



COUNCIL

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111th/112th Sessions
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MINUTES OF THE 111TH/112TH SESSIONS
OF THE CUSTOMS CO-OPERATION COUNCIL

(Brussels, 26 - 28 June 2008)

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MINUTES

OPENING OF THE SESSIONS

1. The 111th/112th Sessions of the Council were held at WCO Headquarters in Brussels from 26 to 28 June 2008. The list of participants is reproduced at Annex I.
2. The CHAIRPERSON welcomed the participants and declared the proceedings open. The Council began by observing a moment's silence in memory of Customs officers all over the world who had lost their lives during the previous year.
3. The Chairperson said that the current Council Sessions were extremely important and historic ones, with major policy issues to be tackled. These included the new document on Customs in the 21st Century which was intended to give guidance to the Organization and to the Customs community as a whole for the next decade or so. Other key items featuring on the agenda for the Sessions were the SAFE Framework of Standards and the SECURE and Capacity Building programmes. He also reminded delegates that they would be electing a new Secretary General to take over from M. Danet at the end of the year.

1. ADOPTION OF THE AGENDA

4. The Agenda set out in Doc. SC0083 was adopted unchanged.

2. APPROVAL OF THE MINUTES OF THE 109TH/110TH SESSIONS OF THE COUNCIL

5. The Minutes of the 109th/110th Sessions of the Council, contained in Doc. SC0082, were approved.

3. REPORT OF THE SECRETARY GENERAL

6. The SECRETARY GENERAL began his report by picking up on the comments by the Chairperson of the Council with regard to the important and historic nature of these June 2008 Council Sessions. The Secretary General felt that these Council Sessions were indeed important, as decisions would be taken affecting the future of Customs and consumers.
7. The Council Sessions were historic for several reasons. Firstly, a new Secretary General would be elected. Secondly, there was a high turnout of Members since 164 Members were expected, including 128 Directors General and 8 Ambassadors, as well as 31 international or regional organizations. Finally, these would be the last Council Sessions for a whole generation of top Customs officials, including the Secretary General and the Chairperson of the Audit Committee, Mr. Alain Jolicoeur, who was preparing to leave his Administration. The document on Customs in the 21st Century could be considered this generation's legacy to a younger generation.
8. The Secretary General then turned to the election process and recalled that, in December 2007, the Policy Commission had adopted a Code of Conduct for the election of the next Secretary General, and had agreed that the implementation of the

Code would be overseen by the President of the Canada Border Services Agency, Mr. Alain Jolicoeur, as Chair of the WCO Audit Committee. There had been a number of consultations with Mr. Jolicoeur during the intervening period, aimed at ensuring the fairest possible treatment for all the candidates. The candidates had been invited to attend all the regional meetings, the Finance Committee, various WCO fora and the Policy Commission. Finally, an Election Committee consisting of six wise persons and the Chairperson of the Audit Committee had also been established.

9. The Secretary General invited Mr. Jolicoeur to present to the Council, for its approval, the process which had been devised for the conduct of the election and the preparations for that election.
10. Mr. JOLICOEUR said that the process he was about to describe was not perfect, and was somewhat complicated, but most importantly he believed that it was fair and would be seen to be fair. He began with the election session itself, which would take place on Saturday morning and would be chaired by him. The procedure for distributing the ballot papers and counting the votes cast would be exactly the same as on previous occasions, with six wise persons nominated by the regions for the purposes of this election supervising the count. At the end of each round of voting, he would gather the candidates together and tell them all how many votes each had received. The candidate who had received the fewest votes in that round would be required to drop out, and others could decide to do so if they wished. Then, Mr. Jolicoeur would announce to the assembly which candidate(s) had dropped out, and how many votes had been received by each candidate who was going forward to the next round of voting. The number of votes received by those who were dropping out would not be announced.
11. Mr. Jolicoeur then turned his attention to the days leading up to the election. At a meeting of Heads of Delegations on Friday afternoon, all nine candidates would be invited to make a presentation from the podium lasting no more than ten minutes. Candidates would not remain in the room while their fellow candidates were giving their presentations. Once all nine candidates had spoken, the entire group would return to the podium for a question-and-answer session, in which the six wise persons would pose questions to the candidates. Each candidate would be asked a question in turn, then this process would be repeated, giving a total of eighteen questions - two per candidate. Each question would take no more than 1 minute to pose, and candidates would have a maximum of 1 minute 30 seconds to give their answer.
12. The preparatory work for this presentation/question-and-answer session had begun early on Thursday morning, when the Chairperson of the Audit Committee had met with the nine candidates to determine, by drawing lots, the order in which the candidates would give their presentations, the order for the first round of questions, and the order for the second round of questions. Immediately after his meeting with the candidates, he had met with the six wise persons who had drawn lots, using two decks of cards, to determine to which candidates they would address their questions. Thus, with nine candidates, two rounds of questions and six wise persons, each wise person would be posing a total of three questions to randomly-selected candidates.
13. During a lunch on Friday, just before the presentation/question-and-answer session would begin, the six wise persons and Mr. Jolicoeur would together review the questions they intended to pose to ensure that they were fair, clear and capable of being answered.

14. Mr. Jolicoeur then pointed out that for the presentation/question-and-answer session, Heads of Delegations could be accompanied by one advisor, but that the election itself would be for Heads of Delegations only. He also drew Members' attention to the fact that if any unexpected issue related to the elections arose, he would meet with the wise persons to resolve it rather than referring the matter to the Council for discussion.
15. In the absence of comments by Members, the CHAIRPERSON declared that the process for the conduct of the election described by Mr. Jolicoeur was adopted.
16. The SECRETARY GENERAL continued his report by describing the situation with regard to accessions, staff and financial matters. He informed the Council that the WCO now had 173 Members with the recent accession of Djibouti and Belize.
17. Three other countries were currently holding discussions with the Secretariat regarding possible accession, namely Bosnia-Herzegovina, Guinea-Bissau and Sao Tome and Principe. He welcomed the fact that Iraq and Liberia had regularized their situation vis-à-vis the WCO and pointed out that there were no inactive Members, thus proving the important role played by the WCO.
18. With regard to staff numbers, the Secretariat currently had 103 budget posts, and 33 nationalities were represented therein.
19. The Secretary General thanked Members for having made 25 Technical Attachés available to the WCO, equating to a budget saving of 2.5 million euros. Nine of the 25 Technical Attachés had been posted to Capacity Building, six to Enforcement, four to Nomenclature, one to Facilitation, three to Valuation and two to Origin. Given the important role played by Technical Attachés in fulfilling the WCO's mission, the Secretary General questioned whether this situation might pose a long-term threat to the Organization itself, insofar as Members might decide to stop funding these Attaché posts.
20. Furthermore, he noted that the profile of current staff might not be tailored to the new functions of Customs. Although the WCO had always given preference to expertise and professional qualifications, it was nevertheless suffering from skill shortages in areas such as security, computerization and research and development. It was a question of matching the staff's profile to the WCO's objectives and capacities : should the qualifications required of Secretariat staff be reviewed ?
21. The Secretary General then welcomed the fact that 12 countries had accepted the amendment to the Convention establishing a Customs Co-operation Council, enabling Customs or Economic Unions to become Contracting Parties (Bhutan, Cambodia, Italy, Korea, Lao People's Democratic Republic, Malta, Moldova, Montenegro, Nepal, Oman, Singapore and Sweden). He nevertheless pointed out that, at a rate of 12 acceptances per year, it would take over 16 years for the amendment to enter into force. Yet according to a recent survey, some 50 Members were apparently ready to ratify the amendment in the coming months.
22. The Secretary General then focused on the position regarding the WCO's Conventions which had long constituted the Organization's basic instruments. Compared with 92 Contracting Parties in 1998, the Harmonized System Convention now had 134, and many administrations applied it without having ratified it. However this was an isolated success, since there were 53 Contracting Parties to the Istanbul Convention, 57 to the Revised Kyoto Convention and only 3 to the Johannesburg

Convention. The Organization was therefore facing a real implementation crisis, identified for several years now, which affected not only the Conventions, but also the Recommendations. The Secretary General therefore asked Members' opinion about the usefulness of the Committees, working groups and other meetings : what was the point of investing time and money in initiatives which everyone supported at the time of their adoption, but which no one, or almost no one, wanted to implement in the final analysis ? Faced with this fundamental governance issue, and without calling into question the non-binding nature of the WCO, the Secretary General raised the issue of how to commit Members to Council decisions. He agreed that these instruments could be applied without actually having been ratified, but that the problem remained the same.

23. The Secretary General then reported on the state of the WCO's finances and said that although they were healthy, they nevertheless remained fragile.
24. He noted that financial year 2006/2007 marked the end of the budget deficit since, despite a forecast deficit of 1.1 million euros, the final result had been a surplus of 1 million euros. He then said that the next three financial years would mark the beginning of a new cycle with a return to a balanced budget, since financial year 2007/2008 should show a surplus of 450,000 euros and financial years 2008/2009 and 2009/2010 would be balanced. However, this had only been made possible thanks to :
 - strict management of the general operating expenses;
 - skilful management of staff turnover arrangements, which nevertheless placed a heavy burden on the WCO's technical Directorates and which ran counter to the advice of the Audit Committee which wanted an optimal handover of power;
 - favourable results in terms of extraordinary revenue due to the events organized by the WCO;
 - timely management of the portfolio, with a 1.2 % return on investment despite an unfavourable stock-market situation.
25. With regard to the European Communities' contribution, the Secretary General stated that this had made it possible to re-establish the post of Deputy Director, Enforcement that he had had to abolish for budgetary reasons and that, as agreed at the Almaty Policy Commission in December 2007, 350,000 euros had been assigned to Capacity Building and 650,000 euros added to the WCO's reserves. Those reserves currently stood at over 10 million euros, achieved through a painful process of budget restrictions, without which the WCO funds would currently have dropped below the minimum threshold. He therefore asked Members' opinion about the level of reserves required for an Organization such as the WCO.
26. Turning to voluntary contributions, the Secretary General then highlighted the fact that an unprecedented amount had been pledged to the WCO. If Japan had long been the sole contributor, it was now joined by Belgium, Ireland, Norway, the Arab countries, the Russian Federation, Sweden and Eurocustoms, for total pledges of 17.4 million euros. He hoped that these pledges would be realized and that his successor would therefore have sufficient room for manoeuvre in order to fulfil the WCO's mission. The Customs Co-operation Fund had currently received 1.7 million euros of the 7.7 million pledged, the Capacity Building Fund had received 1.8 million euros of the 8.6 million pledged, and the Languages Fund had received 200,000 euros of the 1.2 million

- pledged. With regard to this last Fund, he welcomed the possibility, if all the pledges were honoured, of having interpreting and translation for Arabic, Spanish, Portuguese and Russian at the next Council Sessions. The status of payment of contributions would be reported on at the next Policy Commission session.
27. With regard to governance, the Secretary General expressed his satisfaction with the sound foundations on which it was built : a Finance Committee with greater powers; an Audit Committee in place, with a programme of work covering several years and whose Chairperson had reported to the Policy Commission; and Financial and Management Audits conducted by independent private-sector Auditors.
28. The Secretary General then said that the six regional meetings held in Morocco (15 and 16 January 2008), Ireland (28 and 29 February 2008), India (14 to 17 April 2008), Panama (5 to 8 May 2008), Senegal (15 and 16 May 2008) and Lesotho (29 and 30 May 2008) had been extremely productive, due largely to the presence of the Directors General concerned and the candidates for the post of Secretary General.
29. Regarding relations with international organizations, the Secretary General pointed out that co-operation with the OECD was more active than ever. Indeed, an OECD Forum on tax administration and the evolution of Customs administrations had been held in South Africa in January 2008, and the WCO and OCED were co-operating in the area of anti-counterfeiting and piracy. He also drew Members' attention to an OECD report which raised the issue of whether, for Members, combating counterfeiting and piracy was important or a priority. Tangible measures could be taken, based on their response.
30. The WCO was participating in the work of the UN Counter-Terrorism Committee and had funded its own participation in audit missions to Albania, Kenya, Morocco, Thailand, Mali, India, Pakistan, Vietnam, Armenia, Georgia, Bosnia-Herzegovina, Niger, Saudi Arabia and South Africa. It had not been possible to carry out two of the scheduled missions, in Cambodia and the Lao People's Democratic Republic, due to lack of funding. A mission was scheduled to be carried out in Malaysia in the near future.
31. Turning to WCO/WTO co-operation, the Secretariat had participated in 3 trade facilitation meetings and had conducted 12 WTO-financed missions to assess facilitation needs in Zambia, Mexico, Burundi, Paraguay, Uganda, Honduras, Guatemala, Vietnam, Yemen, Nigeria, the Democratic Republic of the Congo and Kenya. The Policy Commission had suggested officializing the informal links maintained between the WCO and the WTO in a report drafted by the WCO and submitted to the Director-General of the WTO, which would provide a summary of the work done by the WCO. As in previous years, the Secretary General recalled that the WCO did not negotiate at the WTO, and that it was therefore up to Members to represent Customs within that Organization.
32. The WCO had participated in many events and meetings this year :
- International Conference on Combating Counterfeiting and Piracy, held in Buenos Aires (Argentina) in November 2007;
 - Conference - WCO SAFE Framework of Standards : The Response to the Challenges of Global Trade, held in Brussels in December 2007;

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- Seminar - SAFE Framework of Standards, held in Casablanca (Morocco) in January 2008;
 - Fourth Global Congress on Combating Counterfeiting and Piracy, held in Dubai (United Arab Emirates) in February 2008. This event had proven a resounding success with 1,200 participants in attendance. The message was very clear : it was time to act;
 - EastWest Institute's Worldwide Security Conference, held in Brussels (Belgium) in February 2008;
 - WCO Forum : "Inventing our Future", held in Brussels in March 2008. The WCO had received constructive criticism at this event : it had to go further in terms of trade facilitation, focus more fully on border protection and, in general terms, evolve or become extinct;
 - WCO IT Conference and Exhibition, held in Seoul (Korea) in April 2008;
 - PICARD Conference, held in Shanghai (China) in May 2008;
 - International Conference on Combating Counterfeiting and Piracy, held in Halkidiki (Greece) in May 2008;
 - Operation "Vice-Grips" carried out in six African ports in Tunisia, Egypt, Morocco, Ghana, Nigeria and Senegal in June 2008, leading to the seizure of almost 1.2 million counterfeit articles;
 - Conference : What Future for 100 % Scanning ?, held in Brussels in June 2008.
33. The Secretary General then turned to the status of the WCO's priority issues.
34. With regard to the SAFE Framework, he was pleased that progress had been made, rendering this instrument a living and evolving tool. There was nevertheless a sustained demand for the development of standards for mutual recognition.
35. Despite what the Secretary General had previously stated, it would be possible to launch the Data Model thanks to assistance from India, the United States and the United Kingdom.
36. "10 + 2" was also a priority issue. The technical solutions existed, and it would also be worth tackling this issue from a political perspective as part of the response to the United States' 100 % scanning legislation. In this respect, the WCO's primary objective was to express its opposition by submitting a Council Resolution on this matter to the United States Congress, and by proposing alternatives, such as "10 + 2" for example.
37. In the light of what the WCO had already achieved in the trade facilitation field (Kyoto Convention, SAFE Framework of Standards), the Secretary General wondered whether new initiatives should be taken, whether they should be launched now or whether to wait for the conclusion of the Doha Round of negotiations.
38. The Columbus Programme was a resounding success, since of the WCO's 173 Members, 154 had signed the Letter of Intent, 104 had received a diagnostic study, 68 had entered Phase II, and 1 (South Africa) had entered Phase III. This was

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the Customs community's top priority. The Columbus Programme now required a new approach based on the experience gained, which had been presented to the Policy Commission by the Chairperson of the High Level Working Group on Capacity Building.

