported by sustainable government support.
338. Mr. Nordli then stated that the Capacity Building Committee had focused in the first part of the meeting on the use of data for effective management and performance management, with five speakers sharing their experiences in this regard, including on the IMF's proposed on-line survey platform (ISOCA).
339. The Secretariat had provided a briefing on the recent updates of the Time Release Study Guide with its greater focus on stakeholder engagement, monitoring and evaluation.
340. At the Capacity Building Committee's session, delegates had expressed a particular interest in how data from other border agencies could be integrated with Customs data, and had endorsed the broad conclusion that quality data promoted evidence-based decision-making, transparency and trust.

341. Evolving mandates and mission statements of Customs administrations were becoming more complicated as they had to cover the multi-faceted and evolving roles of Customs, as well as being descriptive and convincing at the political level. Discussions had been held regarding the extent to which the WCO could create a single model mission statement for Members to use. The conclusion, however, was that this would not be appropriate. Instead, the WCO Secretariat was asked to look at how administrations could deliver global high-level messages to the general public which were adaptable to national and regional circumstances.
342. The key question “How can we raise Customs Professionalism and what initiatives are available to raise the profile of Customs ?” had been discussed at the meeting. Delegates had looked at how technological advancements impacted the profile of Customs, including a presentation by the Norwegian Defence Research Establishment working together with Norwegian Customs on how technology could support the human resources of the future Customs.
343. The Secretariat had presented a proposal to update the PICARD standards to reflect the changing operational environment and had also presented a proposed new operating model for delivery of training support to Members. The model emphasized blended learning that encompassed e-learning as well as face-to-face training of trainers. The Committee had endorsed both proposals.
344. The Ambassador of Iceland had spoken on gender equality and diversity, emphasizing the commitment as partners to promoting gender equality. The Chairperson of the Integrity Sub-Committee had spoken on the sensitive question of the correlation between integrity and gender. The Committee had supported the Secretariat’s work to drive equality and the diversity agenda by including the topic in WCO capacity building activities to the extent possible, and had also supported the launch of the Virtual Working Group on Gender Equality and Diversity.
345. The delivery of almost 500 missions in the reporting period indicated a very high level of activity, and Member administrations’ ambitions to rise to the challenge. The Mercator Programme had become the core of the activities and it embraced all the main WCO tools. The WCO Maturity Model had been endorsed by the Committee.
346. The Chair of the CBC said that one of the more interesting segments of the Agenda had been a presentation on the latest WCO initiatives and innovations. The Capacity Building Development Compendium had been updated and the Committee had been informed about the work on the project management tools. There had also been updates on the People Development Diagnostic Tool, and the latest developments on the CLiKC! platform included new content that all Members were encouraged to use.
347. The Chair of the CBC concluded by stating that he had chaired the last three sessions of the Capacity Building Committee and that his term of office was now over. It had been a journey that he had only managed thanks to the assistance of Members and the Secretariat. He thanked all parties for their genuine interest and engagement.
348. Finally, he reported that Mrs. Velma Ricketts-Walker from Jamaica had been elected as the incoming Chair of the Capacity Building Committee, and that she would be supported by Mr. Daniel Perrier from Canada.

**Integrity Sub-Committee's 17<sup>th</sup> Session**

349. The CHAIRPERSON OF THE INTEGRITY SUB-COMMITTEE (ISC), Ms. Sigfríður Gunnlaugsdóttir (Iceland), gave a brief summary of the 17<sup>th</sup> Session of the ISC that had taken place on 1 and 2 March 2018 under the theme of “Security and Integrity : Curbing Threats, Levering Opportunities”. She stressed that the theme engaged with Customs integrity from different angles and, at the same time, promoted the cross-cutting nature of the topic and its intersection with diverse topics such as trade facilitation, organized crime, security threats and fiscal integrity.
350. The Chairperson of the ISC then shared highlights of the ISC Agenda under which a number of integrity-related topics had been discussed. Referring to the item on “Organized crime and corruption as a major threat to security”, she reported that the keynote speaker, Mr. Tim Steele, Senior Adviser in the Corruption and Economic Crime Branch of the United Nations Office on Drugs and Crime (UNODC), had emphasized the correlation between the persistence of transnational organized crime and corruption and the role that public institutions such as Customs could play in mitigating the risks. Mr. Steele had specified two main drivers for corruption : the number of rules and regulations that needed to be applied and the number of roles in border operations that increased the likelihood of criminal acts and corruption. He had noted that criminals’ motivation was to move illegal goods, as well as to reduce the tax liability on legal goods. He had highlighted the importance of risk management for combating corruption, stating that the UNODC was producing a Risk Management Guide to mitigate the risks of corruption in the public sector. The Chairperson of the ISC then informed the Council that Mexico and Egypt had shared their experiences on this topic, including efforts undertaken to combat this threat.
351. The Chairperson went on to highlight that the ISC delegates had expressed particular interest in the view that standardization and automation might offer new opportunities for corruption if systems were to become predictable and prone to circumvention. They had agreed that automation should be accompanied by enhancement of intelligence and risk management, including monitoring of internal procedures, in order to mitigate such risks.
352. Moving on to another important item on the ISC Agenda, namely “Information security and data management to address integrity”, she reported that the Federal Customs Service of the Russian Federation had given a presentation on the shift towards the use of automated systems to support the finalization of Customs procedures with minimum human intervention for low-risk consignments. The Australian Department of Home Affairs had outlined its joint investigations with the immigration service and other border agencies, recognizing that no organization was immune from corruption. In this regard, the ISC delegates had expressed an interest in the use of data for performance measurement.
353. The Chairperson mentioned that the ISC had entered into a dialogue on the topic of integrity testing. U.S. Customs and Border Protection (CBP) had given a presentation, under this topic, on the different types of integrity tests applied by CBP, pointing out that it used this testing in a targeted manner. Hungary, Indonesia and Tunisia Customs had then shared their experience of integrity testing. The delegates had shown a close interest in this relatively new topic, mentioning the need to learn more about the different types of testing for new recruits and currently-serving officers.
354. She indicated that this session of the ISC had also discussed the crucial topic of “Fighting International Bribery and Illicit Financial Flows (IFFs)”.

