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MINUTES OF THE 129TH/130TH SESSIONS
OF THE CUSTOMS CO-OPERATION COUNCIL
(Brussels, 6 - 8 July 2017)

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MINUTES

OPENING OF THE SESSIONS

1. The 129th/130th Sessions of the Council were held at WCO Headquarters in Brussels from 6 to 8 July 2017. The list of participants is reproduced at Annex I.
2. The CHAIRPERSON declared the proceedings open and welcomed the participants.
3. The Council began by observing a moment's silence in memory of Customs officers all over the world who had lost their lives during the previous year.

1. ADOPTION OF THE AGENDA

4. The Delegate of BRAZIL suggested that, in order to make the Council's work easier, Agenda Item 6 should not be divided into two different sub-items but rather be dealt with as a whole as "Accessions to the WCO".
5. The Delegate of SERBIA supported the proposal from Brazil, indicating that, in a spirit of consensus and constructiveness, Serbia was ready to accept the Agenda as it stood with this reservation and the understanding that the two points under Agenda Item 6 be merged. She added that, while not seeking to open the discussion, Serbia wished to declare for the record of the meeting that the participation of the Republic of Serbia in the work of the WCO could not be considered in any way as an act of recognition of so-called Kosovo. Serbia would express its position in this regard in a very detailed manner under Agenda Item 6 where it considered that the discussion was about future accessions since the first point under that Item was an imposed attempt at accession.
6. The Delegate of SPAIN supported the proposal from Brazil and Serbia.
7. The CHAIRPERSON concluded that the proposals from the floor were accepted and the Agenda would be modified accordingly.
8. The Agenda set out in Doc. SC0157 was adopted, subject to Agenda Item 6 being modified to read "Accessions to the WCO".

2. APPROVAL OF THE MINUTES OF THE 127TH/128TH SESSIONS OF THE COUNCIL

9. The Minutes of the 127th/128th Sessions of the Council, contained in Doc. SC0156, were approved.

3. COMMENTS BY CHAIRPERSON OF THE COUNCIL

10. The CHAIRPERSON said it was a great honour and a privilege for him to address such a distinguished gathering of the world Customs community in his capacity as Chairperson of the Customs Co-operation Council. The Organization had a long and prominent history of achievements. Having started 65 years ago with just 17 founding Members, it was now comprised of an overwhelming majority of the world's Customs administrations, representing countries responsible for about 98 % of international trade. By definition, the WCO was an Organization run by the Members, for the Members. In a modern and very rapidly-changing world, the WCO was faced with new challenges and difficult problems. The External Auditor's report had identified one of these problems as being lack of Member involvement in WCO activities and, he would add, a lack of inclusiveness. One possible means of improving this situation was to extend the use of languages beyond the WCO official languages (i.e. English and French), and later in the Sessions the Council would be invited to adopt a recommendation by the Policy Commission that a Working Group be set up to explore possibilities for using additional languages in the work of the Organization.
11. Another challenge for the WCO, also identified in the External Auditor's report, was its positioning among other international organizations. Nowadays, the competencies of the WCO were linked to those of other international organizations; an example of this was the Trade Facilitation Agreement signed under the auspices of the WTO, some 90 % of the content of which related to Customs activities; similarly, issues related to Customs-Tax cooperation were discussed not only in the WCO, but in the IMF and other international organizations. Evaluating the performance of Customs administrations was a Customs activity, but it was also a key feature of the section of the World Bank's Doing Business analysis that related to international trade. Security, another important Customs issue, was also a matter for INTERPOL, the United Nations and other international organizations. All of these key issues had figured on the Agenda of the recent Policy Commission session, and would be discussed by the Council.
12. The Chairperson concluded his remarks by noting that delegates had been given the authority, by their administrations, to take decisions on difficult matters of Customs cooperation, and he was sure that the Council would be able to find a response to these questions on the basis of friendship, cooperation, compromise and mutual understanding. He wished them every success in their deliberations, for the benefit of international Customs cooperation, and offered his sincere congratulations on the 65th Anniversary of the WCO.

4. REPORT OF THE SECRETARY GENERAL

13. In his oral report, the SECRETARY GENERAL provided an overview of the Organization and its activities, indicating that, since the last Council Sessions, the WCO's membership had expanded from 180 to 182. Accessions to WCO instruments had also continued to increase : the Harmonized System Convention had grown by two, having reached a total of 156 Contracting Parties; the Istanbul Convention now had 69 Contracting Parties; and the Revised Kyoto Convention (RKC) now stood at 110 accessions, an increase of six since the last Council Sessions, with one more country expected to accede during the current Council Sessions. The total number of acceptances of the amendment to the Convention establishing a Customs Co-operation Council, which was aimed at allowing Customs or Economic Unions to join the WCO, remained at 72.
14. As for the Secretariat's staff, the number of personnel currently stood at 184, representing 64 nationalities. The Secretary General noted that, over the years, there had been an increase in the diversity of staff nationalities. At present, there were 48 Technical Officers, 39 Technical Attachés from 23 countries who had generously been seconded by Members at their own expense, and 10 Professional Associates who had been given the opportunity to obtain international working experience at the WCO thanks to funding from Japan under the Career Development Programme. He expressed his appreciation to those Members which had provided Technical Attachés to assist the Secretariat. The Secretary General also reminded Members that the Deputy Secretary General would be leaving the WCO in mid-July 2017 to become the Secretary General of the International Organization for Standardization (ISO). Although the departure of the Deputy Secretary General would be a great loss to the WCO, he remarked that it would probably strengthen relations between the two Organizations.
15. Turning to the WCO's finances, the Secretary General said that the Secretariat had continued to apply strict management principles in order to achieve a balanced budget. At the end of the last financial year, i.e. June 2016, the Organization's reserves had amounted to 11 million euro, and a surplus was expected for the 2016/2017 financial year. Last year, the Council had approved the use of the reserves and decided to allocate one million euro per year for three years (up to June 2019) to the Customs Cooperation Fund (CCF), in order to fund activities related to capacity building.
16. In addition, in order to improve the quality of the WCO Publications service, the Finance Committee had recommended the insourcing of the service, which was currently outsourced. WCO e-learning courses would also be actively promoted, with the hope that they would generate additional financial returns.
17. The Secretary General then indicated that there would be no increases in the general operating expenses (GOE) and in Members' statutory contributions for the 2017/2018 financial year. As such, the GOE remained at some 17 million euro and Members' contributions at some 16 million euro. He added that the WCO continued to look for other sources of revenue to ensure a balanced budget, and remarked that the Finance Committee supported this sound financial policy.
18. The Secretary General thanked Members for the generosity of their voluntary contributions in support of capacity building activities, which had reached 13 million euro last year. He also thanked Members for providing national experts. Over the course of the past financial year, 270 out of 488 missions had been

conducted with the assistance of national experts. Finally, he thanked Members that were hosting regional offices, as well as administrations that had seconded officers to these regional structures.

19. He then referred to the measures that had been taken to raise the profile of the WCO and Customs as a whole. In this regard, 488 capacity building missions had been delivered during the 2016/2017 financial year, compared to 417 in 2015/2016, that being a considerable increase. In addition, a number of new publications had been issued and events and conferences held, such as the Knowledge Academy, which had concluded the previous week with more than 100 public and private sector representatives attending. Finally, he said that the WCO communication strategy had been revamped, and that the Organization was now using social media platforms, such as Twitter, very actively, as well as Web streaming and broadcasting its major events.
20. The Secretary General also highlighted various advocacy activities. In the past 12 months, he had personally met 19 heads or deputy heads of government, as well as numerous ministers and heads of international and regional organizations to promote the role of Customs and the work of the WCO.
21. He then recalled that the Organization published an Annual Report setting out the WCO's profile and its key activities, including Members' profiles. Of particular interest was the fact that the percentage of female Directors General had increased, currently accounting for 12 %, in comparison with 10 % the previous year, which was good news, particularly for the WCO's efforts to promote Women in Customs. The Secretary General stated that 31 % of the WCO's Members were revenue authorities, an increase of 3 % in comparison with the previous year. Finally, he said that the Organization continued to publish the WCO News magazine, the last issues of which had focused on data analysis - the theme for 2017 - and integrity.
22. The Secretary General then explained that he had attended all regional meetings of Directors General, in order to ensure that their needs and priorities were incorporated in the WCO's agenda and work programmes.
23. He then focused on the priority areas of work contained in the WCO Strategic Plan. At the December 2016 Policy Commission session in Moscow, Members had asked the Secretariat to identify the priorities it would focus on. Six areas of work were identified as priorities based on the outcomes of the regional meetings : trade facilitation, e-commerce, security, Customs-Tax cooperation, illicit financial flows and performance measurement. For each of these priority areas, the Secretary General outlined the work that had been undertaken by the WCO, as well as the associated challenges and opportunities.
24. With regard to the first priority area, namely trade facilitation, the Secretary General reminded delegates that the WTO Trade Facilitation Agreement (TFA) had entered into force in February 2017 and that it was now of utmost importance to ensure its implementation. With the WTO having established a Trade Facilitation Committee, the objective now was to position the WCO as a reliable and trusted partner. He then reported on a series of activities flowing from the entry into force of the TFA : tools to ensure the harmonized implementation of the TFA had been produced; discussions on the Agreement's implementation and related issues had taken place within the WCO Trade Facilitation Working Group; technical advice had been provided to Members; and the WCO had been represented at relevant WTO meetings and events to raise the profile of the WCO and Customs. Moreover, deployment of capacity building activities under the WCO Mercator Programme had continued. Since

the launch of the Programme in 2014, 320 missions covering 70 countries had been conducted. The Secretary General explained that the WCO was now offering tailor-made assistance and creating a pool of accredited experts to carry out assistance missions. In addition, the Policy Commission had approved a “Communiqué from the international Customs community regarding the entry into force of the WTO Trade Facilitation Agreement (TFA)”, which still had to be endorsed by the Council. Among other things, the Communiqué touched on WCO involvement in WTO activities, Customs cooperation with other government agencies, and the implementation of the Revised Kyoto Convention (RKC).

25. Besides working on the implementation of the TFA, the WCO had continued to promote accession to the RKC as well as the use of IT and the development of digital environments such as Single Window based on standards such as those contained in the WCO Data Model. The Secretary General drew attention to the fact that the WCO had updated its Single Window Compendium to ensure that Members had relevant guidance and up-to-date practices at their disposal.
26. Regional integration was another trade-facilitation-related topic and, in this domain, the WCO’s contribution focused in particular on transit and rules of origin. In this regard, the Secretary General stated that the WCO had developed Transit Guidelines, was working on the interconnectivity of Customs IT systems, and would be organizing a global conference on transit that would take place immediately after the Council Sessions. In respect of rules of origin, an Origin Compendium, which brought together all WCO origin-related tools and instruments under one single publication, had been issued and the Organization had organized a high-level conference on the topic in Addis Ababa in May 2017.
27. The importance of IT could also not be neglected and, in this regard, the WCO had held its 2017 WCO IT Conference and Exhibition in Tbilisi, Georgia in May 2017. This annual event had proven to be a great success, and the Secretary General thanked the Georgian Customs Administration for hosting it.
28. Turning to another priority area, namely e-commerce, the Secretary General referred to the activities of the Working Group set up to address this topic, which was progressing towards the preparation of guidelines, or a framework, on cross-border e-commerce by the June 2018 Council Sessions. Four areas of work had been identified : facilitation and simplification; safety and security; revenue collection; and measurement and analysis. He also referred to the recent publication of a WCO Study Report describing Members’ practices in the four areas, and highlighted the need for more cooperation with postal operators and new supply chain actors in the e-commerce field. The WCO was working closely with the UPU to ensure electronic exchange of information between postal operators and Customs, and both Organizations were contemplating the joint organization of a high-level conference to encourage the implementation of electronic systems at the national level.
29. The Secretary General emphasized the importance of enhancing the digital capacities of Customs and its partners, in order to create an enabling environment for e-commerce that would also respond to any related challenges, thereby ensuring that a digital divide did not emerge.
30. Regarding the third priority area, namely security, the Secretary General reminded delegates that the review of the SAFE Framework of Standards was ongoing. A dialogue session had been held between members of the Policy Commission and the Private Sector Consultative Group (PSCG). Participants had expressed their

support for AEO programmes, mutual recognition of those programmes, and the measures to counter protectionism. As a result of the Punta Cana Resolution issued in December 2015, the WCO had launched a Security Programme based on the Counter-Terrorism Strategy to address illicit trafficking when it was security related or found to fund terrorism. As part of the Programme, the South East Asia Security Project had recently been initiated. In addition to the WCO Counter-Terrorism Strategy, a “Resolution on the illicit trafficking of cultural goods” had been adopted at the 2016 Council Sessions. The WCO had conducted seminars on this topic and promoted the ARCHEO communication platform, which had been mentioned in a recent UN Resolution.