39. As far as combating counterfeiting and piracy was concerned, the Secretary General said that all the warning lights were still on. He thanked Japan for its efforts to make this an item on the Agenda of the next G8 summit for decision by the richest countries. In addition, he had also wanted the G8 to take up this issue so as to ensure that Customs' role was recognized. This would consequently promote SECURE, which remained a vital tool for Customs, the frontline player in the field, in the fight against fraud and piracy. The Secretary General reported that he was working on initiating operations in Mediterranean ports and Chinese airports, as well as on a Chinese request in the context of the Beijing Olympic Games. He highlighted the Chinese communication campaign presented to Members. At all events, the Secretary General undertook to pursue a proactive approach of training and capacity building in this area.
40. Turning to Customs in the 21st Century, the WCO now had an ambitious reference document. Thought would have to be given to its implementation, inter alia by considering whether or not it should be binding on Members. The Secretary General hoped that Members would reach a decision on what they expected from the WCO, and he asked them to approve the document on Customs in the 21st Century.
41. The Secretary General then referred to four areas of work that ought to be explored :
- the Customs' impact of the food crisis, and the role to be played by Customs in dealing with that crisis;
 - the consequences of the European Union's Economic Partnership Agreements for the ACP countries, and the role that the WCO could play in assisting the Customs administrations concerned;
 - new environmental protection responsibilities for Customs, based on the questionnaire devised by the Secretariat on this subject;
 - commercial fraud : based on a dossier prepared by the Indian Administration, the Secretary General felt that the WCO should deal with this issue in a more targeted manner as it was of concern to all Members.
42. The Secretary General concluded by expressing his pride at having served as Secretary General for ten years and having reported to the Council, which he thanked. He provided assurances that, over the next six months, he would ensure that the transition was conducted in the best interests of the Organization so that as of his very first day in office, the new Secretary General could apply himself to the task and assume his new responsibilities under the best possible conditions.
43. The CHAIRPERSON then invited delegates to make general observations on the report of the Secretary General.
44. During the ensuing discussions, all the delegates who took the floor, including the Chairperson of the Private Sector Consultative Group, congratulated the Secretary General on his comprehensive presentation which offered food for thought, as well as

on the quality and professionalism of the work done and the excellent results achieved during his ten years in office.

45. The Delegate of JAPAN welcomed the Secretary General's major contribution to promoting SAFE and COLUMBUS, underlining the need to build Customs' capacities, which was an issue of common concern. He also highlighted the other extremely varied and complex challenges to be faced by the WCO, especially in the areas of intellectual property rights and the environment. He added that 21st Century Customs had to be based on a solid network.
46. The Delegate of CHINA, cognizant of the importance of the role played by the Customs community at international level, proposed launching a security initiative in the context of the Beijing Olympic Games, and asked for this to be added to the Council Agenda.
47. The Delegate of SWEDEN considered the WCO to be a key player in the application of international trade security, and she welcomed the efforts made in the security and facilitation fields. She recalled that Sweden had always supported the WCO, whether financially or in kind, and that it had assisted in the practical implementation of over 100 WCO missions. Sweden undertook to continue along this path until at least 2012, and announced the establishment of an Arabic and Spanish language platform to ensure the widespread distribution and proper use of the WCO's tools.
48. The Delegate of MOROCCO welcomed the high turnout by Members at the regional meeting held in Marrakesh and at the Casablanca Conference on the SAFE Framework of Standards. He wished to make two comments. Firstly, with regard to the implementation of the WCO's tools, he recalled that two years ago he had proposed the setting up of a think tank tasked with focusing on the reasons for this crisis and the possible measures to be taken. Secondly, with regard to the WCO's human resources, he stressed that the current problem of finding suitable profiles could be overcome through a global approach involving the regions, which would result in appropriate and fair recruitment. He concluded by inviting Members to attend the WCO IT Conference and Exhibition to be held in Marrakesh in Spring 2009.
49. The Delegate of UGANDA felt that the implementation crisis in respect of the WCO's instruments was either due to these instruments' lack of ambition, which raised the issue of their raison d'être, or else due to insufficient efforts at national level. In any event, uniform application was dependent upon effective players. Turning to the issue of the United States' 100 % scanning legislation, he informed the Council about the discussions held in his region and highlighted the contradiction in this respect : on the one hand, the Customs community was promoting risk management whilst, on the other, 100 % scanning legislation running counter to this principle had been passed.
50. The Delegate of the UNITED ARAB EMIRATES agreed with the statements made by the Delegates of Morocco and Uganda.
51. The Delegate of BRAZIL referred to the constant changes facing Customs, and welcomed the WCO's ability to adapt to them through capacity building on a global scale, yet tailored to each Member's own pace. She then raised the issue of the rapprochement between the WCO and its Members and applauded the introduction of languages other than the WCO's two official languages. In this respect, she asked the Council to support her proposal to work in all the languages that could be funded.

52. The Delegate of the UNITED STATES emphasized the importance of intelligence for risk management and said that initiatives such as “10 + 2” made it possible to move forward and ensure genuine transparency throughout the entire international supply chain. Concerning the implementation of the WCO’s instruments, he informed the Council that during the discussions on the Revised Kyoto Convention at the Americas regional meeting in Panama, it had been noted that many administrations were applying the Convention without having ratified it.
53. The Delegate of GERMANY congratulated the WCO on all its accomplishments, notwithstanding the limited number of staff available to it. Germany traditionally supported the WCO Secretariat by actively participating in the Organization’s work and various Committees, as well as by providing financial support, and it undertook to continue this commitment. He added that another Technical Attaché would be made available to the WCO in the enforcement area. He concluded by expressing his admiration for the nCEN initiative which, in his opinion, was one of the new approaches in the capacity building domain. Financial support for this initiative was currently under consideration.
54. The Delegate of INDIA felt that although the role of Customs would undoubtedly develop and might be redefined, Customs would continue to play a role in terms of revenue collection, border controls and trade facilitation. He expressed his satisfaction at the inclusion of the commercial fraud issue on the agenda, and proposed setting tight deadlines for the Enforcement Committee in this respect and establishing a high level group which would report to the Policy Commission.
55. The Council took note of the Secretary General’s written and oral reports.

4. POLICY MATTERS

56. The CHAIRPERSON invited participants to consult the Reports on the Policy Commission’s 58th and 59th Sessions (Docs. SP0264 and SP0280), which had taken place in December 2007 and June 2008 respectively. The 58th Session had been concerned primarily with matters which were examined again at the 59th Session, and there were no specific items from the 58th Session which required formal approval by the Council.
57. The Chairperson therefore invited participants to turn their attention to the 59th Session, which had taken place earlier in the week. With the assistance of the Secretary General and other members of the Secretariat’s senior management, he then presented to the Council item-by-item the key outcomes of that session as reported in Doc. SP0280, and in an executive summary of that document which had been distributed to delegations.

(a) Security and facilitation of trade - Report of SAFE Working Group and Update on the Framework of Standards and the consequences of the United States law (100 % scanning)

58. The DIRECTOR, Compliance and Facilitation, said that at meetings held since the previous Council Sessions the SAFE Working Group had strongly endorsed the concept of risk management. The SAFE Working Group had approved, and the Policy Commission had endorsed, several amendments to the SAFE document, namely a model Authorized Economic Operator (AEO) appeal procedure for businesses which were refused AEO status or had their AEO status suspended or revoked, the transfer of the data elements from the SAFE document to an Annex, and the introduction of four new data elements.

59. The Council adopted the proposed amendments.

60. The DIRECTOR added that there were a number of outstanding issues which would be taken up at the SAFE Working Group's October 2008 meeting. The Policy Commission had suggested an expedited process under which the Council would authorize the Policy Commission to adopt, in December 2008, any further amendments that might be approved at the Working Group's October meeting.

61. It was so decided.

62. The CHAIRPERSON invited the Council to note that, during its discussions, the Policy Commission had expressed strong support for the concept of risk management - an area where there were shortcomings in certain administrations.

63. The Council took note.

(b) Combating of counterfeit and pirated goods - Report of SECURE Working Group

64. The DIRECTOR, Compliance and Facilitation, recalled that at its previous Sessions the Council had approved the Provisional SECURE Standards document and had established a SECURE Working Group to further refine that document. The SECURE Working Group had met three times during the intersession, and the Secretariat and the Chairperson of the SECURE Working Group had presented to the Policy Commission the status of the Provisional SECURE Standards document following those three meetings. After a series of interventions by delegates, the Policy Commission had decided to recommend to the Council that the Provisional SECURE Standards document be returned to the SECURE Working Group for further action and development, and that the Group report to the Policy Commission in December 2008.

65. It was so decided.

66. In response to a request from the Delegate of Brazil for clarification, the DIRECTOR, Compliance and Facilitation, confirmed that the decision taken by the Council was to instruct the SECURE Working Group to continue its examination of the Provisional SECURE Standards document, reporting to the Policy Commission in December 2008.

67. The Delegate of the EUROPEAN COMMUNITIES expressed his Delegation's regret that insufficient progress had been achieved in the direction of approving the SECURE Standards.

68. The Council took note.

(c) Customs in the 21st Century

69. The CHAIRPERSON invited his predecessor, Mr. Pravin Gordhan, Commissioner of the South African Revenue Service, to introduce the paper on Customs in the 21st Century - Enhancing Growth and Development through Trade Facilitation and Border Security, which the Policy Commission was submitting to the Council for approval.

70. Mr. GORDHAN said that the long process leading up to the delivery of this paper had begun at the June 2002 Council Sessions, with the adoption of an important Resolution on Security and Facilitation of the International Trade Supply Chain. That Resolution had referred to visions for Customs in the 21st Century as being an important aspect of the WCO's strategic direction for the future.

71. In June 2007, the Council had requested a concise, high-level paper on this subject and, in December of that year, the Policy Commission had asked South Africa, amongst other Members, along with the Secretary General and the Chairperson, to take up this task. More than 19 Members had contributed in one way or another, and the content of the document had been significantly influenced by a number of studies, including a study by New Zealand on "Conceptualizing the Border" and a study on "21st Century Supply Chains" carried out by Lausanne University at the request of the Secretary General. Earlier drafts prepared by the Secretary General and by Council Chairpersons had also been helpful.

72. In recognizing the need for a document setting out a vision for Customs in the 21st Century, it was also important to acknowledge that Customs had a very long history. However, history could not be relied upon to dictate the future, and for some time the Chairperson, the Secretary General and the Members had been talking about the need to reinvent Customs in response to a series of developments that were occurring. To quote from the UN Millennium Declaration : "The central challenge that States face is to ensure that globalisation becomes a positive force for all the world's people". This meant that the State needed to view itself in a different way in the 21st Century, recognizing in particular its role in the socio-economic development of society, the promotion of economic growth in the private sector, a different approach to border control, and the provision of security for the State and protection for its citizens against a wide range of dangers.

73. These considerations gave rise to a new strategic direction for Customs, and in this connection Mr. Gordhan said that the paper now before the Council identified ten strategic building blocks for Customs in the 21st Century. The first building block was global networking. Given the nature of the supply chain and the Customs-to-Customs and, more recently, Customs-to-business relationship, it was time to envisage a globally networked Customs which made it possible to operate on the e-Customs principle, allowed for real-time collaborations, promoted the idea of the AEO a lot more assertively and, even more importantly, embraced mutual recognition as a significant platform upon which the AEO concept was built. In this context, the question to be addressed by the next Secretary General and Chairperson, and by the Council, was what could the WCO and each Member do to devise interconnected systems, going beyond country-to-country set-ups or those operating within a particular region. The aim was that such systems, if supported by mutual recognition and co-ordination protocols, should help to enhance trade and enhance the work of the private sector, whilst at the same time ensuring security and protection for societies and nations.

74. The second building block related to co-ordinated border management. The essential point here was that Customs should not, and in most cases did not, operate in isolation at the border. The challenge facing most States was how immigration, Customs, agriculture, environment, health and many other departments that had an impact at the border could work with each other in a co-ordinated manner in order to make the State more efficient, but equally to facilitate the work of businesses. In this connection, it was important that the concept of an Electronic Single Window, the role of Customs as a lead agency at the border and other innovations that some countries were experimenting with, be taken into account in developing a more co-ordinated approach to border management.
75. After more than a decade's experience of intelligence-driven risk management (the third building block), it was clear that this was a crucial pillar for the present and, more importantly, for the future. Clearly, what was required in this area was better sharing of information, more accurate identification of risk, and perhaps a more predictive, proactive identification of risk in the future. The question was what systems and processes needed to be developed in order to enable individual Customs administrations, groups of administrations or the WCO as a global network to manage risk and intelligence in a different way.
76. Moving on to the fourth building block, Mr. Gordhan said that fostering the Customs-trade partnership had traditionally been an important part of the WCO's work, but this work had been taken to new levels in recent years with the establishment of the Private Sector Consultative Group and the new emphasis on strategic pacts with trusted economic operators. It was now time to ask more fundamental questions about how a better, and more structured relationship could be established between Customs and Trade, based on a mutual understanding of concerns, requirements and beneficial outcomes. Over the next few years, there would be various experiments around the world aimed at making the systems of business and Customs better connected and better integrated. The challenge for the WCO was to predict how this area might develop over the next decade, and establish what should be done within the WCO and within administrations to facilitate the process.
77. The fifth building block for Customs in the 21st Century was modern methods. The methods used by Customs in the course of its normal work, whether that work be investigative or related to the application of valuation or the Harmonized System, needed to stay in line with the new developments and new demands facing Customs. Therefore, the paper before the Council recognized the need for Customs to adopt an innovative, modern approach to facilitation and to complex regulatory environments, keeping pace with technological and legislative developments occurring around the world. The use of audit-based controls conducted away from the border, and a move from transaction-based to systems-based controls, were examples of the kinds of modern methods to be espoused.
78. Equally important if the vision of a globally-networked system was to come into force was the technology that would enable this to occur. This was the sixth building block. One challenge facing the WCO and the Customs community in this respect was how to develop a standardized platform and devise a system that would provide a basis for global networking. Another important issue was how to take advantage of new and emerging technologies to enhance risk management and progress beyond the "scanner" phase of recent years towards even more sophisticated means of non-intrusive detection. Many Member administrations were doing invaluable work in this direction, and the WCO could play a more enabling role in terms of envisioning technology in the future.