Mr. Patrick Moulette, Head of the Anti-Corruption Division, Directorate for Financial and Enterprise Affairs at the OECD, had presented the threats posed by corruption while highlighting the OECD's efforts to combat corruption through the OECD Anti-Bribery Convention. Private sector initiatives to prevent bribery when interacting with Customs had been presented by the General Coordinator of SOLMAZ (a Turkish company providing integrated logistics solutions). Through its Enforcement Sub-Directorate, the WCO Secretariat had given presentations on WCO initiatives and tools to curb illicit financial flows and on the importance of collective action to promote integrity. Trade Facilitation Agreement (TFA) implementation as a new impetus for integrity development had been another important topic discussed during the ISC session. Bangladesh had outlined its experience in this regard, highlighting the important role played by its National Committee on Trade Facilitation. The Rwanda Revenue Authority had also detailed its efforts to promote integrity utilizing the technical assistance provided by the WCO.

355. The Chairperson of the ISC had acknowledged the role of the Mercator Programme in strengthening integrity support, highlighting the TFA articles that had major implications for integrity. In addition, she had drawn Members' attention to the excellent work of, and cooperation between, the WCO and other international entities and stakeholders.
356. Concluding her report, she invited the Council to take note of the Report of the 17<sup>th</sup> Session of the ISC and to take into consideration the suggestions made by Members for inclusion on the Agenda for the next ISC session. She also took the opportunity to thank the Capacity Building Directorate and the ISC for their excellent efforts and the work done, wishing the newly elected Chairperson all the best in promoting integrity.
357. The CHAIRPERSON OF THE COUNCIL thanked the Director of Capacity Building and his team, as well as the two Chairpersons, for the work carried out during their period of office.
358. The Delegate of PAKISTAN thanked the Chairperson and the Capacity Building Director for the excellent report on the work being done by the WCO in the area of capacity building and looked forward to greater engagement with the WCO in this regard.
359. The Delegate of MALAYSIA acknowledged the work of the Capacity Building Directorate and the achievements made. He also offered the use of the Regional Training Centre (RTC) in Malaysia for WCO activities in the region, indicating that a number of experts from his country had been pre-accredited by the WCO in the areas of Rules of Origin, Risk Management, Enforcement and Single Window Environment, and it was hoped that they would shortly achieve full accreditation.
360. The Delegate of INDONESIA thanked the Capacity Building Directorate for the excellent work done, offering the use of Indonesia's training centre facilities and Customs laboratory to the WCO as well as extending its full support to the ISC in order to develop new tools.
361. The Delegate of the RUSSIAN FEDERATION acknowledged the work of the Capacity Building Directorate and the achievements made. He noted that the Capacity Building Directorate's report had focused on the importance of education, through modern means and technology, in order to serve WCO Members. He went on to stress the crucial need to raise the level of experts using languages other than

the Organization's official languages. He pointed out that one of the most accomplished risk management experts in Russian Customs had not been able to complete the WCO accreditation process due to the language barrier. This was also a common problem in other countries and he consequently highlighted the importance of endeavouring to develop the use of other languages. He also stated that further efforts by, and support from, the WCO were needed in the area of performance measurement. In addition, the delegate emphasized that performance measurement for smart Customs should be expanded upon and converted into future tools or instruments to be developed by the WCO. He concluded by saying that with regard to Customs-Tax cooperation, the WCO had shown willingness to take the needs of the minority of Members into account. If the Council were to approve the signature of the Memorandum of Understanding (MoU) between the WCO and the International Monetary Fund (IMF), then the WCO should be more active in proposing Customs-Tax cooperation topics and in taking the lead, as it ought to, in this area.

362. The Delegate of UGANDA thanked the Capacity Building Director, on behalf of the East and Southern Africa (ESA) region, for the excellent presentation, noting that his region received support from the WCO. He mentioned that leadership was a crucial topic in Uganda, as it was at the centre of reforms. The delegate then reported that the ESA region had finalized its strategy for the next three years, and brought his comments to a close by underscoring the importance of having clear performance indicators to measure short- and long-term impacts.
363. The Delegate of GEORGIA acknowledged the Capacity Building Director's efforts and the work being carried out by the WCO in the area of capacity building, including the support received by Georgia, the newly launched e-learning module for the trade community and the MoU to be signed between the WCO and the IMF. Turning to the issue of integrity, the delegate felt that it was very important to deal with integrity issues from a holistic perspective.
364. The Delegate of the UNITED STATES congratulated the Capacity Building Director on the substantial work to improve the capabilities of Member administrations. He noted the comment about performance measurement and the proposal put forward at the most recent Policy Commission session to develop a business case for the establishment of a working group on performance measurement, hailing this as an important step that should be supported.
365. The Delegate of ANTIGUA AND BARBUDA recognized the Capacity Building Director's efforts and the work being done by the WCO in the area of capacity building, especially the support received by Antigua and Barbuda. He urged the WCO to be attentive to the purpose of the proposed MoU with the IMF concerning Customs-Tax cooperation, as his country's past experience of IMF intervention had not been good.
366. The Delegate of the EUROPEAN UNION acknowledged the comprehensive report of the Capacity Building Director, highlighting the fact that capacity building should be the central focus in all organizations. The delegate stated that, in addition to its support for existing capacity building activities, the EU would provide a further a five million euro in the hope that capacity building would take on a higher profile over the next few years.
367. The Delegate of KOREA thanked the Capacity Building Directorate for the excellent work carried out, offering the services of the Regional Customs Laboratory in his country to contribute to global Customs analysis technologies.