31. The Secretary General also mentioned the emergence of regional initiatives such as the SPC++ Project, an initiative proposed by Nigerian Customs to have the countries of the West and Central Africa region work together to identify fragile borders and see how they could better collaborate and share information and best practices. He encouraged other Members to consider such initiatives.
32. The fourth priority area, namely Customs-Tax cooperation, was a subject that had to be viewed in the context of domestic resource mobilization, which figured prominently among the UN Sustainable Development Goals. The Secretary General stated that it was important to highlight the strengths of Customs in this connection, based on its physical presence at the border, its strong background in data management, and the fact that, unlike tax authorities, Customs operated in transactional, real-time mode. Several ways of exchanging data had been looked at, as well as organizational arrangements. He noted that Customs contributed to indirect tax collection, and said that according to the WCO Annual Report, Customs collected more VAT and excise tax than Customs duties. In addition, the WCO continued to cooperate with the IMF and with the OECD, with whom the WCO was currently contemplating several joint activities. During the Policy Commission session, the Secretariat had presented an advocacy paper, which highlighted the fact that Customs should be well resourced and be fully functional.
33. The fifth priority area, namely illicit financial flows (IFFs), was then highlighted by the Secretary General. During the G20 meeting in China in 2016, the G20 leaders had issued a communiqué on IFFs, which focused on trade mis-invoicing and which requested the WCO to produce a study report. The Secretary General said that the WCO had contacted Germany, which held this year’s G20 Presidency, and had sent it a WCO Action Plan on how to combat IFFs, highlighting the fact that IFFs were not limited to trade mis-invoicing. In addition, he had been invited by the German Presidency to attend the G20 Africa Partnership Meeting held in June 2017 in Berlin, a meeting which had provided him with an opportunity to meet relevant stakeholders, including representatives of the African Tax Administrations Forum, and to discuss how to work together against IFFs.
34. Turning to the sixth and final priority area, namely performance measurement, the Secretary General reported on the developments with the Achieving Excellence in Customs (AEC) initiative, indicating that the analysis of the survey responses was continuing. Preliminary analysis showed that there was a correlation between accession to the RKC and the SAFE Framework of Standards and an administration’s level of performance. He added that many Members had expressed concerns on other institutions’ performance measurement initiatives, such as the World Bank and its “Doing Business” project. Following discussions at the December 2016 Policy Commission session, the Secretariat had sent the World Bank an invitation to initiate a dialogue on the subject, but had received no response to date. At the same time,

the Secretariat had asked Members for more data on this matter, including details of their experiences with regard to “Doing Business”, in order to feed a future discussion with the World Bank.

35. As all six key activity areas involved data collection and verification, the Secretary General used the opportunity to introduce the new WCO Data Strategy. Data was a strategic asset to increase the visibility of Customs and to make advocacy more effective. The WCO’s role would be to collect and analyse data, and share knowledge with its Members. As a first step, the Organization would carry out more surveys, notably a pilot Web survey on Members’ practices regarding the TFA, and develop centralized databases.
36. The Secretary General then touched on some of the Policy Commission’s discussions and recommendations: the limiting of HS reservations to two; the status of regional bodies, which were autonomous and under the responsibility of the regions; the creation of a working group to discuss the use of additional languages at the WCO; the need to address the topic of airport passenger controls in relevant working bodies; the need for the Council to discuss the WCO accession process; and the submission of the question around the timing of, and process for, the election of a Deputy Secretary General.
37. On this last point, the Secretary General explained that there was a majority view that the vacancy period of 17 and a half months was too long and that the WCO should think of a way to shorten the period. The concern that the vacant post placed an extra burden on the Secretary General had been mentioned as a reason to consider shortening the vacancy period. At the same time, there were views that stressed the necessity for Members to be able to make an informed decision and which would minimize the cost implications for the WCO’s membership.
38. Three possible solutions had emerged. The first proposal was to organize a postal ballot as originally proposed by the Vice-Chair for the Americas/Caribbean region and mentioned in the Policy Commission document. If the voting did not produce one candidate having more than 50 % plus one vote, it would require two rounds of voting and therefore two rounds of postal voting. The advantage would be minimal cost implications for most Members. Regarding information on candidates, their campaign material could be sent to Members and sufficient time allowed for them to undertake their campaigns. The timing of the postal ballot could be set - if so desired - before the end of the year. In that case, the vacancy period could possibly be reduced from 17 and a half months to six months if the elected person took office immediately after the election. The disadvantage would be the need to come up with a mechanism to guarantee the secrecy of voting, and therefore required a suitable arrangement to be put in place.
39. The second proposal was to hold an extraordinary Council session in late 2017 or early 2018 after the December Policy Commission, as originally suggested by the European Union. The advantage would be that it would provide Members with an opportunity to make a more informed decision as they would be able to meet the candidates in person. The disadvantage would be the cost implications for Members having to travel to Brussels again, and could consequently result in some Members located far from Brussels not being able to attend and therefore not having the same degree of information as those who were able to attend the extraordinary Council session.

40. There was also a suggested hybrid process, whereby the December Policy Commission could be used as a platform for candidates to make a presentation, and the presentation material subsequently sent to non-Policy Commission Members for their consideration. Given that sufficient time would be needed for the presentation material to reach non-Policy Commission Members, the extraordinary Council session could be held in Brussels in late January or early February 2018. This option would reduce the vacancy period to eight months.
41. The third proposal was to keep the election in June 2018 with a proviso that the successful candidate take up the post immediately, as was also originally suggested by the European Union as an alternative. This option could reduce the vacancy to 12 months. The advantage would be that it would enable all Members to be fully informed of the candidates in person at no additional cost. The disadvantage would be a longer vacancy period : four months longer compared to having an extraordinary Council Session, and six months longer than under a postal ballot.
42. Closing this point, the Secretary General observed that, in all three options, he was confident that the management team of the Secretariat was in a position to carry out the responsibilities of the Deputy Secretary General in the meantime.
43. The CHAIRPERSON thanked the Secretary General for his detailed presentation and for all the work that had been done by the Secretariat. He then opened the floor for comments.
44. The Delegate of CHILE thanked the Secretary General, on behalf of the Americas/Caribbean region, for the work that had been accomplished this year and for the support provided to the various regions according to their needs and priorities. Regarding the issue of performance, he pointed out that a number of South American countries, particularly the members of the Pacific Alliance and of Mercosur, had undertaken a Time Release Study. Such an endeavour was extremely important if Customs wanted to enhance its performance at the border, notwithstanding the fact that the measure was also a requirement of the TFA. The delegate also thanked the WCO for its document on Customs-Tax cooperation and explained that, in his region, there was not a great deal of integration between the two services and that any support, document or instrument that would help improve cooperation and the exchange of information would be very useful. Finally, he welcomed the Policy Commission's proposal to create a working group to look into the use of additional languages, such as Spanish, at the WCO.
45. The Delegate of SERBIA referred to the number of WCO Members mentioned by the Secretary General in his oral report, stating that although the number had been given as 182 Members, the effective accession of one of them was a question that remained open for a number of WCO Members and, according to the adopted Agenda, would be discussed under Item 6 during the Sessions. Considering this, the delegate said that her delegation had requested the Secretariat to make a retrospective correction in the following manner : membership now totaled 181; there had been one accession since the last Council Sessions; and one accession was pending.
46. The Observer for the ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS (OPCW) said that, on behalf of his Director-General, he wanted to remind delegates that the Chemical Weapons Convention (CWP) was celebrating its 20th Anniversary and, as such, he reaffirmed that the OPCW really valued its cooperation with the WCO. Since 1997, the CWP had proven to be a successful, and almost universally applied, instrument with 192 States Parties. He added that 98 % of

the world's population lived under its protection regime and the same proportion of the chemical industry was under its verification regime. Due to the joint efforts of the Convention's States Parties, over 95 % of declared chemical weapon stockpiles had been destroyed so far, along with their production facilities. He stressed that the international community was getting closer to achieving a world free of an entire category of weapons of mass destruction. In this regard, the OPCW's success had not gone unnoticed, with the Nobel Committee awarding the OPCW the Nobel Peace Prize in 2013. The credit for this achievement went to the many partners and stakeholders which had contributed to the realization of the OPCW's success, such as the WCO which was one of the OPCW's key partners. The Observer said that Customs officials were at the frontline in ensuring the implementation of the CWP's transfer regime of scheduled chemicals, and that the effectiveness and efficiency of Customs services was fundamental to the enforcement of this regime, which provided reliable control over the scheduled chemicals, including acting as a deterrent. The role of Customs was even more prominent in the context of today's challenges as it sent out a strong message on the ability of the transfer regime to deter any attempt to illegally transfer chemicals for criminal or terrorist purposes. In January 2017, the OPCW and the WCO had signed an MOU to further enhance their cooperation on national and international control of the trade in toxic chemicals. The range of joint initiatives and projects was now expected to be extended. Concluding, the Observer said that the WCO's support to the Convention through its capacity building activities was very important and that the joint efforts of the WCO and the OPCW would certainly contribute to a better and safer world.

47. The Delegate of the UNITED STATES remarked that her Administration had continued to strongly support trade facilitation and enforcement efforts. International standards and approaches like those developed at the WCO were essential. With respect to trade facilitation, her Administration had recognized the importance of a global level playing field for supply chain security and economic security, and was mindful of the demands that TFA implementation would impose on some Customs administrations. As such, her Administration looked forward to working with other Members both bilaterally and through the WCO. US Customs and Border Protection (CBP) was actively pursuing WCO accreditation of CBP experts to support the Mercator Programme. She then mentioned several ongoing projects. With Mexico, the United States had pioneered unified cargo processing where United States and Mexican officials worked side by side in the same building and inspected the same cargo at the same time, with appreciable results for stakeholders. Prior to the pilot, processing time at the border had ranged anywhere from three and a half hours to eight hours to clear a single shipment. However, this time had now been reduced to one hour and 15 minutes. The trade community was enthusiastic about the project and, as a result, its expansion was being looked at. The Customs Services of Canada, Mexico and the United States had each developed a Single Window and were now working together to develop a North American approach to trade facilitation through the harmonization of requirements and the streamlining of Customs procedures. The delegate then addressed specific points related to trade enforcement, explaining that her Administration was committed to enforcing anti-dumping and countervailing duty regulations to ensure a level playing field for its businesses, as well as laws that protected IPR. A campaign had been launched at large international airports and on social media to educate travellers about the cost of buying IPR-infringing goods. She also pointed out that her Administration was committed to working with other Members to identify sources of goods which were made using child, convict or forced labour. Finally, she highlighted the trade enforcement challenges raised by e-commerce, explaining that it had become easier to import and export illicit and dangerous cargo, and that criminal entities were exploiting e-commerce to ship and sell dangerous

narcotics such as fentanyl and synthetic opioids, which had resulted in the death of nearly 60,000 people in the United States in 2016 alone. Her Administration was developing a comprehensive strategy to tackle the threat posed by these substances, and was excited by the opportunities presented by the WCO Working Group on E-commerce, and welcomed other Members' insights. Moreover, she stated that USCBP advocated a sense of urgency with respect to the development of a path to receiving advance electronic data in the postal environment.

48. The Delegate of NIGERIA thanked the Secretariat for the support it had provided to Nigeria Customs with regard to its project "Security by Collaboration" or SPC++, which aimed to support regional policies addressing the question of security and development in the West and Central Africa region. He hoped that the support would continue, in order to reinforce the programme and make it a model for other administrations to follow. Turning to the Mercator Programme, he highlighted the need for countries that depended on importation to receive information from exporting countries on shipments, as this would enable importing countries to better monitor what was en route to them and would also ease the implementation of the TFA. He also referred to recent seizures of weapons made by his Administration.
49. The Delegate of MEXICO underlined the important work that was being carried out by Members to find a new work programme with a new vision that would provide the necessary sustainability to support the implementation of the TFA. He also expressed his appreciation for the work that had been accomplished in the Harmonized System and valuation areas, and especially thanked Members and the Secretariat for finalizing the new valuation instrument based on a case introduced by Mexico. The delegate also highlighted the progress that had been made regarding the SAFE Framework of Standards and the Single Window, pointing out, as had his colleague from the United States, the work that had been undertaken by the Canadian, United States and Mexican Administrations to implement the Single Window in a trilateral manner. Turning to e-commerce, he asked that priority be given to the work on this new business model, highlighting the need for Members to receive information on e-commerce transactions for analysis purposes. Finally, he referred to other areas where he felt that more work might have been done, relating to the establishment of a mechanism to monitor the correct implementation of AEO programmes - the number of which was growing - and the establishment of measurable deliverables to better evaluate the work that was being carried out and the progress made in the implementation of the Strategic Plan.
50. The Delegate of MOROCCO highlighted the fact that all the information contained in the Secretary General's oral report was a clear indication of the extent of the work that had been done by the Secretariat over the past year, remarking that the delivery of 488 capacity building missions meant more than nine missions a week. However, he said that it would be a positive exercise to evaluate the impact of these activities for the beneficiary Customs administrations, from a qualitative point of view, and to think a little more about the potential of having a more qualitative report next year, which would focus on progress in terms of how Customs faced the challenges with which it was confronted. He added that, as Members operated in an increasingly insecure and globalized world, questions needed to be asked such as :
 (1) Are we increasingly efficient ? (2) Have we really made progress in terms of what we were doing yesterday or two years ago ? (3) How many IT systems have been connected ? (4) Where is Customs in terms of Globally Networked Customs ? (5) How much information had been shared ? (6) How many mutual recognition agreements had been signed with respect to AEO programmes ? He then pointed out that delegates to the Council Sessions were not only here to listen to what had been

done by the Secretariat, but also to evaluate their collective progress. As such, he proposed that next year it would be interesting to hear more about how Customs was making progress in responding to the challenges it faced, and that Members ought to be able to measure themselves against three or four relevant indicators that would allow them to be reassured that they were moving forward and progressing in facing some of the challenges.