79. Turning to the seventh building block, Mr. Gordhan said there was a view that Customs officers around the world required better enabling powers to conduct, particularly, the enforcement part of their work than they might currently enjoy in many Member countries. What the Customs in the 21st Century paper was asking for was a strengthening of enforcement powers, a better flow of advance information and, most importantly, a legislative basis upon which Customs authorities could share information with each other, and collectively.
80. There was also recognition that a new professional service culture (the eighth building block) needed to be developed for Customs officers. The type of training that the WCO and Customs authorities offered, the capability they sought to develop, and the kind of competence that a Customs officer required in the 21st Century, were clearly very different from ten years ago. Both from a WCO standpoint and from the standpoint of each individual administration, there was a need to invest a lot more in enhancing the professional service culture, in particular by inculcating this culture during training, by effective change management and by fostering leadership skills.
81. Over the previous five or six years, capacity building - which was the ninth building block - had established itself as a permanent pillar in the enhancement of the Customs community. It would also be a key factor for the success of "networked Customs". The question of how the Members and the Secretariat could enhance the Columbus Programme was a challenge thrown down by the paper on Customs in the 21st Century.
82. The tenth and final building block, Integrity, had to be viewed as a permanent challenge also, given that the fight against corruption was core to business, and without Integrity there was a real risk that the impact of the Columbus Programme could be reduced or negated. The way forward in this area would involve effective implementation of the Revised Arusha Declaration. Mr. Gordhan added that organized crime had become a very formidable force, and in many parts of the world might be stronger than even the State and the Customs administration. One of the challenges for the future was how to increase the capacity of Customs and of the State in order to cope better not just with ordinary crime, but with organized crime in particular. Integrity was a crucial part of this.
83. Having commented on the ten strategic building blocks for Customs in the 21st Century, Mr. Gordhan turned his attention to the other major aspect of the vision for the future, namely what the future role of the WCO might be. In this connection the Policy Commission's discussions on the Customs in the 21st Century paper had proved extremely useful, in that they had highlighted the need to ensure that the future work of the WCO was aligned on the directions charted by the paper. Obviously the paper was very brief, but it did nevertheless provide a platform upon which many themes could be developed under the guidance of the new Chairperson and Secretary General. The latter's responsibilities in terms of the paradigm shift recommended by the paper would include, in particular, strengthening Customs' value proposition in facilitating and securing trade, strengthening the high-level and technical relationship with relevant international organizations, repositioning the Secretariat to support Members, and providing sustainable Customs capabilities through capacity building.
84. In essence, the membership would be looking to the WCO for support and guidance on how best to achieve the progression from the current situation, characterized by a strong focus on Customs imports with no global connectivity,

towards comprehensive trade management based on the globally networked Customs model which focused on the end-to-end supply chain.

85. In conclusion, Mr. Gordhan said that the Policy Commission's recommendation to the Council was that it adopt the paper on Customs in the 21st Century as a platform and a framework document for future thinking both within the WCO and in Customs administrations. He also drew attention to a draft Resolution on the Role of Customs in the 21st Century which delegates now had before them. The draft Resolution set out the various tasks to be undertaken, in particular by the Secretariat and the next Secretary General, in order to translate the vision embodied in the paper on Customs in the 21st Century into effective action.
86. The CHAIRPERSON thanked Mr. Gordhan for a very analytical and precise presentation of this complicated and important issue. He then presented the draft Resolution on the Role of Customs in the 21st Century which had been distributed during the Sessions, before opening the discussions on the paper itself and the draft Resolution intended to accompany it.
87. The Delegate of UZBEKISTAN expressed his Administration's support for the Resolution.
88. The Delegate of AUSTRALIA welcomed the paper on Customs in the 21st Century, which was consistent with his Administration's thinking on future directions. He emphasized that Customs in the 21st Century should be a living document in two respects. Firstly, as recognized in the draft Resolution, it would need to be adapted to take account of world developments that might change some of the assumptions made about the future. Equally importantly, the paper should develop in line with Members' experience of working towards its implementation. For example, Australia was already working with New Zealand, in particular, on how networked Customs might operate, and that experience might challenge some of the assumptions made in the paper, or enhance the understanding of how to implement the measures recommended therein. He therefore suggested that the draft Resolution should place more emphasis on Members' input, in particular by encouraging them to continue the dialogue on their vision for the future in regional and other forums, and feed the outcomes of this dialogue and of their experience into future versions of the paper.
89. The Delegate of IRELAND also welcomed the paper and the draft Resolution, and suggested certain amendments to the latter to make it clear that the WCO's Strategic Plan was to be aligned on the Customs in the 21st Century paper, and that the Secretariat should research global changes in order to help Member administrations respond to them effectively.
90. The Delegate of SUDAN thanked Mr Gordhan for the excellent work he had presented to the Council. Noting that the draft Resolution called upon the membership to consider taking the necessary steps to achieve the objectives contained in the paper, he urged Member administrations to participate fully in the implementation process and asked the future Secretary General to do his utmost to ensure that the Resolution was put into practice in order to improve the work of Customs in the 21st Century.
91. The Delegate of PARAGUAY said that her Administration also supported both the paper on Customs in the 21st Century and the Resolution concerning its implementation. Successful implementation would, however, depend on political will

and on the desire of all Directors General to enter into the world of Customs in the 21st Century by networking and co-operating with their neighbours.

92. The Delegate of SWITZERLAND proposed an amendment to a provision in the draft Resolution which referred to the creation of a research and strategy capacity within the Secretariat. In his view the Resolution should simply specify what was expected of the Secretary General, i.e., that he should monitor and report on changes in the global environment, leaving it to him to decide how best to fulfil this function. If he decided to create a research and strategy unit, then he would need to indicate how this could be funded.
93. The Delegate of the UNITED STATES expressed strong support for the Customs in the 21st Century paper and the accompanying draft Resolution, adding his thanks to Mr. Gordhan for leading the way towards this solid achievement. It was important to recognize that certain aspects of the paper were somewhat aspirational - for example, the networking of Customs authorities was a goal that the membership should aspire to, but one that many administrations were not yet in a position to accomplish. This should not be viewed as a problem - in fact the value of the Customs in the 21st Century document lay precisely in its visionary and aspirational approach.
94. Also the draft Resolution called for a strategy and an action plan for implementation, without which it would not be possible to derive tangible benefits from the excellent paper on Customs in the 21st Century which had been placed before the Council. The Delegate of the United States agreed with previous speakers that the paper should be a living, dynamic document, which would need to be revisited regularly as global conditions and the capabilities of national administrations developed, to help administrations deliver the most modernized and efficient services.
95. The Delegate of LESOTHO echoed previous speakers in congratulating Mr. Gordhan and all those involved in the drafting of an excellent document that placed Customs in the correct position for the 21st Century. He believed that the strategy outlined in the paper would make Customs administrations much more responsive to the challenges facing them, and he agreed on the need for Members to discuss the vision regularly and share experiences as they gradually worked towards its implementation.
96. The Delegate of FRANCE said that he fully supported the work presented to the Council by Mr. Gordhan, which was the result of a detailed study of Customs in the 21st Century. There were two points he wished to raise in this connection. Firstly, with regard to Customs networking, connectivity and the need to look at the supply chain as a whole rather than focusing on the import segment of it, he considered that the membership and the WCO should be particularly responsive to new technologies and strive to keep pace with the very latest developments. This point was covered in the Customs in the 21st Century paper, but was still worth emphasizing.
97. His second, and more fundamental point was that the issue of political will, which the Delegate of Paraguay had mentioned, tied in with remarks made by the Secretary General earlier in the sessions about problems with the implementation of some WCO instruments. The WCO was a somewhat unusual international organization because it did not operate at the political level, in the sense that Government ministers did not participate as they did - albeit rarely in certain cases - in most other organizations. This made it more difficult for the WCO to implement its resolutions and recommendations, and slowed down the conduct of some of its activities. In his view, this was a matter for the membership, collectively, to reflect upon.

98. The Delegate of FINLAND began by complimenting all those who had contributed to the development of the excellent Customs in the 21st Century paper, which was of great significance for the WCO and for Customs as a whole. Mr. Gordhan had made it clear that the process of drawing up a vision for Customs in the 21st Century had not been swift or straightforward, which was understandable given that the exercise had a political dimension, a strategic dimension and a practical dimension.
99. Despite its difficulties the process had been extremely useful, and it could almost be said that the journey had been just as important as the goal. In fact, where the goal was concerned, as previous speakers had indicated there was really no final ending point to an exercise of this kind. The world was changing, new challenges and opportunities would emerge, and it was important for the WCO and Customs to constantly monitor the operating environment and be prepared for future changes. He also agreed with previous speakers that the paper should be a living document, adding that it should be used to formulate the Strategic Plan of the Organization as well as its capacity building strategy. He proposed that Customs in the 21st Century should be a permanent item on the Council's agenda, providing an opportunity for Members to share experiences and views, and learn from each other. Finally, the Delegate of Finland strongly supported the adoption of the draft Resolution.
100. The Delegate of the EUROPEAN COMMUNITIES said that the Customs in the 21st Century paper responded very well to the expectations of the European Communities, which was also fully in favour of the draft Resolution and the amendments proposed by previous speakers. The challenge, of course, was to translate the paper and the draft Resolution into a practical strategy and practical action. The delegate took the opportunity to thank the Chairperson for launching this exercise and for his perseverance in moving the discussions forward. He also thanked the Secretary General for his enormous contribution to the finalization of the document, and indeed to the Organization's work over the past decade, and Mr. Gordhan for the way he had led the final discussions on Customs in the 21st Century at the recent meeting in Durban, South Africa.
101. The Delegate of BELGIUM thanked all those involved in the drafting of this excellent paper, and in particular Mr. Gordhan and his colleagues from South Africa for the initiatives they had taken. The paper successfully defined the general context in which Customs administrations were working, highlighted the fact that Customs and trade operated in an environment of continual change, and defined the challenges and the keys to success.
102. The founders of the WCO had laid the foundations for Customs co-operation, and over the years a great deal had been accomplished with the drafting of standards and best practices. However, much remained to be done in this area. Now that trade was globalized, and criminals were working on a transnational basis to threaten national security, it was clear that Customs administrations could not continue to work alone. Therefore he fully agreed that it was time to envisage global networking, but the question of how this was to be accomplished remained unanswered. The Customs in the 21st Century paper did refer to the need for an international e-Customs network, making it possible to receive an uninterrupted flow of information in real time, but who was going to set up this electronic systems network ? Would the WCO have a role to play in this context and, if so, what would that role be ? He feared that if this challenge was not addressed now, the future of the WCO might be compromised. He urged the Council to instruct the present and future Secretaries General to devise a blueprint so that work could begin on the global Customs network. If the WCO failed to act now,

there was a real risk that the work would be done elsewhere and the Organization would be marginalized.

103. The Delegate of CHINA appreciated the tremendous efforts made by Mr. Gordhan to produce such an excellent paper, setting up the future direction for the development of the WCO and the entire Customs community. In addition, China supported the Resolution, and hoped that its implementation would transform the Customs in the 21st Century paper into a wonderful reality in the future.
104. The Observer for THE INTERNATIONAL AIR CARGO ASSOCIATION (TIACA) expressed his appreciation of Mr. Gordhan's very lucid and cogent demonstration of what 21st Century Customs would be like. Following on from the point raised by the Delegate of Belgium with regard to globalized trade, he requested that the Resolution make some reference to the desirability of co-operating with Trade, given that two-thirds of all trade in goods now took place within integrated multinational systems. Trade was ahead of Customs where global networking was concerned, so there might be ways in which Trade could assist Customs. In particular, perhaps developing countries could be permitted to use some of the resources which enabled the integrated multinational trading process to take place. He hoped that the Customs in the 21st Century paper would be a living document, and that Trade representatives would have the opportunity to offer input to the paper as it evolved over time.
105. Following the discussions, the Council approved the paper on Customs in the 21st Century which is reproduced at Annex II to these Minutes.
106. Later in the sessions, the CHAIRPERSON invited the Council to examine a final version of the draft Resolution, which had been amended to reflect the changes proposed in the course of the discussions, as well as other changes suggested during informal discussions which took place in the margins of the meeting.
107. The Council adopted the Resolution on the role of Customs in the 21st Century which is reproduced at Annex III to these Minutes.

(d) Report of the Audit Committee

108. The CHAIRPERSON of the AUDIT COMMITTEE, Mr. Jolicoeur, presented the Report on the Audit Committee's Second Meeting, held in April 2008, and also referred to the Committee's first virtual meeting which had taken place in October 2007.
109. He said that he had had at least two private interactions with the external Auditors (Ernst & Young) and was satisfied with their independent approach and their performance. This year's Audit Report had covered three specific management audits, namely on Trade Facilitation, Capacity Building and IT Management.
110. The Audit Committee had reviewed the recommendations from the three audits, as well as the management responses thereto, and had taken decisions in respect of each of the recommendations. Those decisions were detailed in the Audit Committee's Report.
111. The Audit Committee had also looked at the Audit Plan for future years and had developed a Plan for three years. It had approved two audits for the coming financial year : one outward-focused - on the Columbus Programme; and the other more administrative in nature - on the procurement processes applied in the Organization. The Committee had not set a number of audits for future years but had a list of possible

- audit topics under consideration. A process and a matrix for year-on-year review of the audit recommendations had also been developed so that their implementation could be monitored. In addition, a process of evaluation of the Committee's work was being launched to ensure transparency of the process itself.
112. One area found to be lacking at the WCO - and now being addressed - was that of risk mapping, the aim being to vest the Organization with the tool needed to achieve the most productive results in the future.
113. It had also been agreed that, in future, the Audit Committee would meet in advance of the Finance Committee, to allow more productive co-operation between the two bodies.
114. Mr. Jolicoeur said that the Audit Committee faced challenges ahead but the Committee was maturing. The work undertaken on Customs in the 21st Century would lead to the production of a more robust Strategic Plan and hence to a more robust Audit Plan.
115. He then turned to the "Code of Conduct" related to the elections of WCO officials. The tool in place was a good one but was by no means perfect. The best time to revisit the Code would be after the current election for Secretary General had taken place. He had offered to be involved in the review process on a "pro bono" basis. This would involve speaking to the candidates, the regional Vice-Chairs, the six wise persons and the Secretary General in order to make a proposal for an improved Code of Conduct for consideration at the Policy Commission's next session in December 2008.
116. In terms of governance in general, Mr. Jolicoeur said that consideration should be given as to how Directors General could be more involved in the decision-taking process, and how to manage the transition period from the end of the Council Sessions until the newly elected Secretary General took up office at the beginning of January 2009. He had proposed to the Policy Commission that a group of three, i.e. the current Secretary General, the new Secretary General and the new Council Chairperson, should oversee major appointments and procurements during the transition period.
117. The Council adopted the Report of the Audit Committee.
- (e) Customs Capacity Building, including Report of High Level Working Group on Capacity Building, Training and Technical Assistance**
118. The SECRETARY GENERAL recalled that capacity building was the top priority of the Organization's membership and that considerable progress had been made in this respect. It had, however, become clear that there was a need to redefine and clarify the capacity building operational strategy and this had been done on the basis of the recommendations of the High Level Working Group on Capacity Building, Training and Technical Assistance. The Secretariat had also endeavoured to draw on the experience to date. The 104 diagnostic studies which had been carried out were a mine of information and, on the basis of Phase 2 of the Columbus Programme, the Capacity Building Directorate had produced a number of Trends and Patterns Reports, including Regional Reports.
119. The document now being proposed for the Council's validation set out the conditions for the operational strategy, the two key elements being : political will, and the individual administration's readiness to appropriate the findings of the diagnostic