368. The DIRECTOR, CAPACITY BUILDING, concluded by thanking Members for their positive feedback, taking particular account of the comment on the issue of the language barrier.
369. The CHAIRPERSONS OF THE CAPACITY BUILDING COMMITTEE and THE INTEGRITY SUB-COMMITTEE thanked the delegates for their feedback and appreciation of the work achieved in the areas of capacity building and integrity.
370. The CAPACITY BUILDING DIRECTOR concluded that the Council :
- took note of the ongoing efforts to cover WCO priority areas of work from an integrity perspective and to include integrity in the work of other WCO Committees;
  - requested the WCO to explore possible solutions for accreditation and deployment of experts in languages other than English and French for capacity building at regional level, recognizing the challenges in ensuring continuous updating of skills;
  - took note of the Report and the Executive Summary of the 9<sup>th</sup> Session of the Capacity Building Committee;
  - took note of the Report of the 17<sup>th</sup> Session of the Integrity Sub-Committee.

## **9. ELECTIONS**

### **(a) Appointment of a Secretary General**

371. It was announced that the candidates for the post were :
- Mr. Kunio MIKURIYA (Japan)  
Ms. Pilar JURADO BORREGO (Spain).
372. After indicative voting had taken place, Mr. K. Mikuriya was appointed Secretary General by acclamation for a five-year term of office to begin on 1 January 2019.
373. The CHAIRPERSON congratulated Mr. Mikuriya on his re-election. Mr. MIKURIYA thanked all Members for the trust they had placed in him by selecting him to lead the Organization for five more years. He paid tribute to his fellow candidate, Ms. Jurado, stating that the election campaign had not only provided an opportunity to look back at what had been achieved and to look ahead to what still had to be done, but had also showed that, through the democratic election process, it was possible to shape the future of the Organization. He expressed his gratitude to Secretariat staff, past and present, who had worked hard to ensure that the WCO responded to its Members' needs and expectations. He pledged to continue to work assiduously, together with the Members, to ensure that the WCO remained responsive, visionary and relevant over the next five years.

### **(b) Elections**

374. It was proposed that Mr. Enrique Canon (Uruguay) be elected Chairperson of the Council for 2018/2019.

375. The Council approved the above proposal by acclamation.
376. The CHAIRPERSON then announced that following consultations between the Members in the various regions, it was proposed that the Delegates of Bahrain, the Dominican Republic, Guinea, India, the Russian Federation and Uganda be elected Vice-Chairs for 2018/2019.
377. The Council agreed to the above proposals which were approved by acclamation.
378. Following consultations between the Members in the various regions, it was proposed that the Council elect as new members of the Policy Commission the Delegates of Brazil, China, Egypt, Islamic Republic of Iran, Italy, Korea (Republic of), Mexico, New Zealand, Peru and United Kingdom. It was noted that they would serve alongside a number of delegates elected to the Policy Commission one year previously, namely Argentina, Botswana, Czech Republic, Democratic Republic of the Congo, France, Germany, Iceland, Israel, Japan, Kazakhstan, Nigeria, Saudi Arabia, United States and Zimbabwe
379. 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 2018/2019 : Antigua and Barbuda, Austria, Azerbaijan, Burundi, Canada, China, European Union, France, Gambia, India, Italy, Japan, Korea (Republic of), Paraguay, Saudi Arabia, Spain, Sweden, United Kingdom and United States.
380. It was proposed that Mr. W. Williamson (United Kingdom) be re-elected Chairperson of the Finance Committee for 2018/2019. There being no nominations for the office of Vice-Chair of the Finance Committee, it was agreed that this should be left for the Committee itself to decide.
381. Following consultations between the Members in the various regions, it was proposed that the following Members be elected to serve on the Audit Committee : Armenia, Bangladesh, Gabon, Guatemala, Indonesia, Lesotho, Morocco, Norway, Peru, South Africa, Togo and Tunisia.
382. It was proposed that Mr. B. Røse (Norway) serve as Audit Committee Chairperson in 2018/2019. There being no nominations for the office of Vice-Chair of the Audit Committee, it was agreed that this should be left for the Committee itself to decide.
383. All these proposals were approved by acclamation.

## **8. BUDGETARY AND FINANCIAL MATTERS**

384. The CHAIRPERSON OF THE FINANCE COMMITTEE, Mr. W. Williamson (United Kingdom), reported that the Finance Committee had held its 101<sup>st</sup> Session from 26 to 29 March 2018. He informed the Council that all 19 members of the Finance Committee had been present, as had the Chair of the Audit Committee, Mr. B. Røse, in his capacity of Observer. The elected Vice-Chair of the Committee, Mr. M. Bolduc (Canada), had unfortunately been unable to attend.
385. The Chairperson of the Finance Committee reported that the accounts for financial year 2016/2017 had been independently audited and that, in the Auditor's opinion, the financial statements faithfully portrayed the assets, financial situation and

results of the Organization, with a certified result for the financial year at 30 June 2017. The Auditor had certified a final result in accordance with the balance sheet which stood at 57.6 million euro, while the Profit and Loss account showed a surplus of 86,800 euro. The net impact on the reserves of -479,423.32 euro (due to spending on Council-approved projects) had been recommended to be absorbed in the accumulated result on 30 June 2016. Thus, the accumulated result on 30 June 2017 was established as being 10,755,646.60 euro.