51. The Delegate of the ISLAMIC REPUBLIC OF IRAN referred to two points. First, he felt that most WCO legal instruments, such as conventions and recommendations, had been developed before the emergence of the latest IT trends, and as such they might no longer be truly in line with the needs of Members. Those instruments needed, therefore, to be gradually reviewed in order to ensure that they kept pace with the needs of the time. He accepted that this task would be difficult, would require the cooperation of all Members and stakeholders, and would be carried out over a period of time. Second, with respect to the increasing importance of IT in the digital Customs era, he suggested that the Information Management Sub-Committee, which currently had to report to the Permanent Technical Committee, should be elevated to an independent committee.
52. The Delegate of AZERBAIJAN said that the work on Customs-Tax cooperation was highly appreciated and that it was necessary not only to keep on working on this topic but also to study how cooperation with other agencies could be improved. He added that his country fully supported the proposal on accessions by Serbia and would present its position on this matter during the item devoted to this issue later on the Agenda.
53. The Delegate of CANADA stated that his Administration was committed to ensuring that the WCO continued to be well placed to support its membership on critical issues within an evolving and increasingly complex global environment. He stressed that the nature of Customs was rapidly changing and that Customs needed to constantly adjust its approaches to border management. On this point, he built on the comments made by the Delegates of the United States and Mexico on the work undertaken on the North American Single Window, adding that the project would be achieved by using the international standards developed at the WCO.
54. The Delegate of PERU remarked that the Secretary General's report indicated that performance measurement was one of the strategic pillars of the Organization. In this regard, he advised that Peru had carried out a Time Release Study (TRS) and that it had developed a method to measure performance based on WCO suggestions that his Administration would like to be recognized as a best practice. He also explained that his Administration was applying the World Bank's Customs assessment trade tool for the second time. Finally, he announced that Peru was almost ready to accede to the RKC, adding that the text was currently being reviewed by all relevant bodies and was also with the Ministry of External Relations.
55. The Delegate of the RUSSIAN FEDERATION stated that the key areas of work mentioned in the Secretary General's report concerned all Customs administrations. E-commerce and security were particular areas that needed the support of the WCO in the form of new tools and assistance. He then commented on two points. In view of the situation regarding the issue of accessions to the WCO, he requested that the number of WCO Member administrations indicated in the Secretary General's report be modified from 182 to 181, that being beyond objection from any Member State. He also requested not to use the figure reflecting the variation in the number of national Customs administrations becoming subordinate to, or part of, a national Revenue

Authority. To date, the Council had not decided or recommended that such a change, with subordination status, be considered a positive development that all Customs administrations should strive towards.

56. The Delegate of GEORGIA expressed his gratitude to the WCO for the considerable support it had provided to his Administration. This year Georgia had hosted the regional RILO meeting and several events on transit, as well as the 2017 WCO IT Conference and Exhibition during which dynamic discussions had been held on the future of border management. His Administration had also benefited from the Control Container Programme, jointly run by the WCO and the UNODC. In recognizing the need for Members to actively participate in WCO activities, he reaffirmed his Administration's commitment to do so. Regarding the reference to the World Bank "Doing Business" project, he suggested that the WCO should also reach out to other organizations that were undertaking ranking exercises, such as the OECD that had developed a report called "Trade Facilitation Indicators". Finally, he said that he would present Georgia's position regarding the number of WCO Members during the item dedicated to this issue on the Agenda.
57. The SECRETARY GENERAL thanked delegates for their comments, encouragement and support, before addressing the specific issues raised during their interventions.
58. Recalling that the Delegate of Chile had mentioned many activities carried out with the support of the Secretariat, he encouraged Members in the Americas/Caribbean region to communicate their assessment of these activities to the Secretariat.
59. Turning to the remarks by the Delegate of Serbia, he said that issues surrounding membership and accession to the WCO would be dealt with under the Agenda item dedicated to this matter.
60. Responding to comments by the Observer for the OPCW, he reminded delegates that cooperation with other international organizations was one of the WCO's top priorities.
61. Thanking the Delegate of the United States for sharing the many initiatives being undertaken by her Administration and for pursuing the accreditation of its national experts to support the Mercator Programme, he noted that the WCO was in need of such experts to support the growing number of capacity building activities in this field.
62. Referring to the points raised by the Delegate of Nigeria on the regional security initiative and the need for information exchange, he said that support would continue in order to ensure that data was shared with neighbouring countries, and that the data was analysed.
63. Turning to the comments by the Delegate of Mexico on how his Administration had contributed to the development of WCO instruments during the year, he welcomed Mexico's participation, and reminded delegates that the WCO needed Members to participate in the work of its working bodies and share their best practices.
64. Concerning the Delegate of Morocco's intervention on the need for qualitative assessment of WCO activities, he said that this suggestion would be covered during the discussions dedicated to "B" items.

65. Recalling the intervention on the importance of IT and the need to update WCO legal instruments that had been raised by the Delegate of the Islamic Republic of Iran, he said that the WCO was dealing with this issue under its Digital Customs work plan and encouraged Iran to participate in the work of the WCO in this area.
66. Welcoming the Delegate of Azerbaijan's suggestion that the WCO should consider going beyond Customs-Tax cooperation and also examine how to improve cooperation with other agencies, he stated that it was the intention of the Secretariat to do so.
67. Regarding the comments by the Delegate of Canada on the Single Window project being conducted by Canada, Mexico and the United States, he appreciated the fact that the harmonization work was based on the WCO Data Model, and remarked that this would also enable these countries to connect with Members from outside the region.
68. Responding to the Delegate of Peru's offer to share its experience on the Time Release Study, he thanked Peru in advance and welcomed Peru's upcoming accession to the RKC.
69. Concerning the Delegate of the Russian Federation who had underlined a wide range of challenges ahead, especially when it came to Customs-Tax cooperation and the organizational structure sustaining this cooperation, he explained that the Policy Commission had already recommended that the WCO present some case studies in this area.
70. Regarding the comments made by the Delegate of Georgia on the many events that his Administration had hosted over the last 12 months, he pointed out that organizing events was not only beneficial to the WCO, but also to the host country as they helped to promote Customs' profile. He agreed with the delegate's suggestion to the Secretariat not to limit itself to the World Bank, but to also enter into a dialogue with other organizations that were ranking Customs administrations according to their performance.
71. In closing, the Secretary General expressed his gratitude to Members for their feedback and proposals, all of which would be carefully considered by the Secretariat with a view to ensuring that the WCO remained responsive to Members' concerns, needs and priorities.

Keynote address by Pierre Moscovici, European Union Commissioner for Economic and Financial Affairs, Taxation and Customs

72. The CHAIRPERSON introduced the European Union Commissioner for Economic and Financial Affairs, Taxation and Customs, Pierre Moscovici.
73. The COMMISSIONER began by thanking the Secretary General for extending an invitation to him to address the Heads of the 182 WCO Member Customs administrations, as well as representatives from a number of international organizations and private sector associations.
74. The Commissioner then said that the year 2017 was significant for a number of reasons. In March, the 60th Anniversary of the Treaties of Rome had been celebrated. The date of 1 July marked ten years since the European Union (EU) had joined

the WCO, despite the fact that its status as a full Member in its own right had yet to be confirmed. The WCO celebrated its 65th Anniversary in 2017. Additionally, the Customs Union, one of the greatest success stories of the EU, would celebrate its 50th Anniversary in 2018. These milestones represented historic steps in the journey towards the development of international Customs cooperation. There was much success to be proud of, and the key role played by Customs in a globalized and ever-changing world was just one aspect. Celebrations aside, there was also an opportunity to think about how international cooperation and commitment on Customs matters could be strengthened.

75. The EU was making continued efforts to strengthen and modernize its Customs Union. In order to face the challenges presented by the 21st Century, such efforts were necessary at both the EU and international level. The Commissioner then highlighted seven broad principles guiding the efforts to ensure effective Customs administration : (1) governance; (2) the Union Customs Code; (3) the WTO Trade Facilitation Agreement; (4) security and combating terrorism; (5) e-commerce; (6) digital Customs; and (7) Customs-Tax cooperation.

1. Governance

76. The last few decades had seen a series of significant changes which had had a considerable impact on Customs authorities. The exponential growth in trade, or the role that Customs now had to play in security matters or combating terrorism were just two examples.

77. It had therefore been decided to critically analyse the current governance structures in place within the Customs Union in order to guarantee high standards across all Customs authorities in Europe. This had been achieved through the efficient and uniform implementation of recently modernized legislation - the Union Customs Code. This improvement was based on the principle of partnership between the EU institutions, the Member States and economic areas.

78. The same principle of partnership also applied to the EU's international relations. In an interconnected and globalized economy, with the challenges raised by digitalization, it would be unrealistic and outdated to want to move forward alone. The right way forward was to come together to discuss and decide upon a common strategy to be implemented at international level, at fora such as the WCO.

2. Union Customs Code

79. Governance had to be based upon a legislative framework. Customs authorities were required to guarantee a balance between compliance and the facilitation of legitimate trade. Inspections, which might involve other authorities, were necessary to protect the health and safety of citizens, but they could also lead to delays along the supply chain. In order to respond to such challenges, the EU had promulgated the Union Customs Code, the revised version of which had entered into force in May 2016. However, further improvement was possible. Work was being done to ensure that all data necessary for Customs to process goods were available to Customs authorities through IT systems, which underpinned an efficient risk management strategy.

3. WTO Agreement on Trade Facilitation (TFA)

80. Addressing the external function of EU Customs activities, the Commissioner said that trade facilitation had become a priority, even more so since the entry into force of the WTO Agreement on Trade Facilitation (TFA). This Agreement would contribute to economic growth and prosperity among economies by promoting transparency, predictability, standardization and integrity. It was undeniable that the EU was ambitious in its implementation of the TFA. Alongside the Member States and interested economic areas, the EU was building a Customs framework which combined both trade facilitation and a safe and secure supply chain. In this area, and elsewhere, the EU was going above and beyond its TFA-related commitments, a fact which it could be proud of.
81. The EU and its Member States were also committed to supporting the implementation of the TFA by contributing significantly to capacity building and technical assistance in the countries that needed it most. The EU alone had set aside 400 million euro over a five-year period in order to support trade facilitation and development, through regional and country-based programmes or multilateral instruments. The Commissioner was pleased to announce that the WCO had recently been certified to carry out European capacity building projects. The Organization would also be called upon for projects within the Pan-African Programme.

4. Security and combating terrorism

82. The EU was also very much aware of the scale of the threats faced with regard to security, as well as current vulnerabilities. Customs had an increasingly important role to play on that front. Inadequate protection of EU borders would have an impact upon the safety of citizens, as well as that of the international supply chain. Alongside other control agencies, Customs was called upon to face this challenge with constant vigilance and undeterred resolve.
83. Customs around the world formed the first line of defence against threats to security, as emphasized in the Policy Commission's December 2015 Resolution. Within the EU, the full extent of these threats had been acknowledged, and the EU was currently strengthening its collective capacity to effectively manage such risks. The threats were serious, and included direct attacks on means of transport and on supply chains. They ranged from the provision of equipment for terrorist or criminal purposes, such as weapons or explosives hidden in cargo, to the trafficking of counterfeit products, drugs or other prohibited goods used to fund terrorist or other criminal activities. The EU planned to meet this challenge through an EU Strategy and Action Plan on Customs risk management. This approach was perfectly in line with the WCO's counter-terrorism strategy.
84. For effective risk management, Customs' expertise in the supply chain needed to be capitalized on, information had to be made available, and all border control authorities responsible for controlling the borders had to cooperate.