- and take the necessary action, and not simply to rely on experts and assistance from outside.
120. The document was intended to rationalize the relations between the Capacity Building Directorate and the five existing Regional Offices for Capacity Building and the dozen or so Regional Training Centres around the world. The document formalized the technical, pedagogic, human, administrative and financial relations. The Secretary General pointed out that sizeable amounts of funding would be available for capacity building. It would be necessary to report to donors on the use of their money and also to allocate the funding through the regional structures. It was also essential to be able to verify the proper use of this funding.
121. In conclusion, he said that the document being proposed for adoption conceptualized, formalized and rationalized the capacity building strategy.
122. The Delegate of the UNITED STATES expressed his country's appreciation for the hard work undertaken in putting together the strategy to move forward with capacity building. Success had already been achieved in this respect, and the United States was pleased to be part of this effort and would continue to be so in the future. He reaffirmed the comments made during the Policy Commission's discussion of this matter, and he endorsed the Secretary General's point that it was important for Members to have a clear understanding of how resources were being allocated in respect of capacity building and how this fitted in with the agreed priorities. The Delegate of the United States also referred delegates to the part of the Customs in the 21st Century paper which addressed this issue.
123. The Delegate of the EUROPEAN COMMUNITIES reaffirmed his Organization's support for the WCO's capacity building efforts, and congratulated the WCO on its diagnostic studies and on the launch and implementation of the capacity building programme. It was important to develop and preserve the "integrated" versus the "ad hoc" approach to Customs modernization and hence to capacity building. It was also important to counter the tendency of some aid agencies to pick and choose specific items in the modernization process and thereby undermine the integrated character of capacity building. That being the case, there was a need to strengthen co-ordination between Customs and donors.
124. The EC welcomed the significant increase in financial donations for capacity building, a considerable part of which came from European Union Members. It also appreciated the importance being given to the evaluation process which would lead to effective management of the financial resources involved. The EC expected a great deal from this initiative which constituted a considerable challenge.
125. The Council adopted the Capacity Building Operational Strategy which is reproduced at Annex IV hereto.
- (f) Strategic Plan for the years 2008/2009 to 2010/2011**
126. The Head of Administration and Personnel presented the Strategic Plan for the three-year period 2008/2009 to 2010/2011. Many of the components of the Plan were presented in the same form as in previous years, though there were some innovations in the groupings of the projects. Indeed, most of the projects were now presented in terms of "publications", "meetings", "missions" and "IT applications" which made it easier to make a comparative analysis of achievements related to the implementation of the Strategic Plan.

127. He said that the Policy Commission had acknowledged the ongoing need to have a planning process and documentation which were workable for the Secretariat and permitted adequate reporting. The Policy Commission had also noted that a modified format of the Strategic Plan would be presented to the Council Sessions in June 2009 to accommodate the further evolution of the recommendations and to include the actions stemming from the work on Customs in the 21st Century.

128. The Council adopted the Strategic Plan which is reproduced at Annex V hereto.

(g) Request for accession of Palestine

129. The SECRETARY GENERAL explained that the request for the accession of Palestine to the WCO had been under consideration in the Organization for some time, having first been raised by the Members in the North of Africa, Near and Middle East region. The question had been to determine how it might be possible to work with Palestinian Customs, a functioning Customs administration with some 700 Customs officers and with certain responsibilities within the Palestinian territory. A future State of Palestine would require a strong and modern Customs service to manage its frontiers. In the course of the discussions, it had been acknowledged that since Palestine was not currently a State, it could not at this point become a WCO Member.

130. At its December 2007 session, the Policy Commission had asked the Secretary General to look at what might be proposed to Palestinian Customs for the interim in terms of training and technical assistance. In this connection, the Secretary General said that he had emphasized to the most recent session of the Policy Commission that, for the Secretariat to move ahead, it was essential to have the support of the membership as a whole. Given the tense situation in this part of the world, progress on this matter should, moreover, be on a step-by-step basis over a period of time.

131. In order to develop an appropriate programme of training and technical assistance for Palestinian Customs officers which took full account of the assistance already provided by other parties, it was envisaged that the Secretary General would visit both Palestine and Israel to meet with Customs, with the local private sector and with political decision-makers. Following that visit, a training and technical assistance programme could be submitted to the Policy Commission for approval, and consideration could subsequently possibly be given to a "Columbus-style" capacity building programme. The funding for such programmes would be sought from an outside sponsor, and not be taken from the WCO's budget.

132. The Secretary General said that he envisaged the setting up of a modest co-ordination group to assist with the preparations for - and organizing of - the sending of experts to Palestine in accordance with the needs identified.

133. If the Palestinian authorities could find a sponsor, it might subsequently be possible to organize a fellowship programme in Brussels for a limited number of Palestinian Customs officers to specialize in valuation, origin, enforcement or tariff classification, and then afterwards to see how the officials could be involved in the WCO's technical Committees such as the HS Committee, the Enforcement Committee, the Technical Committee on Rules of Origin and the Technical Committee on Customs Valuation. This was important as an opportunity to learn from, and interact with, other Customs officials.

134. The Secretary General said that he was also considering reporting to the Policy Commission in December 2008 on how and under what conditions observer status

- might be granted to Palestine Customs and, in that event, what changes might be necessary to the Organization's texts.
135. He emphasized that time had to be taken on this dossier and that it was important to continue to adapt in the light of the prevailing environment. A programme could be developed up to the Council Sessions of June 2009, with an interim report being given to the Policy Commission in December 2008. Further progress might be made in financial year 2009/2010.
136. In conclusion, he said that the Policy Commission had accepted this minimalist programme for Palestinian Customs which he was now putting to the Council for its endorsement.
137. The Delegate of the UNITED STATES said that his country looked forward to Palestine's future membership of the Organization when it fulfilled the conditions laid down in the WCO's founding Convention. At present, Palestinian Customs benefited from technical assistance that was available regardless of WCO membership or observer status. The United States also provided technical support to Palestinian Customs and encouraged the WCO and Member administrations to assist the Palestinian authority to strengthen its Customs capabilities. It also supported the proposals both for a WCO fact-finding visit to Palestine to observe the operations of the Customs Administration and for the creation of a training and technical assistance action plan.
138. The Council endorsed the way forward proposed by the Secretary General.
- (h) Negotiations at WTO : Status of the discussions on trade facilitation**
139. The DEPUTY DIRECTOR, Procedures and Facilitation, reported briefly on the important work going on in the WTO Trade Facilitation Negotiating Group. The Group was making good progress with this work, which was of prime importance to Customs administrations. The WCO position in relation to these negotiations was that the WTO rules should set out the high-level principles, and where Customs was concerned the WCO should provide implementation standards such as those contained in the Revised Kyoto Convention. Another important aspect was to ensure that the work of the two Organizations, which was very harmonious, remained complementary. The WCO Secretariat, while involved in the negotiating process, was unable to be represented in the negotiations themselves because that was the role of national governments. Therefore, the Deputy Director urged Member Customs administrations to involve themselves to the greatest extent possible in their governments' work in this area, and in what was happening in Geneva, in order to ensure the best possible outcome.
140. The Deputy Director also referred to the role being played by the WCO Secretariat and by certain Members which were providing substantial assistance to the WTO Needs Assessment Workshops, completing 12 of the 24 missions which had taken place this year in conjunction with other international organizations, with many more in the pipeline.
141. The Council took note.

(i) **Regional trade agreements - Progress report on implementation of the Action Plan**

142. The DIRECTOR, Tariff and Trade Affairs, recalled that, at its previous Sessions in June 2007, the Council had endorsed an Action Plan to improve the administration and management of rules of origin and improve the understanding and proper application of rules of origin by the trading community. This had been prompted by the increasing number of requests received from Members and from the private sector.

143. The Action Plan consisted of five key elements. The first was the establishment of a database on preferential rules of origin. A prototype developed by the Secretariat had been presented to the Policy Commission at its recent session, and the Commission had been satisfied with the progress made. The Secretariat had registered some 200 trade agreements, and before releasing the database towards the end of 2008 it intended to submit the work to Members so that they could check the accuracy of the information contained therein. The second key element was a comparative study of rules of origin. The Secretariat was in the process of developing such a study, which would be used for training and capacity building purposes only.

144. The third element of the Action Plan related to seminars and training issues. In this connection, during the year the Secretariat had developed several activities, including for example a Rules of Origin Workshop organized for economic operators, in the light of the problems they were experiencing in dealing with certain rules of origin. In addition, two regional seminars had been conducted, in Burkina Faso and the Dominican Republic, to increase Members' awareness of preferential and non-preferential rules of origin and to tackle the problems that Economic Partnership Agreements were posing for certain Members. The final point he wished to mention where training issues were concerned was that a major WCO Conference on rules of origin, held on 16 and 17 June, had been attended by representatives of 150 Member countries and private sector interests. The presentations on various aspects of rules of origin, delivered by eminent experts in the field, had been greatly appreciated.

145. The last two elements of the Action Plan concerned the management of rules of origin, which posed a number of technical, organizational and financial resource problems. These problems would be addressed through a feasibility study, to be conducted in the near future, on the prospects for moving from the passive database currently under development towards an interactive database.

146. The Council took note.

(j) **Offer from Argentina to host the 60th Session of the Policy Commission**

147. The SECRETARY GENERAL said he had presented to the Policy Commission Argentina's offer to host the 60th Session of the Policy Commission in December 2008, and the Commission had recommended to the Council that this offer be accepted. The Council had laid down rules for the holding of sessions abroad, based on financial, practical and strategic criteria, and the Secretariat had been able to confirm that Argentina's offer complied with those rules. If the Council accepted Argentina's kind invitation, the Policy Commission's 60th Session would take place in Buenos Aires, Argentina, from 9 to 11 December 2008.

148. The Council agreed.

(k) Composition of the Policy Commission - Request from the Europe region

149. The CHAIRPERSON explained that the Delegation of Ireland, as Vice-Chair of the Europe region, had presented a Note requesting an additional seat for that region on the Policy Commission. In the light of interventions by Members from other regions, the Secretary General had suggested that the Secretariat put forward some orientations for the future composition of the Policy Commission in a document for presentation in December 2008. For this purpose, it was essential that the membership indicate whether the existing criteria (quantitative and budgetary) governing the attribution of seats should be maintained, replaced or supplemented by other criteria in order to meet the requirements of the Organization now and for the future. The Secretary General would contact the Vice-Chairs for advice on this matter, with a view to preparing the Secretariat document for December 2008.
150. The Policy Commission had concluded that the composition of the Policy Commission had now been thrown open, and that a study had been proposed.
151. The Council took note.

(l) Declaration by the Delegate of Argentina concerning the participation of the European Communities in the WCO

152. The CHAIRPERSON said that the Policy Commission had taken note of a declaration by the Delegate of Argentina expressing certain concerns regarding Council Decision No. 318 on the status of the European Communities vis-à-vis the WCO, and raising an issue regarding the respective competence of the European Union and its Member States in the context of that status.
153. The Policy Commission had also taken note of a statement by the Delegate of the United States on this subject.
154. The Council took note.

(m) Business resumption of the international trading system following a disaster

155. The CHAIRPERSON said that the Delegate of the United Kingdom had presented a draft paper from Australia on this subject, which had been touched upon in the SAFE Working Group and on which Singapore, in APEC, had taken the lead in conducting a study. The Secretariat had indicated that the Singapore paper, as well as the Australian paper, would be circulated to all WCO Members as well as to the participants in the SAFE Working Group.
156. In conclusion, the Policy Commission had agreed that a document on this important topic should be presented to the Council in June 2009. After some discussion with the Secretary General, it had been agreed that it would be left to him to decide how best to arrange for the drafting of this document.
157. The Council took note.

(n) Policy issues relating to WCO copyright matters

158. The CHAIRPERSON said that, on behalf of the Asia/Pacific region, the Delegate of India had informed the Policy Commission of discussions which had taken place during the Asia/Pacific regional meeting in April 2008, regarding the WCO sales and copyright policy and, more specifically, the issue of licenses and royalty payments by Members.

159. The Secretary General had recalled that this complex issue had been the subject of a Council decision. He felt that membership of the Finance Committee Working Group on Publications, which was currently looking into these matters, could be extended to any Member wishing to join.

160. The Council took note.

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161. The Council approved as a whole the Reports on the Policy Commission's 58th and 59th Sessions, including the Joint Resolution of the Customs Co-operation Council's Policy Commission and the Private Sector Consultative Group concerning the WCO SAFE Framework of Standards and the United States legal requirements for 100 percent container scanning at export. That Joint Resolution had been adopted at the Policy Commission's 58th Session and is set out at Annex VI to the Report on that Session (Doc. SP0264).

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PRESENTATION BY LE HAVRE UNIVERSITY OF THE STUDY ON 100 % SCANNING

162. The Representative of LE HAVRE UNIVERSITY (France) introduced the study on the US 100 % scanning legislation. The WCO had requested the University of Le Havre to carry out this study. He mentioned two challenges which had to be met in this study : first, to collect as much information as possible and stay in contact with the players in the scanning field, such as scanner manufacturers and users, and second, to comply with the time limits set. The study had started in October 2007 and had been completed within eight months. He noted that the study was the very first one and was not perfect.
163. Participants were referred to the report on 100 % scanning prepared by Le Havre University for more detailed information on the results of the study, and to the WCO Conference on 100 % scanning which had been held two weeks prior to the Council Sessions.
164. The Representative of Le Havre University explained that it was very important to know who were the main partners of the United States in order to know exactly how 100 % scanning could influence economic flows at the worldwide level. Also, there was a need to look at the possibilities of United States ports adapting to that new request and to make a prospective analysis of new flows as of 2012 (the date when the United States 100 % scanning legislation should enter into force). Contacts had been established with ports and other international institutions.
165. The main goal of this scanning legislation, which had been adopted in July 2007, was that there would be greater security, leading to facilitated and better cargo flow. In the short term, it would not be possible to meet this goal as there was a great risk of further congestion in ports which were already heavily congested.
166. Several problems had been identified. There was a need to build trust in any partnership going beyond the unilateral United States decision on 100 % scanning, in order to achieve reciprocity. There was also a managerial consideration, particularly in the field of human resources, i.e. the resources that were needed both to effect and to read the scans. In addition, there was the economic and financial impact. The representative explained that the study attempted to quantify the unit cost of a scanned container based on the number of containers scanned in a given port for a given period. Finally, there were technological aspects. Without major improvements in the technology of scanners, it was clear that this law would be difficult to implement in the near term.
167. The Representative of Le Havre University explained that, in 2006 for example, more than 18 million containers had arrived in United States ports. If there was need to scan around 10 %, this would be around 2 million scans, whereas today only 0.5 % of containers worldwide were being scanned. There were four major scanner manufacturers and the scanners in use were mostly managed by Customs (95 %), the rest being managed by private companies.
168. In the course of the study, several port surveys has been completed (Le Havre, France; Rio de Janeiro, Brazil; Casablanca, Morocco; Dubai, United Arab Emirates; Singapore; Rotterdam, the Netherlands; Dakar, Senegal; Montevideo, Uruguay; Hong Kong, China; Abidjan, Côte d'Ivoire). They had been analysed from Customs and commercial points of view.