386. He invited the Council to approve that the net outcome of -479,423.32 euro be incorporated and that the accumulated result on 30 June 2018 be established as being 10,755,646.60 euro, and to acquit the Secretary General of his financial responsibilities related to financial year 2016/2017.
387. Referring to the current year 2017/2018, he said that, at the end of December 2017, 50.56 % of the total general operating expenses (GOE) approved by the Council for 2017/2018 had been spent. The Members' contribution collection rate had been just over 92 % as of March 2018, equating to the highest collection rate for several years. It was forecast that the financial year would close with a balanced budget result.
388. The Finance Committee had discussed the proposal by the Co-ordinated Organisations' Committee on Remuneration (CCR) for international staff serving under Co-ordinated Organisation rules in Belgium and in other associated Organizations. The CCR proposal for an increase of 2.0 % in salaries from 1 January 2018 had been accepted by the Committee. Recommendations for the daily subsistence allowances for 2018 had been proposed, as set out in the Finance Committee documents, and were being put to the Council for adoption. The kilometric allowances remained unchanged for 2018. He invited the Council to approve the CCR recommendations on salaries and daily subsistence allowances with effect from 1 January 2018.
389. Mr. Williamson moved on to the forthcoming financial year, 2018/2019, and explained that discussions held at the Committee's 101<sup>st</sup> Session had led to a detailed review of the proposed budget for that year. The Committee had discussed the budget and GOE in relation to each other in order to find a realistic compromise decision with a view to achieving a balanced budget for the next year. He recalled that, the previous year, there had been a decision to adopt a "zero" increase in both the GOE and statutory contributions. However, for financial year 2018/2019 there was a Secretariat proposal for a 3 % increase in the GOE in order to continue funding the Organization adequately. The Finance Committee had considered three options for a possible increase in Members' contributions : 0 %, 1 % and 2.5 %, the latter being recommended by the Secretariat as it was in line with the proposed increase in the GOE (3 %) to achieve a balanced annual budget. The Finance Committee had expressed satisfaction with the Secretariat's prudent financial management and agreed to a solution which would meet the Secretariat's requirement of achieving its objectives, yet also ensure a balanced budget and agreement on realistic contributions.
390. The Committee had held positive and lively discussions, after which agreement had been reached to propose a 1 % increase in Members' contributions. The consensus for a 1 % increase in Members' contributions had been based on the following arguments : the need to achieve a balanced budget and to take account of inflation, the need for the WCO to be in a position to discharge its responsibilities effectively on a strong financial basis, the fact that economic growth was foreseen in some countries, and the reasoning that the financial consequences of the 1 % increase in overall contributions would have a limited impact on most Members. He added that

in order to ensure a balanced budget and bridge the shortfall of 239,000 euro which was the difference between the 2.5 % increase as projected by the Secretariat and the 1 % increase recommended by the Finance Committee, the latter had agreed to the use of the unrealized gains in the investment portfolio for the second year running. The Committee had been given assurances that there was enough funding available in the investment portfolio to do so. This consensus had been reached after intensive discussion and had been considered a safe option for the Organization. The Chairperson invited Members to approve the setting of the GOE for 2018/2019 at 17,488,627 euro (equivalent to a 3% increase) and to approve the updated scale of Members' contributions as circulated to the Council, which would reflect a 1% increase in the overall contributions. He also invited Members to approve the Staffing Table for 2018/2019.

391. The Chairperson of the Finance Committee turned to an important matter requiring financial support, namely the fact that the Policy Commission had proposed that the Council approve a comprehensive review of the Revised Kyoto Convention. This would be the first complete review of the Convention in 20 years. As this review had not been planned or budgeted for in the current three-year Strategic Plan, the Finance Committee had offered advice on a financing plan and backstop solution. The Secretariat would meet the staffing requirements through a combination of re-prioritization and the appointment of Technical Attachés. In the event that the Secretariat was unable to attract suitable candidates for the Technical Attaché posts, then the Finance Committee recommended that two temporary posts be funded through access to the WCO Reserves, by means of a project limited to three years. He invited the Council to approve this approach, as outlined.
392. He then reported on the Finance Committee's proposal to set up of a working body led by the Deputy Secretary General, to support his efforts to develop the next three-year WCO Strategic Plan for 2019-2022. This approach should also include the identification of priorities. He invited the Council to approve this approach for the preparation of the new Strategic Plan.
393. The Chairperson of the Finance Committee informed the Council that the spending on capital expenditure during financial year 2017/2018 had been 48,000 euro lower than the amount (870,000 euro) approved by the Council in July 2017. The Finance Committee had noted the proposal to spend 1,509,000 euro on capital expenditure during financial year 2018/2019, mainly on upgrades to the IT infrastructure including the ongoing implementation of the Enterprise Resource Planning (ERP) system, general IT modifications to keep pace with technological developments and replacement of the audio-visual equipment in the main meeting rooms. He invited Members to approve the proposed capital expenditure of 1,509,000 for financial year 2018/2019.
394. The Chairperson of the Finance Committee reported briefly on progress relating to the establishment of a WCO Customs Co-operation Fund (CCF/Reserves), the study on languages, the reintegration of the WCO Publications activity and the development of the marketing of e-learning modules. During 2016/2017, 21 activities had been identified and financed to a total of almost 0.5 million euro, compared with 54 activities which had been identified and which qualified for funding during 2017/2018. Despite some initial challenges, the reintegration of the WCO Publications activity was moving forward smoothly following the appointment of a new WCO Publications Manager in January 2018.