85. The Commissioner cited a number of initiatives that had been undertaken by the EU in order to improve the quality of information and strengthen controls at external borders :

- the advance information system for goods shipments had been reformed;
- an EU Action Plan against illicit trafficking in firearms and explosives had been devised; and
- a new legal framework in place for collecting Passenger Name Record (PNR) data had been implemented.

86. The important role played by Customs authorities in implementing the Action Plan to fight terrorist financing was now fully recognized. The Commissioner had ensured that the role of Customs was acknowledged through the submission of a proposal in December 2016 to strengthen regulation on controls of cash entering or leaving the EU, and the adoption in July 2017 of a regulation to introduce measures for controlling importations of cultural goods in order to combat illegal trafficking in such goods, which could be used to fund terrorism.

5. E-commerce

87. Customs was also called upon to react to other global developments. Dealing with the multiple challenges brought about by e-commerce was therefore a clear priority for the EU. The increase in the cross-border trade in low-value goods through e-commerce, which had been increasing 25 % year-on-year, was putting a strain on Customs resources. Customs and tax revenue collection was at stake, but so were the safety and security of citizens and the protection of intellectual property rights.

88. By revolutionizing technology and logistics, e-commerce also offered a whole host of new choices for consumers and competition for businesses, in an “e-market” characterized by the speed of orders and delivery. It involved new players, previously unknown in traditional markets : e-commerce platforms, small and medium-sized enterprises or even micro-enterprises acting as suppliers, as well as private consumers, many of whom had no prior experience of Customs procedures. In order to respond to these challenges, procedures had to support business competitiveness through the facilitation and acceleration of global trade, thus guaranteeing effective tax collection and protecting citizens and intellectual property rights holders.

89. The Union Customs Code now included measures in this area, particularly for strengthening the safety and security of the e-commerce supply chain. The measures, however, would not come into force until 2020, once the IT systems had been updated to cope with these new needs. The Commissioner thanked the WCO for prioritizing the examination of efficient Customs procedures for e-commerce, both in terms of facilitation and controls.

6. Digital Customs

90. It was imperative that Customs authorities had the latest digital technology at their disposal. Technology was an ally in terms of enforcement and in securing the supply chain. The Union Customs Code had made electronic data exchange the rule, both between Customs and operators and between Customs authorities themselves. Digital Customs, however, went beyond e-Customs : it meant having a connected network of complementary interoperable systems that fed into each other. When an electronic declaration was submitted, the information it contained could be checked against the information available in several databases and an automatic analysis could be carried out.

7. Customs-Tax cooperation

91. In order to prepare Customs to face current challenges as well as those of the future, cooperation was necessary not only between Customs administrations but also between Customs and other stakeholders such as Tax administrations. It was essential that Customs-Tax cooperation was strengthened. Only joint efforts could really be effective in areas of common interest, such as determining the taxation base and collecting tax due at import or combating tax evasion, fraud or organized crime.
92. Within the EU, Customs and Tax administrations already cooperated on a technical level on matters such as e-commerce. At a political level, the competent Ministers had, on a many occasions, recognized the need for such cooperation, inter alia in combating cross-border VAT fraud.
93. The Commissioner acknowledged that international Customs-Tax cooperation had featured on the Agenda for the Policy Commission prior to the Council Sessions, and that the recommendations resulting from that discussion would be discussed later during the Council Sessions. The Commissioner expressed the hope that Customs-Tax cooperation could be broadened and used to its full potential, in order to achieve greater synergy and to avoid duplication of inspections or anything being missed and, thus, contribute to better revenue collection and trade facilitation.
94. Concluding his speech, the Commissioner reminded delegates that the Council Sessions provided an opportunity for them to contribute to defining the role that Customs played in the world and to identify and develop the means of making Customs more efficient in carrying out its ever-more varied and complex tasks.
95. The EU would remain an important and active player in the WCO, working together with Members and the WCO Secretariat, and it fully shared the major priorities of the WCO. The Commissioner expressed the hope that both institutions would be able to go even further in their commitments.
96. The best birthday present for both the WCO and the EU would be to keep a positive vision of the future of Customs, anchored in common values and collective strengths.
97. The CHAIRPERSON thanked the Commissioner for his passionate and persuasive address and for acknowledging the work that Customs was undertaking. He concluded from the Commissioner's speech that Customs was in fact visible and recognized for its work; however, the less visible Customs was for the business community, the better it was for everyone. The Chairperson then opened the floor for questions and comments.

98. The Delegate of JAPAN picked up on Commissioner Moscovici's references to terrorism, which was a matter of concern for all WCO Members, and specifically Passenger Name Record (PNR) analysis. European airlines were not currently allowed to share information, according to the European legal framework. Japan understood the concerns that had been raised about personal data protection; however, it could not start negotiations with the European Commission as a mandate had not yet been received from the European Council. Japan believed that no problem could be solved without negotiation.
99. The COMMISSIONER responded that the European Union was preparing a political deal on a Free Trade Agreement between the European Union and Japan, and he was very satisfied with the Agreement. Free trade was not always a shared value in the world today, as would be reflected at the upcoming G20 meeting. However, it was necessary to prove that free trade was beneficial for economies, and the Commissioner expressed the hope that the G20 would consolidate the attachment to free trade. He was not aware of technical problems associated with the PNR issue, but would share Japan's concern with colleagues in the European Commission.
100. The Delegate of ANTIGUA AND BARBUDA referred to the diverse portfolio of Customs that included balancing trade facilitation, national security, border security, regional integration and revenue collection. Border security was one aspect that attracted much attention and he enquired whether the European Union was looking towards the integration of border security management - integrating both immigration and the Customs function at the border - as this could be a useful technical mechanism for achieving common goals.
101. The COMMISSIONER thanked the delegate for his question, but indicated that he was not in a position to provide a response; however, this might be a logical outcome of his proposal regarding cooperation.
102. The Delegate of the SYRIAN ARAB REPUBLIC addressed the Commissioner's comments on the fight against terrorism, and wondered how Customs was in a position to cooperate in that regard, when typically only a couple of countries were leading this fight. Increased cooperation was necessary, as was an agreed definition of terrorism. It was necessary to agree on the pragmatic steps that needed to be taken in order to address the scourge of terrorism.
103. The COMMISSIONER urged Customs to mobilize and cooperate more effectively in order to fight terrorism and the funding of terrorism. He referred to the new legislation that would soon be signed which addressed the trafficking of cultural goods. Customs had already demonstrated its effectiveness in that regard, but this could be improved. Customs was an important pillar of the European Union's plan against terrorism.
104. The SECRETARY GENERAL expressed his gratitude to the Commissioner for visiting the WCO for a second time - on the first occasion he had met with the private sector, and this time he was addressing the Heads of Customs administrations from all over the world. This showed the importance that the EU attached to partnership between Customs and the private sector, which was also at the heart of the WCO's agenda. In the ten years since the EU had become a *de facto* Member of the WCO, the many synergies between the EU and the WCO had become more evident. The Secretary General also welcomed the fact that the WCO had been certified as an executive agency for implementing European Union policies.

Keynote address by Inna Kuznetsova, President and Chief Operating Officer, INTTRA

105. The CHAIRPERSON introduced Ms. Inna Kuznetsova, President and Chief Operating Officer of INTTRA and invited her to make a presentation on “Leveraging Container Movement Data for Better Border Protection”.
106. Ms. KUZNETSOVA began by thanking the WCO for the opportunity to speak to global Customs leaders, noting that there could not have been better timing to talk about digitization, container movements and security. Just two weeks previously, a major cyberattack aimed at the shipping industry had disabled one of the top carriers, reaffirming the fact that lapses in physical and cyber security could result in disastrous consequences. Introducing her company INTTRA, which had been created 15 years previously by top ocean carriers, she mentioned that it was the largest neutral electronic transaction platform, software and information provider at the centre of the ocean shipping industry, having specialization in various aspects of container reservation and movements such as digitization, security, etc. It was currently managing over 58 million TEUs in over 200 countries for over 225,000 shippers and processing more than 700,000 transactions a week with 50+ carriers. Functioning as a stock exchange of the ocean shipping industry, INTTRA provided electronic means for exchanging information between freight forwarders and carriers.
107. INTTRA was processing 27 % of all containers in the global trade, in addition to tracking 40 % of all containers in that trade. She explained how tracking information was sent from each stage of the shipping process (e.g. terminal of loading, on board the ship, off board the ship and terminal of discharge) to the carrier, freight forwarder and end user in a sequential manner. Talking about the actual tracking information in more detail, she highlighted the fact that the physical position of containers was not the sole piece of information that was provided by the tracking system. It also provided the container number and information regarding the bill of lading, the owner, the shipper, the destination, and the commodity. Connecting this to the overall security issue, she stated that this data could be leveraged towards securing borders by various global security agencies.
108. Ms. Kuznetsova then outlined the overall working of the shipping industry, the impact of data on the ocean shipping industry, and related projects. Traditionally, the shipping industry had not been very advanced in terms of the use of digital technology. As of today, 51 % of all container reservations were performed by using manual forms/spreadsheets, leaving only 49 % to be processed electronically by companies such as INTTRA, which accounted for 50 % of all such electronically processed containers. However, some recent developments leading to downturns and consolidations, as well as the entry of new generation IT professionals in the industry, had created new possibilities to change the business model for the industry, leading to a growing traction towards 100 % penetration of digital methods for booking and tracking containers.
109. Moving on to the recent amendment to the IMO International Convention for the Safety of Life at Sea (SOLAS) (effective from 1 July 2016) that required shippers to submit containers with verified weight to the carriers in order to balance the ship properly to ensure its safety, she said that this requirement had created some turmoil in the shipping industry as business standards to facilitate this submission were not easy to formulate due to the complex nature of processes and the involvement of several actors. INTTRA, being one such solution provider, had created a cross-industry non-commercial initiative and attracted top carriers and top freight forwarders to

collaborate and develop standards by launching an IT-driven service for submitting verified gross mass. Within a year, over 90 % of all gross messages were submitted electronically using INTTRA or other solution providers. This was a huge digital development for the ocean shipping industry, considering that container booking had taken over 15 years to digitize only 50 % to date. Furthermore, this was a clear indication that the industry was ready to adopt technology rapidly in order to maximize efficiency in the collection of such data and share it with security agencies around the world.

110. Referring to growing digitalization in the ocean industry IT landscape and how new technologies were reshaping ocean shipping processes, she noted some key emerging trends. The first trend was the elevation of various IT networks and their platforms. Given the size of the network, digitalization of the huge number of one-to-one controls would be a very expensive proposition. In this context, platforms like INTTRA had already provided digital services that would help in performing various submissions and interactions between tracking companies and carriers, as well as between chassis booking and terminals. Such platforms had begun to elevate in significance due to the possibility of connecting with multiple trading partners on the same exchange or the same trading platform, thus leading to a substantial cost saving.
111. Returning to the security issue and the usefulness of shipping data, she said that security agencies could potentially connect with such marketplaces and platforms to get aggregate data which, even if stripped of commercial information, would be very valuable to track the trends and run predictable analytics to understand what might happen in the immediate future and what would require attention.
112. The second trend was the integration of operational, financial and informational work-streams and associated data. Typically, operational aspects, financial aspects, and global trade and compliance aspects had remained separate and were often owned by different owners within same carriers and shippers organizations. As cloud technology began to be adopted increasingly by companies involved in shipping, there would be greater opportunities that would allow for the interaction between operational and financial data, including through conducting more pilots and developing new solutions.
113. Ms. Kuznetsova then elaborated on the third major trend which was the interconnection and consolidation of tracking between the “land” side and the “ocean” side of the shipment movements, reflecting that tracking of shipments on the land side was performed by very small businesses that did not have IT systems that transcended other IT systems. Eventually, these companies had started embracing digital processes, leading to the availability of an overwhelming amount of data which allowed them to manage containers more efficiently. For instance, instead of returning a container to the port, a tracking company could check the site, see if a container from the same carrier was not available in the vicinity, and the empty container could be delivered directly for packing to the customer, thus saving cost and CO² emissions as well as making the carrier’s business much more efficient.
114. These trends were largely facilitated by enhanced information technology. The emergence of Blockchain (a secure distributive ledger) was witnessing several pilots being run in the global supply chain. Another major development was the Internet of Things which was being leveraged to track containers by providing their live position. Simultaneously, artificial intelligence and machine learning was being used for predictive analytics in improving customer services.