169. The Representative of the University of Le Havre then gave an example of air mode arrangements from the beginning of the 1990s, when the requirement to scan 100 % of travellers and their luggage had been introduced. In the beginning, it had been believed that this was not possible. However, this procedure was now followed worldwide.
170. He mentioned the questionnaire which had been developed with 60 specific questions on port dynamics, technology, governance, human resources, the role of Customs officers in image analysis, and the transfer of the images to the targeting centre in Washington, D.C. That questionnaire could be found in the Le Havre study. Unfortunately, it had not been possible to obtain full replies from Singapore and Hong Kong, China at that time.
171. With regard to the unit cost, it was very difficult to make an estimate, though an attempt to do so had been made based on type of scanning system : the conclusion was that the cost of the scanner and equipment represented less than one third of the total cost. It was the risk management around the process which was costly and the most crucial part. A scanner as such was pointless if there were no human resources, in particular Customs staff properly trained to use the machine. In addition, complementary equipment and computer networks needed to be installed.
172. He stressed that 100 % scanning on its own would never be sufficient. Scanning had to be a tool used as an addition to highly efficient risk analysis.
173. He then referred to the table in the study which showed that if the number of scanned containers was less than 5,000 per year, the cost was more than USD 400 per scanned container. On the other hand, the unit price could decrease very quickly if the total quantity of scanned containers per year exceeded 400,000. In that case, the cost would be USD 10.
174. There were four possible scenarios for 2012, regarding the impact of the 100 % scanning legislation. The first scenario was of "status quo", meaning that 100 % scanning would not be applicable. The second was "triadic concentration", meaning that a few major ports in the world, such as Hong Kong, China and Rotterdam, would be able to scan about 50 % of the containers bound for the United States. Third, a large number of ports would be able to do 100 % scanning, and the fourth scenario would involve all ports doing 100 % scanning.
175. He then described in detail what would happen under the first and second scenarios. He stated that in the case of the first scenario (the more likely to happen), the international institutions would have to prepare some alternatives. Under the second scenario, a few megaports might scan at terminals specifically dedicated for the United States. It would not be multilateral or based on reciprocity, and those ports would be in a position to scan 30 to 50 % of containers.
176. There were three major obstacles : technological, human resources and financial investment. Technology might, in fact, not be an obstacle by 2012. However, the human resources issue was very important and there was a need to have properly trained staff in order to operate the equipment. Finally, the amount of financial resources required was a huge factor. The Representative of the University of Le Havre also mentioned indirect costs which should be taken into account with 100 % scanning. There might, of course, also be some indirect benefits.

177. Finally, he acknowledged that there was no clear answer as to whether this study would simplify the problem of 100 % scanning or would create additional questions.
178. The CHAIRPERSON thanked the presenter, saying that it was not only a good presentation on the problems of scanning, but it also gave an analytical overview of what was happening in the global trade environment.
179. The Observer for THE INTERNATIONAL AIR CARGO ASSOCIATION (TIACA) noted that the study opened with references to a direct terrorist threat posed to and by maritime transport. None of the sources cited in justification of this assertion contained the slightest practical evidence of any credible threat arising from any aspect of international goods' movements.
180. That part of the study, taking up about 50 pages, that sought to provide relevant operational views on 100 % container scanning relied on a number of questionnaires addressed to nine ports and the Channel Tunnel. Three of these, Casablanca, Djibouti and of course the Channel Tunnel, had no container connections to the United States. Two of the most important respondents, Hong Kong and Singapore, had declined to answer almost all the questions addressed to them. Mainland China, many times larger in container handling terms than any of the cited ports, had been left out of the enquiry.
181. The overall result was that the information secured by these questionnaires, a key element in the eventual conclusions of the study, consisted almost entirely of opinions secured from Rotterdam and Le Havre.
182. The speaker had remarked that as 100 % scanning of air passenger luggage, which he said had been dismissed initially as impossible, had proved manageable in practice, too much importance ought not to be attached to doubts of the feasibility of 100 % container scanning. The air cargo community would certainly contest very strongly any assumption that this very facile argument applied to the comprehensive scanning of air freight consignments.
183. The Delegate of SOUTH AFRICA acknowledged the intervention by the previous speaker and proposed to treat the Le Havre University study as a beginning of the process, which allowed Customs administrations and other participants in the supply chain to be enlightened about changes around the world - a process which said that the WCO and its Members needed to spend more time gathering data and obtaining analyses. Clearly, the study had its limitations but he suggested treating it as a hypothesis. In this case, 21st Century dilemmas emerged through this study - globalization with marginalization for developing countries or globalization with integration. The Customs community around the world faced the dilemma in terms of which way to go. Was there any need to enhance marginalization of developing countries through particular processes and protocols or should there be encouragement of networked and connected Customs, which enabled developing countries to be a real part and beneficiary of the globalization process ?
184. In this regard, he stressed that the role of the WCO and the incoming Secretary General was to follow and keep ahead of these trends, to develop some capacity which enabled Members to understand what these trends were and what they meant for the national administrations.
185. Finally, he mentioned a challenge facing many developing countries. There were four major scanner manufacturers. However, each country which did not have

significant financial, legal and contractual capabilities negotiated on its own. In this regard, he asked what the WCO Secretariat could do to help these countries to get the best possible deal with respect to the purchase of scanners.

186. The Delegate of GAMBIA congratulated the University of Le Havre on the analysis. He pointed out that around 122,000 containers yearly, or 0.66 % of all container flow around the world, went to the United States from Africa. In that case, should Africa be subjected to 100 % scanning ? The study should go further and identify the benefits of this requirement. If it was the case that all would benefit, then all countries should follow this. If there were more disadvantages than benefits, then there should be recommendations not to follow this requirement. Security was a crucial matter around the world. However, for certain economies it was not the top priority. If a country exported only 12 containers per year to the United States, it should not be subject to 100 % scanning.
187. The Delegate of the EUROPEAN COMMUNITIES supported previous statements and said that the study was based on assumptions of what would happen if 100 % scanning requirements were actually applied. However, at the end of the presentation, there had been a question mark regarding whether 100 % scanning could be implemented. The expectations of this study were that it would show what the impact was going to be in terms of security, whether that security could be increased through 100 % scanning, and whether there would be any impact on transport and trade.
188. He stated that there were reasons why 100 % scanning should not happen. It could introduce a false sense of security at very high cost and it would divert resources from essential security measures in the United States and the rest of the world. In Europe, there would be a need to spend billions of euros in order to implement the 100 % scanning at the cost of measures which would improve European security and the security of international trade. Additionally, 100 % scanning would divert transport routes and increase traffic congestion in a limited number of ports. Finally, 100 % scanning was a potential new trade barrier. It would be impossible to apply it in relation to one country. For Europe, there would be a need to sign new international agreements with the United States. There was nothing inevitable about 100 % scanning.
189. The Representative of CANBERRA UNIVERSITY (Australia) said that statements were being made that 100 % scanning was possible. However, there was a question as to whether it would be desirable. He also referred to the statement that 100 % scanning should be used as a supplement to risk analysis. However, in the report it could be seen that the research comprehensively covered questions of economics and logistics, but did not focus on the issue of Customs risk management. One of the requests of the WCO Secretary General was to determine the comparative reliability of 100 % scanning in relation to current Customs approaches on risk analysis.
190. The Delegate of ECUADOR pointed out that the study should also look at medium-sized ports. The problem was that some countries might be obliged to undertake 100 % scanning and others not, and this could result in some distortion of trade. Some countries might decide to trade with countries other than the United States and others might feel excluded from international trade. He proposed a more detailed study which should be applicable to every country.
191. At Ecuador's request, a paper was circulated to delegations indicating the position of Bolivia, Brazil, Cuba, Dominican Republic, Ecuador and Uruguay in respect

- of the SAFE Framework and the consequences of the United States 100 % scanning law.
192. The Delegate of SIERRA LEONE welcomed all the analytical work that had been done on the issue of 100 % scanning. For countries such as Sierra Leone, the question was whether they should undertake 100 % scanning. The average price of the container scan was around USD 300 per export container. If the United States was willing to implement 100 % scanning requirements, it should consider providing some financial resources, as for most countries this would be a heavy burden.
193. The Representative of LE HAVRE UNIVERSITY addressed the general question of how the various parts of the world, and developing countries in particular, might be affected if the 100 % scanning law were to be applied. He said that unilateral 100 % scanning laws could be legitimate if there were a need to consider the wish of the public to have more security. There were currently 59 Container Security Initiative (CSI) ports around the world, which meant that there was already some kind of hierarchy among the countries.
194. His assumption was that, in 2012, the 100 % scanning legislation would be implemented and, in that case, many developing countries would need significant assistance. The law did not say, for example, anything about technological standards. It was very vague. An attempt had been made to assess what would happen if analysis could not be done on the spot, meaning that all the images would need to be sent to the United States. In that case, the United States would need to recruit around 2,000 people for image analysis. In addition, decisions would have to be taken rapidly to avoid port congestion. There was also the question of reciprocity. US CBP recognized that the United States would not be capable of applying 100 % scanning to all containers leaving the United States.
195. The Representative of Le Havre University then turned to the matter of port congestion. If traffic were reshuffled completely, ports such as Dakar and Abidjan would be affected.
196. Finally, he emphasized that it was not enough to say that 100 % scanning was not feasible. Counterproposals should be made indicating that the cost was higher than any benefit. 100 % scanning did not equal 100 % security, but it could be an additional tool in this respect. It might, however, be better to invest in the development of risk analysis systems.
197. The CHAIRPERSON concluded that the Le Havre study was a good start for analysing operational environments strategically. The problem with the study was that it approached new patterns in world trade from the point of view of one powerful instrument. To that extent, it was not representing or describing the dynamics in global trade. The study emphasized the need for strategic analysis of the current trade environment.

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PRESENTATIONS BY MEMBERS ON COLUMBUS PROGRAMME PROGRESS

198. The SECRETARY GENERAL chaired the special panel on WCO Member capacity building and modernization. He said that a panel of eight Members (South Africa, Guatemala, Argentina, Kazakhstan, Lesotho, Mongolia, Nigeria and Morocco) would give presentations of their experience with the Columbus Programme, capacity building and modernization.
199. Mr. RADEBE, Head of South African Customs, began by giving some historical background, especially how the Apartheid era had affected governmental institutions, such as South Africa Customs. For example, because of sanctions against South Africa, Customs had generally allowed smuggling. In addition, the Customs had been much more inward looking than outward, and had had outdated procedures and systems.
200. Thus, a new Customs vision had needed to be developed. To assist with this, five diagnostics had been done in recent years, by US Customs and Border Protection (USCBP), Canada Border Services Agency (CBSA), the WCO, the International Monetary Fund, and the World Bank. These diagnostics had helped the South African Revenue Service (SARS) to identify capacity gaps and international best practices, and to develop and refine its new vision.
201. Based on the SARS vision, a strategic plan had been developed. Following this, an operations model had been needed to give effect to the vision. Thus, the modernization life cycle was not static; the vision was important, but you needed to implement. Following implementation, it was crucial to monitor and evaluate the progress. To achieve all of this, SARS had developed a “5 by 5” modernization programme with five crucial elements : culture, values and skilled workforce; relationship with the private sector; enhanced risk and enforcement; supply chain management; and integrated border management.
202. On culture, values and skilled workforce, the diagnostic findings had been that SARS needed to develop performance indicators to include security and control; to review recruitment, training, development and skills level; to introduce training for managers at all levels to include internal risk management; and to introduce a flat organizational structure. Accordingly, SARS aimed to develop a new, strategic and functionally aligned structure; a professional Customs service; new rankings and grading; a paramilitary law enforcement component; clear career paths; and a Customs cadet programme. With regard to this element, SARS has already achieved the following : appointment of a Head of Customs; development of a Strategic Policy Unit and a Customs Border Control Unit (CBCU); a new distinctive uniform; and new rankings and grading. There was still work to be done, especially developing a disciplined work force; finalizing the new management structure; developing a change management communications programme; and training for all management levels.
203. On the relationship with the private sector, the diagnostic findings had been that SARS needed to improve control of traders; review licensing procedures; establish specific stakeholder partnerships; and include audits of traders in the trade programme.
204. Accordingly, SARS aimed to improve understanding of clients; engage more closely with stakeholders and develop partnerships; introduce a “Preferred Trader” programme; enhance EDI; and introduce e-filing, adobe forms and kiosks for document submissions. Thus far, SARS has developed a strategy and a roll-out plan for a

- “Preferred Trader” programme and electronic submission of documents. SARS now aimed to implement these strategies.
205. On enhancing risk and enforcement, the diagnostic findings had suggested improving risk management, analysis and targeting; developing standard operating procedures and compliance procedures; developing an investigations capability; and developing a feedback loop. Accordingly, SARS had developed an intelligence-driven risk management system; submitted feedback of intervention results into risk systems; and begun targeting and case management. Thus far, SARS had put into place a risk management strategy; review of targeting systems; compulsory submission of an electronic manifest; expanded law enforcement powers (including intelligence gathering); and a strategy for a National Targeting Centre. SARS planned to develop a CBCU role with regard to risk testing and compliance management.
206. On supply chain management, the diagnostic reports had suggested improving visibility; improving export, postal and rail controls; developing systems based on audit capability; and developing specialized teams. SARS aimed to develop more visible, assertive and smarter border and trade management; more effective trade administration; simplified procedures; and enhanced international partnerships. SARS has thus far acquired scanners; developed a strategic policy for the CBCU; developed training for the CBCU; rolled out a detector dog unit; developed standard operating procedures for the CBCU; and developed a Customs Operating Model.
207. On integrated border management, the diagnostic reports had recommended improving visibility and strengthening interaction with other border agencies. Thus, SARS was pursuing a whole-of-government approach; one-stop border posts; border post monitoring and surveillance; and aligning and co-ordinating with projects of the Southern Africa Customs Union (SACU) and the Southern African Development Community (SADC). Thus far, achievements included the appointment of SARS as the lead agency for border management; acceptance at Cabinet level of an integrated border management strategy developed by SARS; the signing of a one-stop border post agreement with Mozambique; development of a one-stop border modality model.
208. Mr. Radebe concluded his remarks by expressing the gratitude of SARS to the many organizations that had provided capacity building assistance.
209. Ms. ROCA, Superintendent of the Guatemalan Tax Administration, began by outlining the situation of Guatemala Customs prior to 2004. She said that the Customs had been tax-collection-oriented; there had been a general perception that the Administration suffered from extensive corruption and discretionary practices; training for staff had been weak; procedures had not been aligned with institutional objectives; there had been a weak information technology infrastructure; Customs clearance had been harmed by weak procedures for arrival, security and post-clearance audit; and manifest information arrived with or after the goods and had been primarily paper based. 70 to 80 % of imports had been designated red channel; there had been no controls for exports; and there had been inadequate infrastructure and equipment.
210. To address these challenges, Guatemala Customs had sought a new vision, one that would lead to compliance with international standards, such as the WCO Framework of Standards to Secure and Facilitate Global Trade, the WTO trade facilitation standards, and the WCO Arusha Declaration. In particular, the strategy would involve expedited, transparent and automated procedures; a holistic approach; reliable human resources; promotion of ethics; and the private sector involved in the process.