395. He then reported on the Committee's discussion regarding the marketing of the WCO e-learning modules. It was recalled that this project had been decided on in 2017, that the use of the WCO Reserves had been authorized for this purpose and that this marketing campaign should take place over a three-year period. The commercial dissemination of the WCO e-learning modules to a private sector audience had started and three courses had been made available to the private sector as of 1 May 2018, those being the courses on the Harmonized System, Customs Valuation and the WCO Data Model. As future activities were at the planning stage, the Capacity Building Directorate was busy defining the sales strategy, developing a fully operational Website and carrying out promotional and awareness-raising activities.
396. With regard to the study on the use of additional languages at the WCO, the Council had noted that 100,000 euro had been made available from the WCO Reserves and that this study had been completed at a cost of 95,616.54 euro. The Working Group on the Use of Additional Languages had held two meetings and had conducted some work during the intersession, looking at the interpretation provided for meetings of working bodies and the translation of working documents, tools and instruments. Each of the four selected language groups (i.e. Arabic, Portuguese, Russian and Spanish) had identified its top priorities regarding Committees or Working Groups where it considered interpretation would be most beneficial. The Finance Committee had agreed to the proposal to fund, from the WCO Reserves, a two-year pilot project introducing the use of all four additional languages to 11 prioritized working bodies at an annual cost of some 268,720 euro. The Policy Commission had endorsed this request and the Council had already agreed to this as the way forward.
397. The Finance Committee had also looked at the WCO Donor Policy and endorsed four modifications in order to strengthen procedures in relation to donations from the private sector, so as to avoid any conflict of interest. These modifications related to reporting and to increasing transparency. Details of expenditure from the WCO budget, voluntary contributions and donor funding were set out in Doc. SF0471 which had been presented to the Finance Committee in March 2018.
398. The Finance Committee had commissioned the Secretariat to undertake a further analysis of the costs, benefits and potential implications of the WCO moving from the current Belgian Generally Accepted Accounting Principles (GAAP) to the International Public Sector Accounting Standards (IPSAS) system. The discussion at the 101<sup>st</sup> Session of the Finance Committee had shown that the switch from the Belgian GAAP to the IPSAS would have a significant impact on the Organization's financial strategy. The Policy Commission had therefore endorsed the request to re-examine this issue at the Finance Committee's next session.
399. The Chairperson of the Finance Committee concluded his presentation by informing the Council that the next session of the Finance Committee was expected to be held in April 2019.
400. The CHAIRPERSON OF THE COUNCIL thanked Mr. Williamson for his presentation, before opening the floor for comments.
401. The Delegate of SERBIA began by congratulating Mr. Mikuriya on his re-election and hoped that in his new mandate he would be mindful of the decisions of the Council and of all the deliberations which had taken place at previous Sessions, as well as the issue of the Working Group on Accessions and its Terms of Reference; he hoped that in due course the Secretary General would understand how this matter needed to be channelled in order to place the Organization in functioning mode. The delegate said

that as he had indicated during the election process in the informal Heads of Delegations meeting, as far as Serbia was concerned the decision of 2017 regarding voting by so-called "Kosovo", which should not be a Member of the WCO, remained in full force. The practice adopted for the voting exercise seemed somewhat strange - as far as he was concerned, not voting simply meant not voting.

402. Turning to the Finance Committee Report, he said that delegates had before them a sheet of paper showing a scale of Members' contributions; it was truly beyond Serbia's comprehension that an entity which was not a Member of the Organization had been included in the scale and assigned a contribution. The scale of contributions for all Members was calculated based on their membership of the UN and OECD. Serbia did not see how a contribution could be assigned to this entity, whose presence in the list of contributing Members was not recognized by Serbia. Serbia felt obliged to advise the Organization that this was a distortion of the truth and of the facts.
403. The Delegate of the RUSSIAN FEDERATION said he wanted to touch upon the issue which had been raised during the election process, i.e. outside the plenary proceedings of the Council. At that time, the Russian Federation had stressed the need to adhere to the Council's decision that so-called "Kosovo" should not have a vote, and the Chairperson had indicated that this Council decision would definitely be implemented. He would return to the other matter raised by the Delegate of Serbia, in relation to budgetary issues, at a later stage, when the adoption of the Minutes of the previous Session was discussed.
404. The Delegate of CHINA said that she shared the concerns voiced by the Delegates of Serbia and the Russian Federation with regard to both the exercise of the voting process and the Finance Committee Report.
405. The Delegate of the UNITED STATES said he wished it to be noted that the accession of Members to the WCO was a matter of law, not of politics. Kosovo had acceded according to Article XVIII of the WCO Convention and had the right to vote as a Member of the Council. There was no legal basis for depriving Kosovo of that right. Neither the Council nor the Chairperson had the authority to deprive Members who were in good standing of their right to vote. He said that his delegation believed that this was also the view of several other Council Members, including Norway, Iceland, Turkey, Germany, Belgium, Sweden, Bahrain, New Zealand, Finland, Australia and Canada.
406. The Delegate of AUSTRIA said that his delegation fully supported the report by the Finance Committee Chairperson, and also fully supported the new scale of contributions. He said that Kosovo was, of course, a Member of the WCO; it had acceded in accordance with all the relevant provisions of the founding documents. His delegation wished to associate itself with the statement made by the Delegate of the United States. He said that the Republic of Kosovo was a Member of the WCO, adding that it was not necessary to be a Member of the United Nations in order to be a Member of the World Customs Organization. The WCO was an organization of Customs administrations, and Kosovo Customs was of course a Member of that Organization, representing the Republic of Kosovo. Serbian Customs worked closely with Kosovo Customs on various projects, and he did not understand why Serbian Customs did not want to cooperate here when it was already cooperating regionally. He concluded by offering his full support to the Republic of Kosovo.
407. The Delegate of KOSOVO said that Kosovo was a Member of the WCO; it had acceded to the Convention as had all the Member States present at the Session, and

accordingly it would exercise all of its rights by voting, by paying its contribution, and by being a full Member of the Organization. The delegate added that it was not necessary to belong to the United Nations in order to be a WCO Member. Kosovo would pay its fees as it had always done, and he associated himself with the statement made by the Delegate of the United States.