115. She then referred to some specific pilots. Maersk-IBM had announced a pilot where the whole set of documentation for a certain trade lane was digitized and put in a certain Blockchain ledger, allowing secure access by various actors and efficient processing thereof. The difficulty in expanding such pilots globally was the necessity of having proper identity management. She differentiated between the use of Blockchain in Bitcoins and business processes of the ocean shipping industry; in the former, the actors could be anonymous but in the latter case there was a strong requirement to know the identity of all stakeholders involved.
116. In the same vein, she explained the Blockchain project between DP World, DB Schenker and Hamburg Sud, which used military-grade 44 alphanumeric codes to digitize and securely process all the movements within the supply chain on an 8,100 km route between Australia and China in an attempt to address the security in the supply chain. She then mentioned another project that was based on Blockchain with the participation of the Korean Port Authority (Busan), Hyundai Merchant Marine (HMM), and IBM Korea for digitizing documentation management. She also referred to a number of other projects relating to container tracking, run by AT&T and Maersk (reefer containers) and Traxens together with the CMA CGM Group and Mediterranean Shipping Company (MSC) (smart containers). Such information, if used aggregately by security agencies, could help in the prediction of certain valuable trends and patterns.
117. Ms. Kuznetsova continued by explaining how the network could be used to make information exchange more efficient, mentioning EU DG TAXUD's project to use data for more effective information sharing between EU Customs, port operators, security and law enforcement channels. Currently, the project was still at the pilot and discussion stages, but a number of established players and potential players in this project were already trying to move forward towards digitization. She reiterated that INTTRA had the data to support such projects by combining multiple sources of data together and using modern technologies like data analytics for predicting likely events/risks.
118. Concerning potential use of data analytics in the security sector, Ms. Kuznetsova referred to the usage of commodity code data to derive the content(s) of a container. To illustrate, she explained that suspicious commodity codes could be used to track containers carrying potentially dangerous items, such as fertilizers, having dual use. Containers containing such items might appear legitimate on the surface, but tracking information could prove otherwise, especially if that information was mapped to the container movements and its previous locations. A trigger in the system, caused by suspicious container movement, could alert security personnel to check the container on arrival due to potential risks associated with it. In addition, other data analytics tools could be used to address systematic risks such as the theft of high-cost commodities, as well as various other non-systematic issues such as strikes and weather disasters when some hazardous containers might go unchecked due to increasing pressure to process containers quickly.
119. The average theft in the shipping industry amounted to 195,000 dollars and, according to CargoNet (the national depository in the United States that collected information), there were ten individual thefts over a million dollars in the third quarter of 2016. Consequently, she noted that high-priced goods required special handling, not only in shipping, but also on the security side. Looking at tracking information and monitoring shipments based on commodity codes was becoming very important to identify potential risks. This information was now available once the container was booked (in comparison to the 24-hour prior to arrival), which usually occurred

6 to 8 weeks before the container was moved to the post, thus allowing law enforcement agencies additional time to analyse potential risks and take timely action.

120. She then provided an illustration of two maps to show how one could compare different sources of information to draw conclusions in terms of identifying and tracking ports with higher security issues and dwell time to reduce pilferage occurrences. One map was the “Incident Heat Map” that identified areas with high crime and high theft based on information from a third party that provided visibility to supply chain management. The other was INTTRA’s dwell time summary (time between vessel unload and gate out) of certain ports, showing the number of days that containers were delayed in a port. Monitoring these two data sets together helped in observing trends and identifying whether the dwell time was growing at a certain port and whether that port was located in a high-crime zone. The longer the container was stored in a high-crime area, the higher the probability of it being a shipment of concern.
121. Speaking about unsystematic risks, Ms. Kuznetsova explained the use of data in measuring the impact of port events to prepare for security risks or capacity predictions, managing the flow of containers and prioritizing screening processes during these events. In this context, she referred to the 2015 United States West Coast port strikes that had forced container ships to be stranded at sea and in harbours. One important aspect was the challenge in allocation of security resources and screening equipment once ships started calling at the port. In such situations, the data on containers available early in the supply chain could be useful in prioritizing allocation of resources for the inspection/screening of suspicious containers.
122. Concluding her presentation, she reiterated the need to digitize various processes, analyse related information, and use past trends to gain insight into the future. She also advocated piloting new concepts and adopting new models towards digital innovation, noting that with limited resources and tightly monitored budgets, running such pilots was often a challenge for government agencies. However, with the emergence of new technologies, pilots could now be relatively cheaper and important information could be extracted efficiently, leading to valuable trend analysis as well as creation of tools for monitoring of goods. To end, she thanked the delegates and expressed optimism that the shipping industry would rapidly adopt such technologies, which would proactively assist security agencies in securing borders.
123. Thanking the speaker for a very interesting and informative presentation, the CHAIRPERSON asked Ms. Kuznetsova to elaborate on how a particular Customs administration would benefit from their system, especially in dealing with cases of mis-invoicing, under-invoicing and misdeclaration of goods, including contraband items being shipped under the guise of a different description.
124. The DIRECTOR, COMPLIANCE and FACILITATION, also thanked the speaker for a very enlightening presentation. Outlining some of the related work being done in various WCO working groups and committees, she sought more information about the use of Blockchains in various ongoing pilots in the global supply chain. In particular, she referred to how Customs administrations were adapting to digitalization of supply chains in terms of regulatory and legislative frameworks, before requesting the speaker to share her thoughts and experiences on how some of the requirements for the use of Blockchains might be limited by the existing legislation.
125. Noting that there were a number of discrepancies between the actual weight of containers and the manifest weight, the Delegate of CAMEROON wished to know how this situation was being handled by INTTRA.

126. In responding to the questions and comments, Ms. KUZNETSOVA outlined different ways that Customs administrations could be helped; this could include providing their own past data as well as helping various other data providers in examining past trends, which might indicate certain customers as major violators. There could be certain indications that there was a systematic pattern in invoicing or that there was a systematic use of certain commodity codes to ship something else. By combining several sources of information, the results might allow Customs to detect and address such risks. In other cases, simply tracking the use of commodities could help in allocating resources better and, more importantly, in focusing resources on high-value commodities that were prone to theft or crime. By using commodity codes in their system, they would get early access to vital information enabling them to provide Customs with an additional 10 to 20 days to react. Companies like INTTRA had information at the time when the container was stuffed and that could be ten days before the sailing, giving sufficient lead time to Customs for advance planning and efficient allocation of resources to necessary checks based on a “trigger”.
127. Turning to the remarks of the WCO Director concerning the use of Blockchains in the global supply chain, Ms. Kuznetsova mentioned that one of the early lessons learned was to involve regulatory authorities as early as possible in pilots. Thinking about the regulatory aspect from the beginning was very important. She further explained that in the use of Blockchain for Bitcoins, one could add anonymous users, so any participant of the chain could add another user or create an entire network for particular transactions. However, in the global supply chain, every company was part of multiple networks - a network of suppliers for one large company, another network of suppliers for another large company, and so on. This essentially led to a situation where a single small provider would be forced to participate in a dozen different networks, creating a strain on its IT system that became very difficult to manage. The second problem it created was the number of anonymous partners, a dangerous prospect for the shipping industry that thrived off knowing its customers' principles and involving regulatory authorities. To that end, she recommended having an identity management company with a big network participating in each of those projects to provide one simple, yet robust identity verification mechanism. She went on to explain her company's process in terms of checking each company that signed up for a network, against the denial lists and compliance requirements, including their licences. Her company would ensure the credibility and reliability of the company before making the registration; as a result, no anonymous person could just call and request processing of their order for shipping. In the past 15 years, 110,000 customers, shippers and freight forwarders had registered with them. Many other companies such as payment companies (e.g. banks) which collected information had also begun to provide similar verification services. She emphasized that, in order to leverage such information, it was important to have a Customs professional network with an access to these platforms.
128. Regarding Cameroon's comment on manifest weight discrepancy, Ms. Kuznetsova said that this was a very good reason why SOLAS' requirement of providing verifiable gross weight had been introduced by the IMO and implemented since 1 July 2016. This requirement had been ratified by 172 countries, though it was being implemented by different countries based on the respective level of sensitivity. There was no “quick fix” solution except to gradually start enforcing this new requirement. When the law had come into force, the industry had not been ready across the board, and as a result, countries had been given three months to implement the law, if not enforce it. However, even after three months, countries had failed to implement the law and had different levels of checks, and consequent fines. Some good progress was, however, being observed, especially in a situation where a

container was denied access to a ship and, in some cases, shippers were fined because the verifiable gross weight was not submitted. As the software provider, but most importantly as the group that ran the working effort to develop global standards, INTTRA had supported these developments. Emphasizing the need for enforcement, Ms. Kuznetsova underscored that the shipping industry would largely benefit from these requirements because there were multiple incidents of containers tilting up to 40 degrees at sea, breaking the container cages on the ships and resulting in the loss of containers and commodities contained therein.

129. The SECRETARY GENERAL thanked Ms. Kuznetsova for a very thematic presentation on the digitalization of the ocean shipping industry and potential opportunities for Customs and other agencies in terms of addressing security and other risks. He noted some of the key points raised by her concerning how the ocean shipping industry was trying to use digitization, including its efforts to use Blockchain, the Internet of Things, artificial intelligence, etc., with which Customs administrations were also grappling. Regarding some of the pilot projects mentioned by Ms. Kuznetsova, he found resonance with many familiar concepts such as commodity risk profiling using the Harmonized System as well as using data analytics to address systematic risk, reflecting on how businesses were endeavouring to use data analysis which the Customs community was also focusing on, with “Data analysis for effective border management” being the WCO theme for the current year. Finally, he underlined the need to explore opportunities regarding how Customs could work together, and acknowledged Ms. Kuznetsova’s message - “Digitize, Analyse, Plan” - and its applicability to Customs administrations.
130. In conclusion, the Council took note of the presentation made by Ms. Kuznetsova, President and Chief Operating Officer of INTTRA.

5. POLICY MATTERS

131. The CHAIRPERSON invited participants to consult the Reports of the Policy Commission's 76th and 77th Sessions (Docs. SP0590 and SP0612), which had taken place in December 2016 and July 2017 respectively. The 76th Session, in December 2016, had been concerned primarily with matters which were examined further at the 77th Session and were therefore reflected in Doc. SP0612. He therefore invited participants to consult the Report of the Policy Commission's 77th Session (Doc. SP0612), which had taken place earlier in the week. With the assistance of the Secretary General and the senior management of the Secretariat, he presented to the Council, item-by-item, the key outcomes of that session as reported in Doc. SP0612. He informed the Council that for the "A" items before the Policy Commission, which had been for information or had required endorsement only, there had been no presentations and no discussion.

"A" ITEMS

(a) Economic Competitiveness Package Action Plan - Progress Report

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

(b) Compliance and Enforcement Package - Progress Report

133. At the invitation of the Chairperson, the Council took note of the activities reported by the Secretariat, including the 2017/2018 Compliance and Enforcement Package (CEP) Action Plan.

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

134. At the invitation of the Chairperson, the Council took note of the activities reported by the Secretariat.

(d) Report on Private Sector Consultative Group Meeting

135. At the invitation of the Chairperson, the Council took note of the Summary Report on the Private Sector Consultative Group's (PSCG) meeting held on 27 and 28 February 2017, and of the non-paper setting out the PSCG's views on globalization.

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136. The CHAIRPERSON then invited the Council to turn its attention to the more substantive items from the Policy Commission's Agenda (known as "B" items).

“B” ITEMS**(e) Digital Customs and e-commerce work**

137. At the invitation of the CHAIRPERSON, the Council took note of the progress made to date with the ongoing work concerning Digital Customs and e-commerce.
138. The Delegate of CHINA complimented the Secretariat on the progress in the area of Digital Customs and e-commerce, outlining the growth of e-commerce and related issues in his country. Circulating a detailed paper on cross-border e-commerce, he shared some key thoughts contained therein. In 2016, the transaction value of e-commerce in China totalled 3.98 trillion US dollars, out of which business-to-consumer (B2C) transactions reached 35 billion US dollars. E-commerce and associated industries had directly and indirectly supported 37 million jobs.
139. Turning to growing cross-border e-commerce, the delegate said that it had brought new highlights to China’s economy, namely, serving as a new growth engine, creating new trade modes, leading a new consumption trend, and creating new jobs. The idea of buying and selling globally was becoming a reality. As an example, he mentioned that farmers even from remote mountainous regions of China’s Zhejiang Province were able to sell their tasty pecans to the rest of the world, while products such as chocolates from Belgium and cherries from Chile were already part of the daily life of millions of Chinese families.
140. The delegate then highlighted some of the challenges that rapidly growing cross-border e-commerce had posed to Customs. In particular, he noted that traditional offences such as IPR infringements, counterfeit goods and valuation fraud were also prevalent in cross-border e-commerce.
141. Speaking about potential solutions, he narrated how China Customs had been exploring ways for better control and facilitation of e-commerce, which could be summarized as “12345”. China Customs adhered to 1 vision of innovation, inclusiveness, prudence, and collaboration; connected 2 e-platforms, namely, the Customs control e-platform and the cross-border e-commerce dealers’ e-platform; collected and compared data from 3 sources - transaction, e-payment and logistics; piloted 4 Customs control modes, namely bonded import for online sales, B2C import, general export, and export from Customs special control areas; and adopted 5 measures, i.e. setting up a positive list of commodities for cross-border e-commerce, starting to collect e-commerce tax, releasing goods based on a simplified commodity list, reforming the return procedure, and comparing the declaration information and image of goods on one screen to ensure effective control.
142. Based on China Customs’ practices, the Delegate of China set out certain proposals. Firstly, *Be innovative* : Cross-border e-commerce was the product of innovation that needed to be supervised through innovation. In this regard, he suggested integrating Customs control requirements into the chains of e-commerce transaction, payment and logistics to ensure effective control, while reducing undue interference.
143. Secondly, *Be inclusive* : The delegate said that when cross-border e-commerce had first emerged in China, there had been different voices; however, they had treated it with an open mind, which had led to its thriving. He advocated to be supportive in policies, be prudent in management and be responsive in measures, thus creating a congenial atmosphere for new trade channels to grow.