211. The re-engineering of human resource management was very important. It involved a new recruitment process to increase transparency; a performance appraisal system where performance indicators could be measured over time; and more extensive training for new and existing employees.
212. Transparency was crucial under the new vision. Guatemala had an agreement with the Transparency Coalition to implement transparency and anti-corruption projects within the Customs. An integrity pact had been signed by major stakeholders related to Customs. A strategic Guatemalan Customs Modernization Plan (2008-2011) had been discussed with stakeholder participation. A Forensic Audit Unit and Special Investigations Unit had been formed. Guatemala Customs had created a new Code of Ethics and Conduct based on the WCO Arusha Declaration.
213. Drawing from the WCO Framework of Standards, Guatemala Customs had introduced improved controls in the primary Customs area, including scanning of bar-coded seal information upon arrival; closed-circuit television cameras; X-ray equipment at some ports; and integrated Customs-port information.
214. Process and system management had also been improved. New electronic manifests and new electronic import declarations had been established; an electronic non-tax permits system for exports had been established; a risk analysis management system for import operations had also been established, reducing discretionary practices and increasing effectiveness; post-clearance audit was now being undertaken (by a private contractor); physical inspection of oil products was now also being undertaken (by a private contractor); and a new automation system for Customs operations was under implementation.
215. Under the new vision and systems, there had been substantial benefits. Supplier registration had been reduced to five minutes from three days; there was now integrated and available information on the Internet of import tariffs and prerequisites; Customs clearance time had been reduced. For sea carrier companies, the time of temporary admission of containers had been reduced to one hour from one day. In terms of transport, time had been reduced at the green channel, leading to improved time planning for transportation companies. For seaports, operational logistics had a better and more competitive flow of goods; and information for control enforcement was available and trustworthy.
216. Specific benefits for Customs had included increased revenues; better services; an enhanced public image; the private sector was more willing to co-operate; and there was more potential for further reforms. Statistics showed the improvement in Customs performance. In 2004, 80 % of imports had been inspected; in 2007, this was down to 33 %. The effectiveness of import inspections had increased from 4.8 % in 2005 to 6.5 % in 2007. The average time for red channel clearance had been reduced from 73.6 hours in 2004 to 15.2 hours in 2007. The average time for green channel clearance had been reduced from 17.6 hours in 2004 to 5.6 hours in 2007. The percentage of export inspections had increased from 0 % in 2005 to 15.38 % in 2007. The percentage of electronic declarations transmitted had increased from 0 % in 2004 to 100 % in 2007.
217. There were several factors which had helped Guatemala Customs to modernize. These included : having its own financial resources and obtaining technical knowledge, information and experience from specialists; a World Bank loan; building an effective change management team; beginning with measures that could be internally controlled

- and were easy to implement with high impact on service delivery; and selecting highly visible actions to build credibility.
218. Other factors leading to success had included political support from the President and the Minister of Finance; building support from the private sector; a holistic approach; and a healthy balance between facilitation and controls.
219. Mr. RIAL, Senior Adviser to the Director General of Argentine Customs, said that the purpose of his presentation was to explain the process of Customs modernization in his country. In particular, he would discuss four points : Customs centralized risk management and rapid response centre; the GPS transport control system; enhanced Customs-to-Customs communications; and the known trader programme.
220. Argentina's current Customs modernization effort had begun one month after the WCO Framework of Standards had been adopted in June 2005. The Government had issued a decree that the Framework of Standards be implemented; this showed a high level of political will. The Administration had begun by making significant structural changes in risk management, and by incorporating modern technology. Organizational changes had also been made, including making the administration more centralized. Drug trafficking, environmental, health, and safety components had been introduced into the risk management system. Risk management also used valuation information to combat commercial fraud.
221. A "laboratory" had been launched to help Customs controls by creating a better ability to capture information and send immediate alerts to Customs officers in the field. These alerts were specifically about operators. In particular, this was helpful in sending narcotics traffic alerts, and this helped decide what type of controls and methods should be used. Closed-circuit television had also been introduced in different operational areas. Statistics had been improved and were now being used more; this had been helpful for making better strategic decisions.
222. Argentina had introduced a global positioning navigation system so that goods could now be followed via satellite, through electronic seals. Thus, alerts could be sent to Customs officers when destinations had changed or when containers had been opened. This was currently operational between Buenos Aires and other metropolitan areas and there were plans to expand this system to the rest of the country. This was particularly important because Argentina was an important international corridor for transit of goods.
223. Argentina had increased its communications and exchange of information with other Customs administrations and this had made the Argentine Administration more operational. Most prominently, this involved data exchange with Mercosur countries and the United States via the DAT system. Argentine Customs was also making great use of the WCO Customs Enforcement Network (CEN).
224. The aforementioned progress was not only linked to conducting effective controls; it had also been very useful for facilitating trade. Argentine Customs was now getting records of operators to help in determining whether they were "reliable operators." In its reliable operator system, one company had already been given the title "reliable operator", and ten others were currently being looked at.
225. Mr. Rial concluded his remarks by thanking the WCO for its capacity building assistance.

226. Mr. KARBUSOV, Chairman of the Customs Control Committee of Kazakhstan, was given the floor and cited the tripartite agreement between Kazakhstan Customs, the World Bank and the WCO that had been signed in March 2007. This agreement was the basis for long-term modernization and would include technical assistance from the World Bank and the WCO. In addition, the Customs modernization project for 2008-2012 had been developed. It was hoped that implementation of the strategy would lead to compliance with international standards and that the implementation would ensure impartial and fair performance of services for traders, increase revenue collection, reduce corruption, and enhance national and economic security.
227. Kazakhstan was making serious efforts to fulfil international commitments and introduce international norms and rules aimed at simplification of Customs procedures and trade facilitation. Thus, Customs was implementing a number of measures to improve Customs as a whole.
228. Efforts were also being made to reduce corruption. A pilot project had been initiated on the use of safe packages to transfer supporting documents from one Customs point to another. Customs was making it possible to deliver reliable information to the destination point via electronic communications channels and in hard copy.
229. Work was being carried out on shifting from a three-phased procedure of Customs clearance to a one-phased process, which made it possible to implement registration and issuance of the Customs declarations in accordance with a Single Window system. Here, the preparation of a cargo Customs declaration would be effected by only one inspector. This would certainly increase the personal responsibility of officers and significantly reduce the time for conducting Customs procedures; it would also assist in reducing external trade participant costs.
230. Kazakhstan Customs was developing simplified control procedures at entry points and reducing administrative burdens for business. In order to facilitate and simplify the passage of goods and means of transport, and to optimize border posts' activities, integrated border management was being introduced, under which the Customs authorities were assigned functions for the co-ordination of work done by the control agencies, for the receipt and issuing of documents for goods and means of transport.
231. In order to remove unnecessary administrative barriers to business development and to increase the international rating of Kazakhstan with respect to international trade, by order of the Government of Kazakhstan, Kazakhstan Customs and relevant government authorities were working to reduce the number of documents required for Customs clearance of goods and minimize the time necessary for their issuance.
232. Currently, Kazakhstan Customs was engaged in several pilot projects, including integrated border control; plastic safe packages for the transmission of shipping documents (with Kyrgyzstan); and joint Customs control (with China).
233. Mr. LETJAMA, Commissioner of Lesotho Customs and Excise, was given the floor and began his presentation by saying that the Lesotho Revenue Authority (LRA) had been formed in 2003. Significant new staff had been brought in, many of whom came from the private sector. In February 2006, the WCO had completed a diagnostic study of the LRA. This report had been presented to the leadership of the LRA and the Ministry of Finance for support.

234. The recommended priorities from the WCO diagnostic report had been incorporated into the LRA's 2006-2009 strategic plan. In particular, the LRA had realized that it was focused on revenue collection and that its mission would need to be broadened. Accordingly, several new offices had been created linked to a broader mandate. The new functions included intelligence, risk analysis, anti-smuggling, post-clearance audit, and project management.
235. With the assistance of the South African Revenue Service, portions of the LRA's automation system had been enhanced. The LRA was now working on procuring a comprehensive and integrated automation system.
236. The LRA had also established an accreditation system for compliant traders based on the principles of the WCO's Authorized Economic Operator guidelines. Many economic operators had applied for this system and the LRA's post-clearance audit office was reviewing the applications.
237. Based on a recommendation in the WCO diagnostic report, the Government of Lesotho had agreed to budget USD 18 million to refurbish border post infrastructure. The LRA was leading this project for all border agencies in Lesotho. The private sector, especially clearance agents, was also being consulted. The WCO had assisted in helping to build a Customs-trade initiative and a change management effort.
238. Mr. DELGERBAYAR, Director of International Co-operation of Mongolian Customs, began by explaining that Mongolia had gone through significant economic and political transformations in the 1990s. In pursuing macroeconomic changes, the Customs had modernized. In 1991, Mongolia had joined the WCO. The Customs law had been changed several times since then to address economic changes. In 2006, Mongolia had acceded to the WCO's revised Kyoto Convention.
239. The biggest challenge for Mongolian Customs was to achieve the right balance of control and facilitation. Mongolian Customs had implemented its own automated Customs clearance system.
240. With the assistance of the Asian Development Bank and the Republic of Korea, a Customs modernization programme (which involved a Customs integrated information system and e-government - paperless clearance) should be completed in 2010.
241. A recent survey had indicated that perception of Mongolian Customs transparency had increased. Among other achievements, Mongolia now had a trader compliance system; a risk management system had been installed with the help of Netherlands Customs; post-clearance audit had led to reduced physical inspection at the borders; pre-arrival document submission was now required; a corruption-free plan had begun, which included a Code of Conduct; there were Customs-Customs agreements with China and Russia on mutual recognition of Customs controls, joint border control, and timely exchange of information; clearance times had reduced from several days to a few hours; and client standards were now posted in all border posts.
242. Mr. OTHMAN, Assistant Comptroller-General of Nigerian Customs, stated that, in 2006, Nigerian Customs had begun to restructure and, working in conjunction with the WCO, a strategic plan had been developed. Nigeria had been under pre-shipment inspection (PSI) since 1976 and this had harmed the ability of Nigerian Customs officers to carry out core Customs functions, such as classification, valuation and rules of origin, because these were done overseas by PSI companies.

243. Nigerian Customs was undergoing changes. A new management team was now in place. Previously, the Customs had consisted of three departments; it now had four departments and they were fully staffed. To pursue Customs modernization, Nigerian Customs had entered into contracts with four destination inspection companies to perform various Customs functions, including scanning, infrastructure, and communication networks. The WCO had helped look at those contracts.
244. A big part of the restructuring was the use of scanners. All six seaports would have scanners, as would all four international airports. In addition, there were three scanners at border posts. A Time Release Study had been conducted in 2007 which had indicated that average clearance time was 12 days. The objective was for clearance within 48 hours. Nigeria hoped to achieve this by electronic submission of information, e-payment, risk management, and post-clearance audit. A new human resources plan was in place, and the Government had given the go-ahead for the recruitment of 5,000 new officers.
245. Finally, Mr. Othman said that Nigerian Customs had recently benefited from WCO training on classification and valuation. In addition, the WCO would provide training on rules of origin in July 2008.
246. Mr. ZAGHNOUN, Director General of Moroccan Customs and Indirect Taxation, said that, since the adoption of the WCO Framework of Standards, several measures had been taken by Moroccan Customs in respect of capacity building. Initially, it had conducted a self-evaluation to identify gaps and this had been followed by a WCO diagnostic mission conducted by French Customs in 2006. In 2008, a second mission by French Customs had been conducted to help Moroccan Customs develop a capacity building action plan. Mr. Zaghoun expressed gratitude to the WCO and French Customs in this respect and also thanked Italy, the United States, Spain and the European Union for training and other capacity building they had provided.
247. He then explained that Moroccan Customs was developing a Customs-Trade partnership, which began by looking at different enterprises operating in Morocco within a framework of trust. The goal was to have a true client-supplier relationship. Both sides were beginning to understand the needs of the other party. This partnership effort had led to several agreements between Customs and businesses in different sectors.
248. The programme commenced with a business categorization by classifying operators using various criteria, this being done in consultation with the private sector. The programme aimed to build trust with economic operators; to establish procedures that would lead to faster clearance; to contribute to supply chain security; and to indicate strengths and weaknesses of the Customs system.
249. The system was voluntary. Audits of economic operators were being carried out by third-party auditors approved by the Government. Audits enabled the Government to see if the economic operators were complying with the reference system. Small and medium-sized enterprises were encouraged to join the programme. A committee met once a week to decide different types of economic operator status. So far, 108 companies had been categorized and 289 companies were interested in joining the programme.
250. Moroccan Customs had also engaged in other modernization initiatives. It had conducted a review of the Customs Code, and simplified procedures had been put in place. All economic operators could follow the procedures from the beginning to the

- end of the Customs clearance process. A risk analysis system had also been put in place and all ports had scanners. There were now eight scanners in Morocco and it was planned to have four more within the next year. In addition, the Moroccan Administration had established a three-year training programme for its staff in all sectors.
251. In conclusion, Mr. Zaghoun said that his country was implementing in order to be able to comply with international standards.
252. Speaking from the floor, the Delegate of BELARUS said that the discussions on the implementation of the Columbus Programme, aimed at creating the conditions for safe and rapid border crossing, had been very interesting. In this regard, he wished to draw the Council's attention to a situation in connection with the laws on e-Customs due to enter into force on 1 January and 1 July 2009 in the European Union. While the exchange of information on goods and vehicles was an effective method of speeding up the international transit of goods and improving Customs control, he stressed that delays at the border were currently caused by the fact that carriers did not have all the necessary data, permits and payment documents available in electronic form, rather than by the procedure per se.
253. In 65 % of cases, vehicles were spending two to four hours at the Customs clearance point, with the Customs clearance procedures taking a total of between a few minutes and one hour. The exchange of data with EU Customs administrations would make it possible to reduce the total clearance time from 3 hours to 20 minutes, while contributing to the efficiency of Customs controls and reducing the opportunities for commercial fraud. He considered the exchange of data between Customs administrations to be much more efficient than the similar form of co-operation between the business community and Customs services being introduced by the EU. The Customs Administration of Belarus had prepared an information letter to all national hauliers associations, reflecting the above-mentioned position.
254. The information flow of accompanying and supporting data should be as continuous as the transit of goods itself, regardless of the national identities of the Customs services involved, as they should all operate within the same information field.
255. The Customs Administration of Belarus was actively engaged in information exchange, on the basis of an agreement with the European Communities concerning the exchange of information on all goods and vehicles crossing the borders between Belarus and the European Union. However, Belarus Customs was surprised at the EU's lack of interest in establishing and strengthening co-operation between the Customs services of the EU and Belarus. The planned introduction of electronic exchanges on the basis of the TIR carnet and the introduction of e-Customs and e-declarations, without the appropriate exchanges of information with adjacent and neighbouring States, might create real problems for international transit and trade, as well as queues at the borders with the EU.
256. The Republic of Belarus wished to propose that the WCO facilitate the conclusion of appropriate agreements between the European Communities and neighbouring countries. The Delegate of Belarus also wanted to encourage the continuation of negotiations between the EU and the Customs authorities of Belarus, particularly with regard to EU-Belarus information exchange and the pilot project on co-operation between Belarus and Lithuania. The issue of the possible participation of Belarus in the pilot project for the new, computerized vehicle-tracing system and the TIR Convention should also be considered. The Customs Administration of Belarus was

open to co-operation with both Customs services and businesses, and was ready to handle a growing volume of traffic in order to ensure a quality service for goods crossing the Customs borders of the Republic of Belarus.