408. The Delegate of SERBIA said that perhaps some countries did not understand, or were not aware of UN Security Council Resolution 1244, which clearly stated that the Autonomous Province of Kosovo and Metohija was an integral part of the Republic of Serbia under UN administration. So, it was not a question of cooperating with UN Members - Serbian Customs could not cooperate with itself. This was an entity which was under UN trusteeship, with full sovereignty of the Republic of Serbia ensured by UN Security Council Resolution 1244. In Serbia's view, only the UN administration in Kosovo - and no-one else - could be the full representative at the international level.
409. The Delegate of the RUSSIAN FEDERATION said she wished to raise a particular point. The previous day her delegation had read out a collective statement on behalf of a group of States, and she asked the Chairperson to abide by the Rules of Procedure and not give the floor to entities which, under the Rules of Procedure, did not have the right to take the floor.
410. The CHAIRPERSON said that Serbia and the Russian Federation had each made a statement. He respected them, as he had said on the previous day, and at the same time he would stick to his principles.
411. The Delegate of KOSOVO, responding to the statement by the Delegate of Serbia, said that there was Customs cooperation between Kosovo and Serbia - there was an agreement between them, signed in Brussels, and the two Customs services were working perfectly with each other. Kosovo was an independent State; the International Court of Justice had given its opinion, and that had to be respected.
412. The CHAIRPERSON said that those concerned had had the opportunity to make their points, which would be recorded in the Minutes. On this controversial issue, if delegates continued to respond to each other's statements, the process would never end.
413. The Delegate of SERBIA said that he just wanted to reiterate that the decisions of the Council were binding. A Working Group on Accessions had been established, and it should be left to the Working Group to deal with this matter; the outcome should not be pre-judged. As far as UN Resolution 1244 was concerned, it was quite clear to read, and those who did not understand it were living in their own world.
414. The Delegate of GAMBIA took the floor to congratulate the Chairperson of the Finance Committee for an excellent report to the Council. He said that his country was benefitting greatly from the WCO's work and encouraged the Secretariat to continue in this manner.
415. The CHAIRPERSON OF THE COUNCIL gave the floor back to Mr. Williamson, who thanked all members of the Finance Committee for their highly effective work and support over the past year. He then expressed his sincere gratitude to Mr. Ray McDonagh, Head of the Secretariat's Division of Administration and Personnel, who would be leaving the Secretariat in the near future. Mr. McDonagh had assisted him greatly over the years and had played a vital role in preparing the documentation for the Finance Committee and in managing the WCO's finances efficiently and effectively.

The Council joined in these congratulations.

416. In conclusion, and based on the report of the Chairperson of the Finance Committee, the CHAIRPERSON OF THE COUNCIL invited the Council to approve the issues identified by the Chairperson of the Finance Committee. The Council agreed to the Chairperson's proposal.

417. In conclusion the Council :

- approved that the budget surplus (86,803.04 euro for financial year 2016/2017) be incorporated and that the accumulated result on 30 June 2017 be established as being 10,755,646.60 euro (which included the net impact of -497,423.32 euro on the Reserves);
- acquitted the Secretary General of his financial responsibilities for financial year 2016/2017;
- approved the setting of the general operating expenses (GOE) for 2018/2019 at 17,488,627.00 euro (equivalent to a 3 % increase in the GOE);
- approved a final updated scale of contributions which reflected a 1 % increase in the overall contributions for financial year 2018/2019;
- noted the use of 239,800 euro of unrealized gains from the investment portfolio for the second year running, in order to ensure a balanced budget;
- approved the new Staffing Table for 2018/2019 showing the budgeted posts;
- approved the proposed capital expenditure of 1,509,000 euro for financial year 2018/2019;
- approved the high-level costing of the Strategic Plan as agreed;
- approved the application of the salary scale for Belgium, with effect from 1 January 2018, which represented a 2.0 % increase in salaries;
- approved the daily subsistence allowances expressed in euro, as proposed by the CCR for use at the WCO, as well as the proposed increase in the installation allowance, while the kilometric allowances remained unchanged;
- took note that the details of expenditure from the WCO budget, voluntary contributions and donor funding were set out in Doc. SF0471, presented to the Finance Committee in March 2018;
- took note that the Finance Committee had discussed the report on the use of WCO Reserves to date;
- adopted the proposed changes to the WCO Donor Policy with regard to examining voluntary donations from private sources;
- approved the Report on the Finance Committee's 101<sup>st</sup> Session;

- adopted the Decision of the Council, subject to the addition of the scale of contributions for 2018/2019 distributed at this Session. The Decision is set out at Annex IV to these Minutes

## **2. APPROVAL OF THE MINUTES OF THE 129<sup>TH</sup> /130<sup>TH</sup> AND THE 131<sup>ST</sup> SESSIONS OF THE COUNCIL**