144. Thirdly, *Be prudential* : Quite a few of the problems in the development of cross-border e-commerce had emerged as a consequence of lagging legislation and institutions. To achieve a balance between facilitation and control, there was a need to be flexible in regulating the new trade mode so that associated control measures should not hinder its development. Customs should keep to the bottom line, avoiding systematic risks and ensuring compliance.
145. Fourthly, *Be collaborative* : Customs should reinforce partnerships with the private sector and pay close attention to its new demands and ideas. The idea of an electronic World Trade Platform (eWTP) (with the objective of reducing barriers and making it easier for small and medium-sized enterprises (SMEs) to expand their trading capabilities worldwide), initiated by the Alibaba Group, was given as one such example to build a “win-win” partnership. In addition, it was important to enhance cooperation among Customs administrations as well as cooperation with other related international organizations in terms of data exchange and results sharing. To this end, he advocated that the role of the WCO Working Group on E-commerce (WGEC) should be fully leveraged, encouraging in-depth discussion among its members.
146. The delegate then emphasized the need to build consensus within the Customs community and work together to seize opportunities and cope with challenges presented by cross-border e-commerce. He then announced that, in the first half of 2018, China Customs would host the first WCO e-commerce Conference and he invited Customs administrations, representatives from the business community, international organizations and other government agencies to attend this event and work together towards a common development goal.
147. Concluding his remarks, the Delegate of China reiterated the need for Customs administrations to seek mutual ground while reserving differences, and to jointly work for guidelines on Customs control and facilitation for cross-border e-commerce through concerted efforts on the basis of the collective expertise of WCO Members. This would further enhance the international profile of the world Customs community.
148. The Delegate of INDONESIA said that with the rapid growth in e-commerce and the development of the Internet, there had been a shift towards trade in intangible goods. Trade in digitally delivered (or electronically transmitted) products had witnessed a significant increase. In his view, looking at this trend, there was a considerable potential for future revenue collection, especially when the WCO, through its Revenue Package programme, had been vigorously assisting its Members facing the problem of declining government revenue. This phenomenon might, moreover, lead to an unfair trade environment for SMEs in importing countries that were beginning to advance.
149. Noting the current trade in digital products with its potential revenue implications, and considering that most Customs administrations were still functioning as revenue collectors, he suggested that Customs should start thinking about how it could manage the challenges of e-commerce transactions of digitally delivered products. He expected that in future the WCO would discuss transactions of intangible goods and develop guidance on this issue, noting the challenges for Customs with regard to the detection of such transactions and the imposition of duties thereon.
150. Turning to some of the potential solutions, the Delegate of Indonesia opined that the transaction of intangible goods could be traced by “follow the money” and “follow the document” approaches. In the case of the “follow the money” approach, Customs could trace the transaction based on the electronic payment and guarantor data.

The “follow the document” approach could be implemented with the statistics based on the gateway data of e-commerce activities. In his view, Customs-to-e-commerce actors and Customs-to-Customs cooperation in data exchange underpinned the imposing of Customs duties on intangible goods.

151. In conclusion, he proposed a number of actions which could potentially be considered as a way forward :
- Establishing cooperation between Customs and e-commerce actors, between Customs and Customs, and between Customs and the Business sector in the importing country;
 - Classifying intangible goods into one specified Chapter in the Harmonized System;
 - Determining Customs valuation for intangible goods by using Customs valuation methods for tangible goods; and
 - Imposing a low percentage of tariff to begin with, which could be 5 % at the most.
152. The SECRETARY GENERAL thanked the Delegates of China and Indonesia for their input and assured them that their respective proposals in respect of e-commerce would be submitted to the Working Group on E-Commerce for its consideration.
153. The CHAIRPERSON acknowledged the suggestions made by delegates, noting that there had been an overwhelming response to the topic of Digital Customs and e-commerce during the Policy Commission, showing that Customs had an important role in further exploring some of the issues raised and providing related guidance. The issue of e-commerce had also been discussed with the PSCG to elicit its views and seek its support in developing collaborative solutions, going forward.

(f) Trade Facilitation - Mercator Programme

154. The CHAIRPERSON introduced the topic of “Trade Facilitation - Mercator Programme”, briefly mentioning the outcomes of the discussions held at the Policy Commission, in particular inviting the attention of delegates to the draft Communiqué from the international Customs community regarding the entry into force of the WTO Agreement on Trade Facilitation (TFA), as set out at Annex III to the Policy Commission Report (Doc. SP0612E1b).
155. The DIRECTOR, CAPACITY BUILDING, started by recalling that the WTO TFA had entered into force in February 2017. This had many implications for the WCO and Customs administrations. Firstly, a Trade Facilitation Committee (TFC) had been established at the WTO. The Committee had elected its Chairperson and would shortly convene for the second time. He then mentioned that, given this development, it was incumbent upon the global Customs community to make sure that the work that had been accomplished by the WCO (including by the WCO TFA Working Group) and the Customs administrations should be properly presented to, and received by, the TFC. In this regard, he urged Customs administrations to liaise with their respective Ministries of Foreign Affairs and Trade, particularly through their National Committees on Trade Facilitation, in order to ensure that the national delegations at the TFC would raise the profile of the WCO.

156. Secondly, he alluded to the TFA obligations in terms of ratifications and notifications about the provisions of the Agreement, together with indicative/definitive timeframes. Noting that some Members were having difficulty in obtaining the needs assessment from other border agencies, he requested Customs administrations that had more experience in the area of trade facilitation to support others to conclude their respective assessments and finalize related notifications. On behalf of the WCO, he assured continued technical assistance and capacity building support under the Mercator Programme.
157. Finally, the Director drew attention of delegates to the draft Communiqué that had already been considered by the Policy Commission and was being submitted to the Council for endorsement.
158. Expressing concern about the slow ratifications of the WTO TFA since it had come into force, the Observer for the GLOBAL EXPRESS ASSOCIATION (GEA) appreciated the Policy Commission's call for rapid ratification and expeditious implementation and urged continued discussion on this topic.
159. In conclusion, the Council :
- took note of the work carried out in the Working Group on the Trade Facilitation Agreement (TFAWG) and supported promotion by WCO Members of the TFAWG's achievements within the WTO Trade Facilitation Committee;
 - took note of the implications resulting from the entry into force of the TFA and urged Members to rapidly ratify the TFA and notify categorization of measures;
 - acknowledged the technical assistance provided under the Mercator Programme and endorsed the proposed operating modalities for the tailor-made track, ensuring its alignment with the overall Customs modernization programmes;
 - approved the draft Communiqué from the international Customs community regarding the entry into force of the WTO Trade Facilitation Agreement as set out at Annex II to these Minutes; and
 - reaffirmed the need for better positioning of Customs administrations, including, for example, their having a lead role in their National Committees on Trade Facilitation (NCTFs) or similar bodies.

(g) Security Initiative

160. The DIRECTOR, COMPLIANCE AND FACILITATION, provided an overview of the Security Initiative, stressing the seriousness of the threat posed by terrorism to society and economic stability and development. She also pointed out the importance of the Punta Cana Resolution in assisting Customs administrations to take ownership of their security role within their respective countries. In this vein, the WCO had presented the role of Customs in the security context to a number of international organizations so that, in future, Customs would be considered as one of the government entities countries considered when dealing with security issues.
161. The Director then highlighted the areas that the Policy Commission had endorsed. These included the developments within the SAFE Framework of Standards, particularly some of the items that had already been endorsed by the SAFE Working Group, such as the strengthening of cooperation with other

government agencies, especially with regard to certain goods such as weapons and hazardous materials, and items related to passenger control, harmonization of data filing requirements, the Single Window concept, and advance electronic data on postal items.

162. The Policy Commission had also endorsed the Concept of Operations for Pre-Loading Advance Cargo Information (PLACI) and acknowledged all the work that had been done in the past year with regard to the prevention of illicit trafficking in cultural items and related security work undertaken in conjunction with the Research Unit with respect to fragile borders.
163. The Director then addressed the establishment of the WCO South East Asia Security Programme which would focus on border and security-related challenges in that region for the next two years.
164. She also mentioned that several best practices had been shared by Members on how the Punta Cana Resolution was being applied in practice, adding that those best practices would be captured and collected in order to share with other Members.
165. Finally, the Director recognized concerns in the area of cyber security, and acknowledged there was work to be undertaken in this area in the coming year.
166. The Delegate of the UNITED STATES thanked the Director for her presentation and reiterated that although security, and particularly passenger security, might not be a traditional area of work for all Customs administrations, there was still a critical role and opportunities for Customs in this arena. She thanked the WCO for its focus on this area and the work on technical standards related to Advance Passenger Information (API) and Passenger Name Record (PNR). The delegate presented a letter of support addressed to the WCO on behalf of USCBP Commissioner Kevin McAleenan which offered a commitment from the United States to work closely with the Secretariat on the development of new and innovative tools that would provide open-source passenger targeting capabilities to interested WCO Members.
167. The Delegate of TURKEY expressed appreciation for the work to date on security and counter-terrorism-related matters. He reminded delegates that Turkey had experienced a coup attempt, and as such considered this incident as one of the largest terrorist attacks in the country's history. He strongly advocated the adoption of a common approach in identifying, condemning, isolating and bringing to justice those who perpetrated these acts, as well as the countries that harboured and supported them.
168. The Delegate of JAPAN expressed support for the WCO's Security Initiative and announced the contribution of an additional seven million euro of resources to the WCO towards this effort.
169. The Observer for the GLOBAL EXPRESS ASSOCIATION (GEA) thanked the Director for the update on security. He emphasized that the private sector was equally concerned with security, and cited the successful PLACI initiative as an example of a successful cooperative Customs and private-sector partnership. This type of cooperation in providing increased supply chain security could not take place without adequate levels of trade facilitation. He noted with regard to the WTO Trade Facilitation Agreement (TFA) that the number of countries signing on had significantly slowed down. While recognizing the need for discussions to be held on security, illicit trade, terrorism, Customs-Tax cooperation and protectionism, he emphasized that

more discussion was required in the area of taxing and imposing duties on intangible goods. In closing, he welcomed the Security Initiative, its robustness and the existing cooperation between the private sector and Customs, and he reiterated GEA's commitment to continue to work with relevant authorities, and Customs in particular, to share information and intelligence to improve the security agenda.

170. The SECRETARY GENERAL took the floor and thanked delegates for their comments which showed, inter alia, the linkages between security, trade facilitation and revenue collection.

171. The CHAIRPERSON acknowledged the significant financial support provided by Japan as evidence of the overall support for the WCO Security Initiative.

172. In conclusion, the Council :

- validated the direction of the development of the Security Initiative;
- endorsed an inter-regional crisis-driven approach for security activities based on the geographical impact of the threat;
- called for greater information sharing, not only at national inter-agency level, but also on a broader regional basis;
- took note of the development of the following strategic and operational tools - the AEO Validator Guide, the Mutual Recognition Arrangement/Agreement Strategy Guide and the Guidance on How to Build an Advance Passenger Information/Passenger Name Record Programme.

(h) Combating Illicit Financial Flows

173. The DIRECTOR, TARIFF AND TRADE AFFAIRS, informed the Council that the Policy Commission had taken note of the Secretariat's report on the WCO engagement with the G20, on the G20 mandate to conduct a study report on illicit financial flows (IFFs) and trade mis-invoicing in particular, as well as the content of the WCO Action Plan on IFFs and the draft outline of the study report.