257. The SECRETARY GENERAL concluded the session by thanking the panellists and encouraging delegates to approach them to discuss further their capacity building activities.

5. TECHNICAL MATTERS

258. The DIRECTOR, Tariff and Trade Affairs, pointed out that preparatory discussions on this Agenda item had been held in a parallel session the previous day, which he had chaired. A full record of those discussions is set out in Annex VI to these Minutes.

259. At the preparatory parallel session, the reports and work of the WCO's six technical Committees - Technical Committee on Customs Valuation, Enforcement Committee, Harmonized System Committee, Permanent Technical Committee, Kyoto Convention Management Committee, Technical Committee on Rules of Origin - had been examined and discussed in detail. The meeting had been attended by over 40 Member delegations and some 10 observers from international organizations. The level of discussion had been high, demonstrating the considerable interest shown by Members and observers in the work of the WCO's technical Committees.

260. The Director then presented, Committee by Committee, the matters which the delegations at the parallel session had asked him to propose to the Council for adoption or formal approval.

(a) Valuation (see Annex VI, paragraphs 2 to 25)

261. The DIRECTOR, Tariff and Trade Affairs, said he had been instructed to ask the Council Chairperson to invite the Council to :
- adopt Case Study No. 13.2 on the application of Decision 6.1 of the Committee on Customs Valuation;
 - approve the Reports of the 24th and 25th Sessions of the Technical Committee on Customs Valuation;
 - take note of the draft Report of the 26th Session of the Technical Committee on Customs Valuation, which would be submitted to the Technical Committee for final approval at its next session; and
 - take note of the various Valuation-related developments outlined in the written report by the Chairperson of the Technical Committee on Customs Valuation, Mr. I. Cremer (United Kingdom).
262. It was so decided.

(b) Compliance/Enforcement (see Annex VI, paragraphs 26 to 54)

263. The DIRECTOR, Tariff and Trade Affairs, said he had been instructed to ask the Council Chairperson to invite the Council to :
- approve the Report on the Enforcement Committee's 26th Session, which had been chaired by Mr. H. Fröhlich (Germany);
 - take note of the draft Report on the Enforcement Committee's 27th Session, which would be submitted to that Committee for final approval at its next session;
 - adopt the texts of :
 - the definition of "nominal data", as set out in Annex III to Doc. EC0219;
 - the draft Recommendation concerning Actions against Cross-Border Environmental Offences, and the draft Action Plan (Annexes IV and V to Doc. EC0219);
 - revised Terms of Reference for the Electronic Crime Expert Group (Annex VI to Doc. EC0219);
 - the revised definition of "commercial fraud", as set out in Annex VII to Doc. EC0219;
 - endorse the Action Plan, with editorial amendments, set out in Annex VIII to Doc. EC0219.
264. It was so decided.

(c) Nomenclature and Classification (see Annex VI, paragraphs 55 to 88)

265. The DIRECTOR, Tariff and Trade Affairs, said he had been instructed to ask the Council Chairperson to invite the Council to :
- approve the Reports of the 40th and 41st Sessions of the Harmonized System Committee, which had been chaired by Mr. P. Joffre (France);
 - refer the draft Article 16 Recommendation concerning the amendment of Article 8 of the Harmonized System Convention back to the HS Committee for re-examination;
 - refer the draft Council Recommendation on substances controlled under the Chemical Weapons Convention back to the HS Committee for re-examination;
 - refer back to the HS Committee for re-examination, under the procedure set out in Article 8.2 of the HS Convention, two classification decisions taken at the 40th Session :
 - classification of separately presented outdoor units of compression-type split-system air conditioning machines in subheading 8415.90 (at the request of the European Communities);

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- classification of two products containing, respectively, more than 98.5 % of sodium sulphate and more than 99.2 % of sodium sulphate in heading 28.33 (subheading 2833.11), by application of Interpretative Rules 1 and 6 (at the request of the Russian Federation);
- refer back to the HS Committee for re-examination, under the procedure set out in Article 8.2 of the HS Convention, certain classification decisions taken at the 41st Session :
 - classification of vehicles named “Jacobsen® Model 1100 and 1110 Haulers” in heading 87.09 (subheadings 8709.11 and 8709.19) (at the request of the European Communities);
 - classification of certain joboba products in heading 34.04 (subheading 3404.90) (at the request of the European Communities);
 - classification of polyurethane foam in aerosol containers in heading 32.14 (subheading 3214.10) (at the request of Brazil);
- take note of the various HS-related developments which had taken place since the previous Council sessions.

266. It was so decided.

(d) Facilitation/Procedures (see Annex VI, paragraphs 89 to 122)

Permanent Technical Committee

267. The DIRECTOR, Tariff and Trade Affairs, said he had been instructed to ask the Council Chairperson to invite the Council to :

- approve the Reports of the 179th/180th and 181st/182nd Sessions of the Permanent Technical Committee (PTC);
- take note of the various PTC-related developments mentioned in the written report of the PTC Chairperson, Mr. M. Wicktor (Sweden);
- approve the PTC’s proposal to organize a second meeting of the Scientific Sub-Committee;
- approve Version 3 of the Data Model.

268. It was so decided.

269. The DIRECTOR, Tariff and Trade Affairs, also invited the Council to take note of the PTC’s wish to have the PTC Chairperson present his/her report to the plenary session of the Council, rather than to the parallel session as at present; it would be left to the Secretariat to decide on the most appropriate arrangements for this.

270. The Council took note.

Revised Kyoto Convention Management Committee

271. The DIRECTOR, Tariff and Trade Affairs, invited the Council to :
- take note of the Reports of the Third and Fourth Meetings of the Revised Kyoto Convention Management Committee, which had been chaired by Ms. K. Subramanian (India);
 - take note of developments since the previous Council Sessions in relation to the Revised Kyoto Convention Management Committee.
272. The Council took note.
- (e) **Rules of Origin** (see Annex VI, paragraphs 123 to 131)
273. The DIRECTOR, Tariff and Trade Affairs, invited the Council to :
- take note of the Report of the 26th Session of the Technical Committee on Rules of Origin, which had been chaired by Ms. L. Ghrairi (Morocco);
 - take note of all Origin-related developments since the previous Council Sessions.
274. The Council took note.
275. Returning to a point he had raised in connection with the Permanent Technical Committee, the DIRECTOR, Tariff and Trade Affairs, said he had been instructed to convey to the Council the wish of the participants at the parallel session that, in the future, the Chairpersons of the technical Committees report directly to Directors General at the plenary session. This recommendation was prompted by poor attendance at the parallel sessions in recent years, and by the need for Directors General to hear reports pertaining to the core issues of the WCO.
276. The CHAIRPERSON suggested that this matter be forwarded to the Policy Commission for consideration, perhaps with a view to the introduction of new arrangements at the next Council Sessions.
277. Finally, the Chairperson thanked the Director, Tariff and Trade Affairs, for his report. On behalf of the Council, he also thanked the Chairpersons of the six technical Committees for their excellent work, which certainly merited the attention of a broader audience.

6. BUDGETARY AND FINANCIAL MATTERS

278. At the start of his presentation, the CHAIRPERSON of the FINANCE COMMITTEE said he considered the 85th Session of the Finance Committee to have been special for three reasons : (i) seven of the nine candidates for the post of Secretary General of the WCO had taken up the Secretariat's invitation and had participated as observers in the Committee's work in order to familiarize themselves with the budgetary and financial aspects of the Organization; (ii) a representative of the Chairperson of the Audit Committee had been present for the first time and this, in keeping with the Council's wishes, had made it possible to achieve the right articulation of functions between the two Committees; and (iii) from a personal perspective, it had been the first time he had chaired the Committee, which had resulted in the scheduling of a second session of the Finance Committee at the end of October 2008.

279. With regard to the actual activities, he then expanded on six important topics among those dealt with at the Finance Committee's last session :

Financial situation of the WCO

280. The Organization's financial perspectives were now better than in the past, thanks to efforts by the Secretariat and the Finance Committee to implement the budget balancing policies decided upon by the Council. The budget projections presented to the Finance Committee were now balanced. However, the Chairperson of the Finance Committee stressed that the Organization's finances remained fragile, with a balanced budget only being achieved subject to : the Secretariat maintaining its efficient management and mobilizing additional resources; Members continuing to agree to adjust the basis for contributions every year, as was the case in other international organizations; and the stock market not collapsing.

Financial audit

281. The financial audit of the accounts for 2006/2007 had been carried out by the Wilmet S.A. company, Independent Auditors. The Auditor had provided a very detailed report which he had presented to the Finance Committee, together with a number of recommendations. At the end of his audit, he had certified the Organization's accounts without reservation and had recommended that the Secretary General be acquitted of his financial management for the 2006/2007 accounts.

2008/2009 budget

282. The proposed 2008/2009 budget submitted to the Finance Committee by the Secretariat was identical to that presented in December 2007 at the Policy Commission's 58th Session, and applied the financial recovery plan adopted by the Council in 2006. The Secretariat had also submitted a detailed proposal to use the total amount of the European Communities' one million euro contribution, and had explained to the Finance Committee that, in this way, it sought to give the Organization additional capability to act.

283. The Chairperson of the Finance Committee stated that, following substantial discussions, certain delegations had wished to take the financial recovery strategy further by opting not to use the full amount of the European Communities' contribution next year, and to allocate part of it to the reserves. He also pointed out that the Finance Committee's recommendation to the Council had been made not only in full knowledge of the long-term implications for the Strategic Plan's implementation, but

also with regard to the requirement for the Secretariat to continue with the “lapse factor” policy whereby staff were not replaced immediately upon leaving.

2008/2009 scale of contributions

284. In accordance with the decision taken by the Council in 2007, the Finance Committee again recommended this year that the United States’ rate of contribution be reduced by 1 % to 23 %, and that the impact of this reduction be shared amongst all the other Members in the same manner as the previous year. By way of clarification, he also pointed out that the accession process by the European Communities had no impact on the scale, though it did of course give the Organization much greater scope to undertake activities.

Sanctions resulting from the delay in payment of contributions

285. The Finance Committee and the Secretariat urged compliance with the rules on payment of contributions as laid down by the Council. The Secretariat had consequently proposed several new measures to the Finance Committee to respond to delays in payment, and these strengthened the current procedure set out in Council Decision No. 289. The Finance Committee had, nevertheless, decided to re-examine this question at its next session in the Autumn, in order to have time to study the proposals calmly and thoroughly.

Revised WCO sales and copyright policy

286. During the Finance Committee, several delegations had expressed concerns about the updated sales and copyright policy. The Finance Committee had also noted the risk of a loss of revenue of approximately 500,000 euros per year if the Organization’s publications were to be made available to Members free of charge.
287. In order to examine the legal and financial aspects of the issues raised in greater depth, with a view to presenting them at its next session, the Finance Committee had proposed that the Council set up a working group whose composition would have to be specified.
288. In conclusion, having noted the absence of three Members at the Committee’s last session, the Chairperson of the Finance Committee reiterated the importance of delegates’ attendance at Finance Committee sessions, and then proposed :
- to approve the Report of the Finance Committee and the recommendations therein and, in particular, to adopt the draft Decision appended thereto;
 - to acquit the Secretary General of his financial responsibilities for financial year 2006/2007.
289. The Delegate of the EUROPEAN COMMUNITIES pointed out that since the Finance Committee’s 85th Session, his Organization had paid the 500,000 euros it owed. This delay in payment was due to differences in the dates of the financial years governing his Organization and the WCO. He supported the decision made to assign 350,000 euros of the European Communities’ 2007/2008 contribution to capacity building. With regard to the WCO’s revised sales and copyright policy and the concerns mentioned by several Members, he was in favour of setting up a working group which he also hoped would be open to all Members wishing to participate.

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290. The Delegate of SUDAN pointed out that approximately 80 % of the Organization's budget encompassed staff costs and he hoped that the budget structure would be modified, as it did not currently reflect the Organization's requirements in its various sectors of activity.
291. In response, the SECRETARIAT indicated that the Working Group on Publications would be open to other WCO Members. Regarding the question of the budget structure, the Secretariat emphasized that with approximately 75 % to 80 % of its budget being taken up by the salary bill, the WCO was in a similar position to other international organizations. It also pointed out that the work and activities carried out by its staff were reflected in the Organization's overall salary bill.
292. In conclusion, the Council :
- adopted the Decision concerning the budgetary and financial provisions for 2008/2009 and amendments to the Financial Rules (Decision No. 321) reproduced at Annex VII hereto, which also included the scale of Members' contributions for financial year 2008/2009 circulated during the Sessions;
 - took note of the Audit Report on the accounts for 2006/2007 and the recommendations therein;
 - acquitted the Secretary General of his financial responsibilities for financial year 2006/2007;
 - approved as a whole the Report of the 85th Session of the Finance Committee, reproduced in Doc. SF0226.

7. APPOINTMENT AND ELECTIONS

(a) Appointment of a Secretary General

293. It was announced that the candidates for the post were :
- Dr. Boubacar CAMARA (Senegal)
Mr. Noël COLPIN (Belgium)
Mr. Lars KARLSSON (Sweden)
Mr. Philippe KEARNEY (France)
Mr. Jouko LEMPIÄINEN (Finland)
Mr. Kunio MIKURIYA (Japan)
Mr. Douglas TWEDDLE (United Kingdom)
Mr. Hans VAN BODEGRAVEN (Netherlands)
Mr. Gaozhang ZHU (People's Republic of China).
294. After indicative voting had taken place, Mr. K. Mikuriya (Japan) was appointed Secretary General by acclamation, for a five-year term of office to begin on 1 January 2009.
295. The CHAIRPERSON congratulated Mr. Mikuriya on his appointment. Mr. MIKURIYA thanked Members for their unanimous support and for the trust they had shown in him by appointing him to the post of Secretary General. He said that, during the lengthy process, the nine candidates had visited the six WCO regions and had attended the six regional meetings. They had thus acquired a better

understanding of the wishes and needs of the membership. A sense of camaraderie had developed amongst the candidates and he now wished to continue working with the other candidates to improve the WCO. It had been said that this was an historic election because, for the first time, the candidates had competed in a very democratic process based on their election platform, their style, their character and their competence. He congratulated the present Secretary General for having launched this initiative, ensuring a transparent and democratic process. He also thanked Mr. Jolicoeur, the Chairperson of the Audit Committee and guardian of the election process, for upholding transparency and good governance, and expressed his gratitude to the six wise persons and the Council Chair for their involvement.