418. The CHAIRPERSON invited the Council to turn its attention to an issue which remained outstanding, namely Item 2 : Approval of the Minutes of the 129<sup>th</sup>/130<sup>th</sup> Sessions of the Council (July 2017) and Approval of the Minutes of the 131<sup>st</sup> Session of the Council (December 2017).
419. The Delegate of BRAZIL said that rather than risking the reopening of the difficult discussions which had just taken place, he wished to propose that the approval of the Minutes of the previous Sessions be postponed until the next Sessions of the Council, to give the Working Group on Accessions time to do its work.
420. The Delegate of the RUSSIAN FEDERATION argued that this vital issue should be considered now in order to avoid delays in the WCO's work, and that judging by the discussions held at the present Session it should prove possible to reach a decision. He fully agreed with the Chairperson's earlier assessment that the WCO was split into two parts on the very complex issue of the membership of Kosovo. In this regard, he sought clarifications regarding the opinion, expressed by some delegations, that those countries which did not support the membership of Kosovo were blocking the WCO's work through their objections; the countries concerned were not the ones which had initiated the provocative decision to use the WCO as a platform for institutional untruths about a territory whose status was disputed. The Chairperson's efforts to achieve a compromise on the first day of the Session had unfortunately been defeated by the attitude of one of the parties which supported Kosovo's membership. The Russian Federation was still seeking a solution to this very difficult and divisive issue; therefore he proposed that the Minutes of the July and December 2017 Council Sessions be approved, and at the same time the Chairperson and the Secretariat be asked to state clearly the positions of those countries which believed that Kosovo could not be regarded as a WCO Member until it was recognized as a State by the United Nations.
421. Referring to an earlier statement by the Delegate of China, he insisted that the WCO should not permit a situation in which the opinion of the majority, or of a substantial proportion of the membership, was not taken into account. He recalled that on previous occasions, various options had been discussed regarding how Kosovo could be referred to in the Annexes to the Council Minutes. It had not been possible to approve the Minutes as a result of those discussions. At the extraordinary Council Session held in December 2017, the Russian Federation had requested certain amendments to the July 2017 Council Minutes and the Annexes thereto, including the Annex listing the Members of the WCO and the Annex setting out Members' contributions. The request had been included in the Minutes, and was well known. The delegate insisted that the amendments requested did not represent a compromise, but an attempt to properly reflect the facts, i.e. that WCO Members were divided regarding the legitimacy of granting WCO membership to Kosovo, that the Council was still holding discussions to reach a compromise or consensus decision on this matter, and lastly that a Working Group on Accessions had been set up to put forward possible solutions to the Council in this respect. The best option in his view would be to reflect these three facts in notes which would appear each time Kosovo was mentioned in the

Annexes to the Council Minutes.

422. On a different but related matter, the Delegate of the Russian Federation pointed out that the amount of Kosovo's contribution had been determined by the Secretariat independently, without using the applicable methods; those contributions were not based on United Nations or OECD statistics, because the United Nations did not classify Kosovo as an independent state and accordingly had no related statistics. It was also worth noting that the Finance Committee had not provided any recommendations regarding this situation, and it had not been examined by the external Auditor. Taking all this into account, he proposed that the Working Group on Accessions be asked to consider these aspects of accession, among others, and provide its own recommendations to the Council. He concluded by requesting that the Chairperson take note of the Russian Federation's commitment to reaching a compromise solution, and asked him to support its proposals.
423. The CHAIRPERSON said that in his opinion the non-approval of the Minutes of previous Sessions of the Council would not stop the WCO from operating. He also pointed out that the proposal to postpone consideration of this issue had come from Brazil - a country which had not recognized Kosovo. It was important that all opinions be heard, but at the same time it had to be acknowledged that the same arguments had been repeated over and over again since June 2016, and this had not persuaded any of the parties to change their minds. The views expressed were recorded clearly in the Minutes, and it was not beneficial to the Organization, or to the cause of any party, to have them reiterated repeatedly.
424. The Delegate of SERBIA thanked the Brazilian delegation for its proposal, and also thanked the Delegate of the Russian Federation for his remarks. He said the documents needed to reflect the divisions existing within the Organization, and in the absence of an understanding about this the Council was at an impasse; the Minutes could not be approved without the necessary reference notes in the Annexes.
425. The CHAIRPERSON said that this was precisely his argument; as far as he could see the Minutes could not be approved at this Council Session, although that was a decision for the delegates.
426. The Delegate of AUSTRIA said that the Council seemed to have reached an impasse. He supported what had been said by both Brazil and the Chairperson, agreeing that the WCO would be able to continue its work without approving the Minutes.
427. The Delegate of the RUSSIAN FEDERATION expressed his appreciation of the efforts made by the Finance Committee Chairperson to ensure that the Organization's finances remained in good shape. Nevertheless he reiterated the Russian Federation's reservation in respect of Kosovo's membership, the acceptance of its contribution on the basis of the methods employed, and the fact that the auditor had not been informed of the problems faced by the WCO in this respect.
428. The CHAIRPERSON concluded by asking whether any delegation objected to Brazil's proposal that the approval of the Minutes be postponed. There being no objections, the proposal was adopted.

## **10. OTHER BUSINESS**

### **(a) Accession to WCO instruments and signing of Memoranda of Understanding**

#### (i) Revised Kyoto Convention

429. The Delegate of VANUATU deposited his country's instrument of accession to the Revised Kyoto Convention (RKC), bringing the number of Contracting Parties to 115.

#### (ii) Regional Customs Laboratory

430. The Delegate of KOREA signed a Memorandum of Understanding with the Secretary General for the establishment of a WCO Regional Customs Laboratory in Jinju.

#### (iii) Regional Training Centre

431. The Delegate of TUNISIA signed a Memorandum of Understanding with the Secretary General for the establishment of a WCO Regional Training Centre in Tunis.

#### (iv) Regional Dog Training Centres

432. The Delegate of HUNGARY signed a Memorandum of Understanding with the Secretary General for the establishment of a WCO Regional Dog Training Centre in Budapest.

433. In the course of the Session, the Delegate of CANADA signed a Memorandum of Understanding with the Secretary General for the establishment of a WCO Regional Dog Training Centre in Rigaud.