174. He added that the Policy Commission had expressed strong support for the work of the WCO in this area and some Members had shared best practices during the discussions. Members were invited to continue to share their experiences and best practices on countering the threat posed by IFFs. He then mentioned several suggestions from Members, such as the need to address risks beyond trade mis-invoicing, the importance of addressing the exchange of information between Customs and Financial Intelligence Units (FIUs) and the necessity of additional capacity building for countries. The Policy Commission had adopted the WCO Action Plan on IFFs with some suggested amendments. The Director also mentioned that the IFF work within the WCO was being treated as a transversal issue, under the leadership of the Secretary General, with involvement of the Compliance and Facilitation Directorate, the Tariff and Trade Affairs Directorate and the Research Unit, and he expressed appreciation for the support provided to him in that regard.

175. The Delegate of GERMANY stated that the Policy Commission's conclusions encouraged Members to share their experience and developments. As a consequence, he informed the Council that Germany had adopted a new anti-money-laundering Act in force since June 2017. One of the main changes that

had occurred based on the new law was the transfer of the German Federal Intelligence Unit from the Federal Criminal Police Office to the Central Customs Authority. This reorientation had been in full compliance with all of the Financial Action Task Force's (FATF) standards and recommendations, and it met all membership criteria of the Egmont Group. He explained that the FIU, acting as a central national unit, was responsible for receiving and analysing suspicious transaction reports and other information relevant to money laundering, associated predicate offences or terrorism financing. With its multi-disciplinary approach, the FIU disseminated the results of its analysis and any additional relevant information to the competent authorities. The FIU operated as an intelligence hub but was not a law enforcement authority; it operated independently in the framework of its tasks and powers, subject only to the legal supervision of the Federal Ministry of Finance. He explained that the FIU had access to information from law enforcement agencies, as well as financial and administrative authorities. The FIU also had the power to prevent suspicious financial transactions from being effected for a limited time and, in 2016 alone, 40,000 reports of suspicious transactions had been submitted to the German FIU.

176. The Delegate of UGANDA said that, every year, the African continent lost approximately 50 billion US dollars to IFFs and trade mis-invoicing in particular threatened revenue collection, as developing countries struggled to achieve sustainable development goals. He explained that their focus was moving towards domestic revenue mobilization and emphasized that, as the issue of security was being discussed, countries should not forget that compliance went hand-in-hand with trade facilitation. He expressed support for the Policy Commission's report and the Action Plan, but mentioned the need for more emphasis on Customs-to-Customs cooperation. Members should seek to have an open discussion on trade mis-invoicing, especially among trade partners, since goods moved across borders from one country to another. He concluded by stating that the WCO should encourage Members to share information and therefore promote Customs-to-Customs cooperation in order to ensure a balance between revenue collection and trade facilitation.
177. The Delegate of AZERBAIJAN expressed support for the work of the WCO and praised the existing active cooperation in that regard. However, there was a need for increased cooperation, since trade mis-invoicing was a phenomenon that affected not just one country or region, but the entire world. He added that the WCO should set concrete targets and results in working with Members in the fight against IFFs.
178. The Delegate of PAKISTAN shared the experience of his country, stating that the necessary legislation against IFFs was already in place. That legislation referenced not only Customs but also other institutions such as the Central Bank or the Federal Investigation agencies as responsible parties in combating IFFs at national level. He indicated that all agencies were working collaboratively, but that Customs was still considered as the leading institution in that regard. He concluded by emphasizing that Customs-to-Customs cooperation was key for success and that he therefore supported the WCO Action Plan.
179. The Delegate of MOROCCO expressed his support for the initiatives taken by the WCO in relation to IFFs, particularly the G20 initiatives. However, the importance of trade mis-invoicing needed to be put in perspective. He noted that the WCO was looking at the work of the OECD, which considered that under-invoicing accounted for more than 80 % of IFFs. In his view, those findings needed to be refined further since other types of trafficking such as trafficking in drugs, human beings or prostitution also generated IFFs. He suggested that the WCO Secretariat conduct a study that would

help identify clearly the importance of each risk area in the IFF phenomenon. He considered that there was a need to look at the different types of IFFs and not use the OECD report as the only basis for conclusions. The importance of under-invoicing could not be underestimated but that it should not be overestimated either for the purpose of presenting Customs as the leading player in this matter. He concluded that Customs should be one of the institutions looking at IFFs, though not necessarily the leading one.

180. In conclusion, the Council :

- encouraged Members to share their experience and best practices in relation to this topic, including new legislation, measures and methodologies to counter IFFs;
- endorsed the WCO Action Plan on Customs and the fight against IFFs, as set out at Annex IV to Doc. SP0612E1b (Report on Policy Commission's 77th Session).

(ij) Customs-Tax cooperation

181. The CHAIRPERSON provided some background to the Item on Customs-Tax cooperation, reminding delegates that, during the Punta Cana Policy Commission session in December 2015, discussions had been initiated on the topic, as this had coincided with a time when Customs and Tax authorities were beginning to cooperate. Since then, further discussions had been held, inter alia during the December 2016 Policy Commission in Moscow, and the different forms of organizational structures of Customs administrations - merged with tax authorities within a Revenue Authority, residing under the Ministry of Finance, forming a Border Protection Service, or simply an independent Customs entity - had been acknowledged. He pointed out that 42 % of Customs administrations were embedded within a Ministry, 28 % were operating under the auspices of a Revenue Authority, 27 % were independent Customs agencies and 1.7 % were operating as Border Protection Services. Guidelines on the cooperation between Customs and Tax authorities had been issued. However, one issue that had been identified was the exchange of information; enhanced interoperability of systems and a common database were required to increase the exchange of information. Some Members had already shared their best practices, which included joint investigations, risk profiling and audit operations. The Secretariat had also prepared a paper on the role of Customs in the collection of indirect taxes, and a paper which advocated for well-resourced Customs within the Customs-Tax cooperation realm.

182. The SECRETARY GENERAL indicated that he would speak more fully on the topic in the presence of the Director of the Fiscal Affairs Department (FAD) of the International Monetary Fund (IMF) later during the Sessions, as one of the major issues that had been identified concerned the fact that the need for a well-resourced Customs administration was not necessarily fully understood by the FAD.

183. The CHAIRPERSON invited the Secretary General to outline the rationale behind the signing of the Memorandum of Understanding (MOU) with the IMF scheduled for later in the Sessions, and to inform Members about the content of the MOU.

184. The SECRETARY GENERAL informed delegates that the IMF's survey on fiscal information was primarily focused on fiscal aspects. Therefore, non-fiscal aspects of Customs' work, e.g. trade facilitation, security and the fight against illicit trade, were not adequately reflected in the IMF survey. This compelled the WCO to engage with

the IMF concerning the survey exercise, and to ensure that when the IMF revised its research tool on fiscal information, it was not limited to just revenue aspects. This was where the idea of an MOU had come from, and its terms would ensure that the IMF research tool and outcomes would be made available to the WCO for analysis and that information on an aggregated basis could be shared with Members. However, country-specific content would not be shared unless prior approval from the country concerned was obtained. The MOU would be mutually beneficial - the WCO could share data collected by the IMF, and the WCO could assist the IMF on Customs matters.

185. The CHAIRPERSON then opened the floor for discussion.
186. The Delegate of TOGO expressed his appreciation to the Secretary General for examining this issue. Togo had begun investigating the issue of Customs-Tax cooperation in 2014, and cooperation with the Tax administration was progressing rapidly. Today, in the West Africa sub-region, Togo boasted one of the highest rates of Custom-Tax cooperation; however, the Administration did face some problems. The delegate suggested that Members that had adopted the same approach should share examples of best practices, and that another instrument that would allow Members to better exchange examples of best practice should be provided, in addition to the Guidelines already produced by the Secretariat. He expressed disappointment that cooperation between the Customs and Tax administrations was insufficient in Togo, although joint audits and joint controls had already begun. The lack of digital infrastructure was challenging, but Togo Customs was working on creating interoperable IT systems between Customs and Tax. One challenge that remained centered on staff career plans and problems linked to the organizational structure; the creation of an environment conducive to the exchange of examples of best practices in this area would be helpful.
187. The CHAIRPERSON agreed that the WCO should broaden its collection of best practices.
188. The Delegate of the RUSSIAN FEDERATION agreed that it was very important to build relations with the IMF, particularly regarding such sensitive areas as Customs activities in terms of revenue collection, interaction with Tax authorities, deliberation of rules, and assessment of the performance of Customs authorities. All of these matters were addressed in the proposed MOU, which the Secretariat had drafted together with IMF representatives. During the Policy Commission session which had preceded the Council, the Secretariat had provided Members with an opportunity to study the proposed MOU, and the delegate requested that the document be shared with all the Council delegates to raise awareness on the issue, and allow for further informed discussion.
189. The Delegate of JAPAN expressed support for the WCO's initiative to cooperate further with the IMF. He had previously worked for the IMF, which was an institution composed of economists primarily focused on revenue collection, and who were largely unaware of the importance of safety and trade facilitation. Hence cooperation with the IMF was necessary. When the IMF advised developing countries in the area of Customs, it focused on improving their ability to collect tax, and neglected to focus on areas such as trade facilitation, capacity building, anti-smuggling, etc.
190. The CHAIRPERSON agreed that mutual recognition was important, and both Organizations stood to benefit from further cooperation.

191. The Delegate of CAMEROON agreed with the proposal brought forward during the Policy Commission concerning broadening the scope with regard to existing and future models of cooperation between Customs and Tax administrations. Cameroon Customs had, with support from Japan, built a platform for use by Customs and Tax administrations where information was transferred and shared. Joint investigation teams and an inter-agency centre of intelligence had also been established. One issue which had been encountered concerned data - most of it came from Customs transactions, with Tax administrations contributing very little. He requested the Secretariat to identify countries which were benefiting from this type of cooperation as it seemed that, in Cameroon, the Tax department was benefiting a great deal, and Customs was not benefiting as much as it had been assumed it would.
192. The Delegate of KAZAKHSTAN expressed his gratitude to the Policy Commission for reviving the issue, a difficult one for all Customs administrations. He supported the Japanese Administration's comment that Members should have clear guidelines to guide Customs-Tax cooperation, in order to better understand the paradigm of such cooperation, and the extent to which the exclusive focus on revenue collection was justified, meaning that trade facilitation and other issues were neglected. The conflict that existed between Customs and Tax was familiar to all delegates, and Kazakhstan Customs had discussed this issue with many countries and experts, and it welcomed the WCO's readiness to further discuss the issue. When it came to the unification of the two services, organizational issues had become the primary focus, and this required further discussion. It had also been observed that a common control environment for everything including commodities and financial flows was required, and that the unification of risk mitigation services had brought some positive effects, but once it came to audit, Customs identified many controversial issues due to the fact that big tax payers were not always big economic operators, a contradiction which affected the work of Customs. In conclusion, the Delegate of Kazakhstan reiterated his belief that the impact of Customs-Tax unification on all Members should be assessed.
193. The CHAIRPERSON advised delegates to visit Kazakhstan to learn more about Customs-Tax cooperation and to witness its unique control system, with an electronic invoicing mechanism, used by both Customs and Tax administrations. He also expressed his belief that due to the diversity of IT infrastructures, economic unions and economic systems, Customs should take the lead on tailor-made models of cooperation, taking account of the many different organizational structures.
194. The Delegate of GAMBIA welcomed the initiative taken by the WCO, encouraging Customs to work with Tax authorities. In Gambia, Customs had begun working with Tax authorities ten years previously, and had found the experience to be advantageous for Customs and also beneficial for both authorities in terms of data sharing, stronger institutions, joint audit and enforcement functions, and the creation of professional units capable of examining Customs and domestic tax statistics. Gambia Customs had benefited greatly in terms of revenue collection from the merger, as had other operational units within the Administration. He urged the WCO to encourage Members to see how they could collaborate further with Tax administrations, and suggested that any country undergoing a transition into a Revenue Authority should conduct a study visit to the Gambian Administration.
195. The Delegate of MAURITIUS, who had worked as an expert for the IMF, observed that cooperation between Customs and Tax centered around the exchange of information on Customs declarations and tax returns. In order to take advantage of the synergies that existed between Customs and Tax, it was important to note that Tax authorities had access to a broad database such as data on banking records,

property and vehicle registration, and access to such information could improve Customs intelligence and lead to fine-tuning of Customs risk management and profiling systems.