296. In conclusion, Mr. Mikuriya assured the Members that he would not disappoint them and would increase their involvement for the betterment of the Organization.

(b) Elections

297. It was proposed that Mr. M. Dunne (New Zealand) be elected Chairperson of the Council for 2008/2009.

298. The Council approved the above proposal by acclamation.

299. Mr. DUNNE expressed his gratitude for the support he had received and said that he was looking forward to the next 12 months. He said that the expectations expressed at the Council had to be balanced against the great diversity of interests, culture and circumstances of the 173 WCO Members. The current backdrop was one of potential considerable global change with environmental, economic, sustainability-of-resources and political issues which could produce a perfect storm in the near future. The WCO, along with other global organizations, was ready to meet those challenges and, in order to do so, it was essential to embrace the views expressed in the paper on Customs in the 21st Century. The newly elected Secretary General had the chance to review, revise and refresh the Organization. Along with other nations in leadership positions in the WCO, he looked forward to supporting the new Secretary General.

300. Finally, Mr. Dunne expressed his personal thanks to the current Secretary General for all his work and to T. Erling who had been a gracious and noble Council Chairperson over the past two years.

301. The CHAIRPERSON then announced that following consultations between the Members in the various regions, it was proposed that the Delegates of Argentina, Ireland, Korea (Republic of), Morocco, Mozambique and Senegal be elected Vice-Chairs for 2008/2009.

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

303. Following consultations between the Members in the various regions, it was proposed that the Council elect as members of the Policy Commission for 2008/2009 and 2009/2010, the Delegates of Canada (elected for financial year 2008/2009 only), China, Germany, Malaysia, Mexico, Spain and Thailand. It was noted that they would serve alongside the Delegates of a number of Members which had been elected to the Policy Commission one year previously, namely France, Japan, Nigeria, Norway, Russian Federation, Rwanda, Saudi Arabia, Slovenia, United Kingdom and United States.

304. Following consultations between the Members in the various regions, it was proposed that the following be elected to serve on the Finance Committee for 2008/2009 : Australia, European Community, France, Gabon, Germany, India, Italy, Japan, Kazakhstan, Kenya, the Netherlands, Panama, Paraguay, Saudi Arabia, Spain, Switzerland and the United States.
305. It was proposed that Mr. P. Ndong Nguema (Gabon) be re-elected Chairperson of the Finance Committee for 2008/2009, and that Mr. T. Schoeneck (Germany) be re-elected Vice-Chairperson for that period.
306. Following consultations between the Members in the various regions, it was proposed that the following Members be elected to serve on the Audit Committee : Belgium, Canada, Ghana, Lesotho, Morocco and New Zealand.
307. It was proposed that Mr. A. Jolicoeur (Canada) be re-elected Chairperson of the Audit Committee for 2008/2009. It was clarified that Mr. Jolicoeur would chair the next meeting of the Audit Committee, to be followed by Mr. A. Zagnoun of Morocco who would then serve as Audit Committee Chairperson for a two-year term.
308. All these proposals were approved by acclamation.

8. OTHER BUSINESS

(a) Signing ceremony

309. In the course of the Sessions, a brief ceremony took place at which the Delegate of MALAYSIA deposited his country's instrument of accession to the revised Kyoto Convention (bringing the number of Contracting Parties to 58).
310. The Delegate of KENYA signed an Agreement concerning the Regional Intelligence Liaison Office (RILO) for the East and Southern Africa region, and the Delegate of EGYPT signed a Memorandum of Understanding for the establishment of a WCO Regional Training Centre in Alexandria (Egypt).
311. Finally, the Delegates of CANADA and the UNITED STATES and the Delegates of JORDAN and the UNITED STATES signed bilateral mutual recognition arrangements.

(b) Competition in respect of the combating of counterfeiting and piracy

312. The SECRETARY GENERAL recalled that, each year at the Council Sessions, a trophy was awarded to administrations which had shown particular commitment to combating counterfeiting and piracy. The trophy was named after Yolanda Benitez in memory of a Customs official from Paraguay who had been assassinated several years ago when carrying out her duties to combat the smuggling of counterfeit goods.
313. The third place in the competition went to the Russian Federation, which had undertaken substantial modernization of its legislation and had made significant seizures of counterfeit goods at its borders, including 200,000 bottles of counterfeit soda. It had also made regular seizures of counterfeit spare parts for motor vehicles.

314. In the runner-up spot was Algeria, which had seized many counterfeit products at the border, had modified its Customs legislation and engaged in co-operation with other authorities.
315. The winner of the competition and the recipient of the Yolanda Benitez trophy for 2008 was Italian Customs, which had made huge seizures of counterfeit goods and regularly provided the WCO with experts to carry out training in IPR enforcement.
316. The first of two special awards went to the Slovenian Customs Administration which had made an impressive number of seizures, including a highly significant seizure of nine million bottles of counterfeit perfume.
317. The second special prize was awarded to the Customs Administration of Ecuador which had put new structures in place and had requested assistance from the WCO in combating counterfeiting and piracy on the basis of the Organization's work. Shortly after the training had been provided, Ecuadorian officials had made a major seizure of counterfeit products.
318. Finally, the Secretary General gave an award to the Italian Guardia di Finanza which, though not a Customs administration, made IPR experts available to the WCO and was a body committed to combating transnational crime in Italy and indeed throughout Europe. The award was in recognition of the co-operation, at the Italian Government's request, amongst the national authorities in Italy in respect of IPR protection.

(c) Eurocustoms contribution to capacity building

319. The Delegates of France and Italy presented the Secretary General with a cheque for 2,900,000 euros from Eurocustoms, to be used by the WCO for Customs capacity building.
320. The Delegate of FRANCE explained that Eurocustoms was a Customs association of EU Member countries which had existed for some 17 years, its purpose being to provide capacity building for Customs services primarily, but not exclusively, in Europe. The Association, of which he - as France's Director General of Customs and Indirect Taxation - was Chair, was now being dissolved, and the question had arisen as to what should be done with its surplus funds of approximately 3 million euros. One solution would have been for the surplus to be returned to France 30 years hence, but this seemed a long time to wait for these funds to be put to good use. Therefore, as the *raison d'être* of Eurocustoms had been international capacity building, it had seemed more appropriate to work towards a solution where the surplus funds could be used for that purpose. This objective had been achieved, and he was pleased to present the cheque to the WCO on behalf of all the EU Member countries.
321. On behalf of the Council, the SECRETARY GENERAL expressed his appreciation of this very generous gesture. It was a particular pleasure for him to receive this cheque on behalf of the WCO because 17 years previously, as a member of French Customs, he had played a key role in the establishment of Eurocustoms.

(d) International Day Against Drug Abuse and Illicit Trafficking

322. The SECRETARY GENERAL informed participants that 26 June had been the International Day Against Drug Abuse and Illicit Trafficking and he had sent all Customs administrations a letter urging them to enhance their controls on that particular day. Some 60 Members had committed to take part in the initiative, and first reports indicated that at least 103 seizures had been made involving a total of some 300 kg of drugs. He drew attention to three particularly significant seizures :

- 17 kg of cocaine seized in Venezuela en route for Spain.
- 13 kg of opium seized at Paris Charles De Gaulle Airport, the drugs being destined for Canada.
- 31 kg of cannabis resin seized in the Port of Tangiers en route for Spain.

(e) Summer 2008 Olympic Games

323. The Delegate of CHINA said that, as the Council was aware, the XXIXth Olympic Summer Games would be held in Beijing (China) from 8 to 24 August. He took this opportunity to extend his Delegation's sincere thanks to the Secretariat and to Member Customs administrations for their support for the Beijing Olympic Games. In order to safeguard the security of the Games and ensure the enjoyable participation of all athletes, journalists and spectators, the Chinese Delegation had proposed an initiative to safeguard the security of the Beijing Olympics through the joint efforts of the world Customs community, the text of which had been distributed at the Council Sessions. He wished to stress that the Beijing Olympics belonged not only to China but to the whole world, and he looked forward to Members' participation, and to their full support for the Games.

(f) Resolution in honour of Directors General having recently left the service of their administrations

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

(g) Presentation of the Insignia of Officer of the "Légion d'Honneur" to the Secretary General

325. His Excellency the AMBASSADOR OF FRANCE to Belgium, Mr. Dominique Boché, briefly retraced Mr. Danet's career which he described as a remarkable one.

326. Michel Danet had started at Customs as a trainee in 1962 and had climbed through the ranks of senior management in French Customs. He had become a senior civil servant in the 1980s and had headed the Enforcement Office at the General Directorate of Customs in Paris. After secondment to the Court of Auditors, he had become Assistant Director for Customs Union and European Co-operation. This particularly rich and diverse career path had provided him with a wealth of Customs expertise and a solid grounding in international relations.

327. His election to the post of WCO Secretary General in June 1998 had been the crowning achievement to that career. He had subsequently led the WCO with conviction and determination for five years, and his commitment and taste for professional challenges had brought him the recognition of Member administrations to the extent that he had been re-elected for a further five-year term in June 2003. These two terms were proof of the trust that Members placed in Mr. Danet and in France. In the era of globalization, he had constantly endeavoured to strengthen the universal nature of the Organization, making co-operation between Customs administrations one of his key objectives.
328. A top-ranking civil servant, his brilliant career had led to his appointment as a Knight of the "National Order of Merit" in 1989 and subsequently as a Knight of the "Légion d'Honneur" in 1992. His current promotion within the Order of the "Légion d'Honneur" was the jewel in the crown of his illustrious career and recognition of his unstinting commitment to serve France and the development of international Customs co-operation.
329. On behalf of the President of the French Republic and by virtue of the powers vested in him, his Excellency the Ambassador presented Mr. Danet with the insignia of Officer in the National Order of the "Légion d'Honneur".
330. At the close of the ceremony, Mr. DANET thanked the French Ambassador to Belgium. He also expressed his gratitude both to French Customs, without whom he would not have benefited from such a rich and diverse career, and to all those he had encountered during his career.

(h) General

331. The SECRETARY GENERAL expressed his appreciation to Mr. Armand Nanga, Director General of Customs of Senegal who, like his predecessor, had made a particular effort to ensure that the Secretary General was able to hold constructive and interesting meetings with national political leaders during visits to Senegal. During a recent meeting of this kind in Dakar, Senegal's Prime Minister had said that he considered himself to be his country's No. 1 Customs officer - a statement which, coming from a major political figure, the Secretary General regarded as being of particular interest and significance. He had decided to draw attention to this positive and unusual attitude by awarding a WCO certificate of honour to the Prime Minister of Senegal, to be presented to him on behalf of the Organization by Director General Nanga.
332. The Secretary General went on to mention another area in which Senegal was setting a positive example. Among recent initiatives to combat counterfeiting and piracy, one of the most interesting aspects had been the effort made in Senegal to involve the public in this fight. This effort had been spearheaded by world-famous Senegalese singer Youssou N'Dour, who had worked tirelessly alongside his national Customs service and the WCO to draw attention to the importance of combating counterfeiting and piracy. In recognition of his commitment, Youssou N'Dour had also been awarded a WCO certificate of honour, to be presented to him on behalf of the Organization by Director General Nanga.
333. The Secretary General then paid tribute to Mr. Alain Jolicoeur, President of the Canada Border Services Agency, who was soon to retire. The Secretary General presented him with a certificate in recognition of the role he had played in the international Customs community. Alain Jolicoeur had built up the Border Services

Agency from scratch whilst at the same time making a key contribution to the WCO with his calm, lucid, intelligent and open-minded approach, which had enabled him to lead the movement towards good governance, epitomized by the transparent electoral process which had just taken place, and over which Alain Jolicoeur had presided. As part of the governance process he had been instrumental in the establishment of the Organization's Audit Committee, which he would continue to chair despite his forthcoming retirement.

334. The Secretary General invited the Council to join him in expressing its appreciation to the outgoing Council Chairperson, Mr. Tapani Erling. As one of the world's longest-serving Directors General of Customs, he had brought a wealth of experience and knowledge to the role of Chairperson. A straightforward man with strong values and a deeply European outlook, who hid tremendous warmth and humour behind a quiet façade, Tapani Erling had performed the very difficult task of leading the Council with great competence and sensitivity.
335. Finally, the Secretary General informed the Council that two members of the Secretariat would shortly be retiring from the service of the Organization. Firstly, as Head of Administration and Personnel, Mr. Claus Keding of Germany had brought to the Secretariat a lifetime's experience of international organizations and how they operated. He had performed a difficult role rigorously and loyally. Secondly, Mr. Roger Ceuppens, the senior technician responsible for the meeting room and interpretation equipment, was retiring after 38 years of loyal and very efficient service.
336. The CHAIRPERSON said that, although the term of office of Secretary General Michel Danet would not end for another six months, these would be his last Council sessions. During his decade as Secretary General, the WCO had grown in stature and influence thanks to major initiatives such as the SAFE Framework of Standards, capacity building and the work on counterfeiting and piracy. These initiatives, and the Organization's discussion, development and analysis of global issues such as trade facilitation had raised the profile of the WCO, which was now recognized as a major global player and a centre of excellence in its field. Under Michel Danet's leadership, the Council had laid the foundation for the future of the WCO, and for Customs in the 21st Century.
337. Throughout his highly successful professional career, Michel Danet had been noted for his sharp intelligence and his analytical skills. He was an eloquent speaker and a genuinely charismatic leader, and his reports to the Policy Commission and Council would live long in the memories of all those who had been privileged to hear them. He was also a diplomatic and warm-hearted individual, and all these attributes had combined to make him a wonderful Secretary General, as well as a much-valued friend.
338. The SECRETARY GENERAL said that he had enjoyed his ten years with the WCO, and particularly the relationship of trust he had enjoyed with the 173 Directors General who were, effectively, his bosses. He had always been touched by their confidence in him, regardless of the issues which arose and the problems encountered, and he was heartened by the progress made by the Council in a number of areas during his term of office. He urged the Members to forge the same relationship of trust with Mr. Mikuriya, and provided that they did so he was confident that the Organization would continue to progress over the next five years.

9. DATE AND PLACE OF NEXT SESSIONS AND CALENDAR OF MEETINGS
FOR 2008/2009

339. The CHAIRPERSON drew attention to the draft Calendar of meetings for 2008/2009 and said that the 113th/114th Sessions of the Council would be held in Brussels from 25 to 27 June 2009, preceded by the 61st Session of the Policy Commission.
340. Subject to a number of amendments to the draft that had been circulated, the Council approved the Calendar of meetings for 2008/2009, which is reproduced at Annex XI hereto.

CLOSURE OF THE SESSIONS

341. The CHAIRPERSON thanked all delegations and the Secretariat for their co-operation and assistance throughout the Sessions, and he declared closed the 111th/112th Sessions of the Council.

T. ERLING,
Chairperson.

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