### **(b) WCO photo competition**

434. The SECRETARY GENERAL thanked the 63 administrations that had participated in the 2018 WCO photo competition, the aim of which was to reflect and thus communicate the importance of Customs officers and the impact they were having around the world.

435. The Secretary General announced that the winning entry, as voted for by the Members, was the Jamaican Administration's photograph entitled "Facilitating trade, protecting our people, building our country". The officers of the Jamaica Customs Agency were the epitome of its motto "Country Above Self", driven by the core values of customer service, accountability, professionalism, integrity and transparency.

### **(c) Upcoming events**

436. The Delegate of TURKEY showed a video and invited Members to attend the 13<sup>th</sup> PICARD Conference which would be held in Malatya from 9 to 11 October 2018.

437. The Delegate of AZERBAIJAN showed a video and urged Members to attend the next WCO IT Conference and Exhibition which would be held in his country from 12 to 14 June 2019.

**(d) WCO Vice-Chairpersons**

438. The SECRETARY GENERAL said that the WCO operated on the basis of a regional structure under the six regional Vice-Chairs who provided him with strong support and advice and who served as avenues of communication both between the Secretariat and the regions and also internally within the individual regions. Three Vice-Chairpersons would complete their term of office this year :

- Chile (Americas/Caribbean region) : The Secretary General said that under the leadership of Mr. Claudio Sepúlveda, Chile had been a very active Vice-Chair during its term of office. It had spearheaded the development of the region's strategic plan and had provided coordination and impetus for the translation of key WCO documents into Spanish, which was highly appreciated.
- Côte d'Ivoire (West and Central Africa region) : The Secretary General said that Côte d'Ivoire had done its utmost under the Vice-Chair, Mr. Pierre Alphonse Da, to ensure that all 23 Members of the West and Central Africa region were included and involved in the work of the WCO and the international Customs community. The Secretariat would, of course, continue to work closely with the Côte d'Ivoire Administration since it hosted the ROCB for West and Central Africa.
- Fiji (Asia/Pacific region) : The Secretary General said that, although one of the smaller countries in the Asia/Pacific region which was the largest WCO region in geographical terms, Fiji had shown considerable dedication in representing the region, particularly in encouraging greater involvement of the Pacific States in the work of the WCO and highlighting the situation of small island economies. He requested that the WCO's best wishes and gratitude be conveyed to the Chief Executive Officer of Fiji Customs, Mr. Visvanath Das.

439. The Secretary General wished the outgoing Vice-Chairs well and expressed the hope that they would continue to work with the Secretariat and be active in their region. He also conveyed his best wishes to the incoming Vice-Chairs, namely the Dominican Republic, Guinea and India, and looked forward to working with them over the coming year.

**(e) Tributes**

440. The SECRETARY GENERAL began by congratulating the Council Chairperson, Mr. Enrique Canon, on his re-election, acknowledging his fairness and patience in seeking to achieve conclusions, as well as his approach of nurturing goodwill amongst the membership.

441. He then paid tribute to Mr. Leigh Winchell, the Deputy Director for Compliance and Enforcement, who would shortly be leaving the Secretariat to retire to the United States, his home country. Mr. Winchell was not able to be present at the current Council Session as he was representing the WCO in New York at a high-level UN Conference on countering terrorism.

442. Finally, the Secretary General paid tribute to the Head of Administration and Personnel, Mr. Ray McDonagh, who was attending his last Council Session. The Secretary General said that he had relied considerably on Mr. McDonagh whom he

valued, in particular, for his efficiency, professionalism and integrity. He wished Mr. McDonagh all the best for the future.

443. The Delegate of AUSTRIA said that the Director General of Cyprus Customs, Mr. Demetrios Hadjicostis, was attending his last Council Session since, after more than 40 years' service in Customs, he would be retiring in March 2019. On behalf of the membership she wished him a long and happy retirement. Mr. HADJICOSTIS said that his association with the WCO dated back to 1990 and that it had been a privilege to work with colleagues in the Organization. He would always consider himself part of the Customs family.
444. The Delegate of the EUROPEAN UNION took the floor to pay tribute to his EU colleague, Mr. Antonis Kastrissianakis, who was retiring this very day after 38 years of service, more than 10 of which had been spent working on WCO matters. He had been actively involved in the EU's move towards WCO membership, in e-commerce, in development of the SAFE Framework of Standards and in the recent election campaign of Ms. Jurado. The delegate expressed his appreciation of Mr. Kastrissianakis for this kindness, wisdom and dedication, and wished him well for the future.

#### **11. DATE AND PLACE OF NEXT SESSIONS AND CALENDAR OF MEETINGS FOR 2018/2019**

445. The Delegate of INDIA presented his country's offer to host the Policy Commission's next session in Mumbai in December 2018. Mumbai was the financial capital of India and the hub of activity for Indian Customs in respect of trade facilitation, enforcement and border management in cross-border trade. He said that it would be an honour and privilege to welcome the Policy Commission to Mumbai. The Council agreed that the 80<sup>th</sup> Session of the Policy Commission would take place in Mumbai from 3 to 5 December 2018.
446. The 133<sup>rd</sup>/134<sup>th</sup> Sessions of the Council would be held in Brussels from 27 to 29 June 2019, preceded by the 81<sup>st</sup> Session of the Policy Commission from 24 to 26 June 2019.
447. Subject to a number of amendments to the draft that had been circulated, the Council approved the Calendar of meetings for 2018/2019, which is reproduced at Annex VII hereto.

#### **CLOSURE OF THE SESSION**

448. The CHAIRPERSON expressed his gratitude to all Members for their cooperation and support during the Session, and thanked the Secretary General and the Secretariat staff for their hard work.

E. CANON,  
Chairperson.

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