196. The CHAIRPERSON expressed agreement regarding the need for mutual access to databases.
197. The Delegate of MOROCCO said that he had worked with the IMF in the past, and believed that the draft MOU should be circulated in advance to ensure that all aspects of cooperation with the IMF were taken into account. The IMF had to consider macroeconomic balances and the sustainability of public finances, budget deficits, debt, income/expenditure, etc., and it also had to look at the viability of the balance of payments. As such, it dealt with trade matters, including policies which supported exports and controlled or limited imports, the existence of tariff or non-tariff barriers, etc. Cooperation with the IMF would be useful as, in many instances, the primary focus of Customs was on revenue collection and, during periods of crisis with respect to the balance of payments and currency reserves, Customs might be called upon to reduce or exercise heightened controls on imports. Therefore, it was important that the MOU included information on commercial exchanges and the balance of payments.
198. The Delegate of PAKISTAN said that Customs and Income Tax authorities were housed in the same building in Pakistan, and both authorities shared data on Customs duties, withholding taxes and sales taxes. Pakistan supported the WCO's initiative and looked forward to seeing advances in cooperation in this regard.
199. The Observer for the IMF said that he was pleased to see this discussion on the Agenda, and that the relationship and in particular cooperation between Customs and Tax was of paramount importance in any country. The IMF was particularly focused on revenue collection, but it was clear that Customs had a multifaceted role to play. He then provided some background to the MOU. It was clear that many organizations such as the WCO, IMF and the OECD collected information on Customs administrations with the objective of better understanding the situation worldwide and discovering trends, and their technical assistance programmes were tailored in accordance with the evolving trends. The idea behind the MOU was to harmonize and simplify this work for Customs administrations, because there was an abundance of information collected and efforts were sometimes duplicated. The idea was to create a single database for analytical purposes and to share it with all Customs administrations and other international organizations.
200. The Delegate of AZERBAIJAN said that cooperation between Customs and Tax authorities was not a new issue, and that every country had its own practices and examples of such cooperation. As there were examples of interaction between the two agencies, there was no need to push them into merging. There were many examples of cooperation between Customs and Tax authorities as separate entities or operating under the auspices of a Ministry. As for future cooperation, the WCO and other partners should try to maintain a balanced approach in terms of security issues, revenue collection and other functions of Customs administrations such as issues related to terrorism, security, and humanitarian issues. Moving forward, agreement should be reached with regard to these fundamental areas.
201. The Delegate of INDONESIA spoke about how the success of cooperation between Tax and Customs in Indonesia was determined by the successful integration of the Tax and Customs systems. At the operational level, there was exchange of data, information and officers. Customs officers were placed in Tax offices and vice

versa, which sped up cooperation and increased efficiency in terms of revenue collection and controls.

202. The Delegate of INDIA expressed concern about data sharing; her Administration had concerns regarding the security and confidentiality of data. It was necessary to discuss such matters during the Council before signing the MOU. If there was overwhelming support for the MOU, it should be signed. However, if there was no support, the signing of the MOU should be postponed.

203. The CHAIRPERSON concluded at this point that there was a clear interest among Members regarding the topic of Customs-Tax cooperation. A better exchange of best practices was needed, and the benefits of cooperation for both Customs and Tax authorities needed to be outlined.

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204. The CHAIRPERSON reintroduced this item later in the Sessions after the proposed MOU with the IMF had been distributed for consultation by Members. He then opened the floor for further comments.

205. The Delegate of ARMENIA requested more time to consider the document, particularly Articles 21 and 26, and suggested that the Finance Committee examine the viability of the MOU, given that many of its terms were financial in nature.

206. The Delegate of the RUSSIAN FEDERATION agreed with the Delegate of Armenia. This was a sensitive issue primarily concerning the exchange and collection of information, but also access to sensitive data. There was a need for further discussion about the MOU, and to understand the objectives in signing the MOU.

207. The Delegate of ANTIGUA AND BARBUDA agreed that further discussion was required, and proposed a slightly amended text under Article 7a to include the phrase "The WCO will assist all participants in the survey who are WCO Members to the extent that assistance is needed, and resources are available at the IMF". Otherwise, assistance might be burdensome for the WCO, and the IMF could be required to intervene to supplement the assistance.

208. The SECRETARY GENERAL thanked all delegates for their comments. He noted that the resource implications for the WCO under the MOU were minimal as it would simply facilitate the work and, in terms of confidentiality, it was stipulated in the MOU that no information would be shared or published without prior consent of the Member concerned. The WCO and IMF would treat the data in a careful manner.

209. The Delegate of INDIA believed that further discussion with her Government would be necessary regarding the MOU. She also wanted to know why the MOU was targeted at the IMF as it were not a Tax department or facility.

210. The Delegate of CHINA appreciated the Secretariat's initiative to enhance the cooperation with the IMF and other international organizations. However, she shared the concerns of other Members, particularly as it seemed that the MOU was based on

using revenue information, and some Members were not able to make such decisions without the approval of their Revenue Authorities. She wished to defer to her Administration. The MOU focused on performance measurement and she wondered if the IMF was relevant in terms of assessing the performance of Customs. The MOU was unlike others signed by the WCO; it was very technical and required Members to act, and therefore more discussion was required.

211. The Delegate of COLOMBIA agreed with the concerns expressed by other delegates, and would need to consult her Government to analyse the document. She expressed reservations regarding the exchange of fiscal information due to national legislation. The Customs and Tax administrations shared a building, but when it came to exchanging information, she would need to consult further with the Colombian Government.
212. Summarizing the discussions, the CHAIRPERSON informed delegates that the MOU would not be signed during the current Sessions, and suggested that it be considered at the next regional meetings. He requested advice from the Secretary General on the way forward.
213. The SECRETARY GENERAL suggested that a Working Group under the auspices of the Capacity Building Committee be established, as the MOU was an initiative that had begun in the Capacity Building Directorate.
214. The Delegate of SOUTH AFRICA echoed the comments from the Delegates of the Russian Federation, India and China. Nevertheless, he considered that as the question related more to the legalities and legal implications of the MOU rather than technical issues, it should not be referred to a Working Group under the Capacity Building Committee. He proposed that Members should provide comments to the Secretariat so that a consolidated version of the MOU could be tabled during the Policy Commission session in December 2017, and brought to the Council in June 2018 for ratification.
215. The SECRETARY GENERAL proposed a timeline whereby Members would be requested to submit their comments by September 2017, and the Policy Commission could approve the modified version of the MOU in December 2017 rather than wait until the Council Sessions in 2018.
216. The CHAIRPERSON concluded the discussion, stating that the Council agreed with the Secretary General's proposal on the way forward.

(k) Reservations in respect of Harmonized System Committee decisions

217. The DIRECTOR, TARIFF AND TRADE AFFAIRS, said that acting on instructions given by the Policy Commission at its December 2016 session, the Harmonized System Committee had re-opened its examination of a possible amendment to the draft Council Recommendation with a view to speeding up the decision-making process for the HS Committee by limiting the number of reservations in respect of its classification decisions. The proposed amendment had in fact been adopted by the Council on three occasions, but had been blocked each time when a Contracting Party entered a reservation. This latest attempt to see whether the Council could adopt the draft Recommendation was based on certain amendments which had been made to it in order to address concerns expressed by various Members. Three issues had been addressed at the most recent Policy Commission session : thus, it had been agreed that the new procedure would not apply to currently pending issues; that the maximum number of reservations permitted would be set at two, not three; and that there was no need to allow the Council, which did not normally make decisions on technical matters, to continue the examination of a matter even after the maximum number of reservations had been reached, in cases where it had been established that the Committee had taken its decision on the basis of inaccurate or incomplete information.
218. The Director concluded his brief presentation by saying that all members of the Policy Commission had agreed that the institutional role of the HS Committee was at stake. The Policy Commission believed that the time had come for the Council to decide on this matter, which had been on its Agenda for at least 15 years.
219. The Delegate of the RUSSIAN FEDERATION recalled that, at the Policy Commission's session in Moscow in December 2016, the Russian Federation had assumed responsibility for proposing a compromise solution to the HS Committee, to help the WCO solve this very long-standing issue. The Russian Federation had duly made such a proposal at the most recent session of the Committee, but it had been discussed only briefly as delegates had not had time to consider it in detail, and no decision had been reached. That proposal, arrived at following an analysis of the process for dealing with some of the more complex classification questions in the HS Committee and its subordinate bodies, had involved increasing the number of permitted reservations from two to three, and paying more attention to the accuracy of the information on which HS Committee decisions were based.
220. The delegate said it was clear from some of the discussions at the most recent Policy Commission session earlier in the week, and also from the many difficult Agenda items yet to be dealt with at the current Council Sessions, that the Organization was currently contending with some serious controversies. Therefore, in a spirit of compromise and for the sake of unity within the WCO, the Russian Federation - wishing to reduce the number of controversial issues that were hindering the Organization - was prepared to support the majority view expressed within the Organization and therefore would not enter a reservation against the proposed Recommendation concerning the amendment of Article 8 of the HS Convention.
221. The CHAIRPERSON said that this intervention, which was greeted by applause, was greatly appreciated; on behalf of the Council he thanked the Russian Federation for its spirit of cooperation and willingness to compromise.
222. The Delegate of TURKEY recalled that a dispute between her Administration and the Russian Federation concerning the classification of sodium sulphate products had

lasted some 12 years, but a compromise had been reached and the case had been settled a few years previously. Turkey was in favour of speeding up the working of the HS Committee, and appreciated the work done by the Policy Commission to move this process forward. Having heard that the Russian Federation did not intend to enter a reservation against the draft Council Recommendation, she said that Turkey also supported the proposed amendment to Article 8 of the HS Convention to limit the number of reservations that could be entered.

223. The DIRECTOR, TARIFF AND TRADE AFFAIRS, expressed his heartfelt thanks to the Russian Federation for its flexibility in confirming that, for the sake of unity within the WCO, it would not enter a reservation in respect of this very important issue. He said this was a victory for the entire Organization. Everyone was looking to the WCO to play an institutional role in dispute settlement with regard to classification decisions, with Trade frequently challenging the WCO about why it was not able to establish a WTO-style dispute settlement mechanism. Such a mechanism would never be set up under the WCO, but what had been achieved today - while it might seem a small step - did in fact represent major progress in the history of decision-making in the Council.

224. The CHAIRPERSON confirmed the adoption by the Council of the Recommendation concerning the amendment of Article 8 of the Harmonized System Convention. That Recommendation is reproduced at Annex V to Doc. SP0612E1b (Report on the Policy Commission's 77th Session).

(I) Status of WCO regional bodies

225. The HEAD OF ADMINISTRATION AND PERSONNEL said there had been unanimity within the Policy Commission when it had discussed this matter earlier in the week. Previous discussions on the status of regional bodies dated back to 2012, when it had been decided that regional bodies were an initiative of the individual regions and were not WCO offices. The main issue faced by regional bodies was the lack of a legal status. The Secretariat study on this subject had looked at the Regional Offices for Capacity Building (ROCBs), Regional Training Centres (RTCs), Regional Dog Training Centres (RDTCs), Regional Customs Laboratories (RCLs) and Regional Intelligence Liaison Offices (RILOs). The legal status of the RTCs, RDTCs and RCLs posed no problem, because these were institutions of the relevant national administration, and therefore were dealt with nationally. The ROCBs and RILOs, however, included staff seconded from Members other than the host country, and while their salaries, etc. were paid by the seconding Member, issues sometimes arose regarding privileges in the country where the regional entity was located.

226. For those two types of bodies, the study had looked at three possibilities, namely that they be divisions of the WCO, joint ventures of the WCO and the region concerned, or autonomous bodies whose legal status was defined by the region concerned. Having regard to the demands of management, financial and staff-related issues as well as audit, procurement, financial rules, and the fact that there were currently over 70 staff employed at the various RILOs and ROCBs around the world, for cost and other reasons it had been decided that the most suitable outcome would be the "autonomous body" option, where it was up to each region to establish the organizational arrangements deemed most relevant, bearing in mind the resources made available by the Members in the region.

227. The Head of Administration and Personnel concluded by mentioning that at the Policy Commission session, some questions had been asked about the role of

the Vice-Chairs. In response, he had indicated that in accordance with the Council discussion of 2005 there would be one Vice-Chair, approved by the Council, per region. The Vice-Chairs were elected for a one-year period, with re-election possible. The Vice-Chairs had no legal status, it being a voluntary position. One of their main functions was to advise the Secretary General of their respective regions' positions on issues of major importance arising during their term of office; the Vice-Chairs could also be called upon occasionally to represent the WCO at events or meetings.

228. There being no objections, the CHAIRPERSON concluded that the Council endorsed the Policy Commission's conclusion that the regional entities were autonomous and that they were the responsibility of each region, particularly with respect to the appropriate legal status tailored to their specific needs.

(m) Airport passenger controls in the 21st Century context : Challenges and opportunities from a Customs perspective

229. The CHAIRPERSON explained that a paper on this topic had been presented to the Policy Commission by the Delegate of New Zealand and it had given rise to considerable interest.

230. At the Chairperson's invitation, the Council :

- took note of the comprehensive paper presented by New Zealand and thanked it for raising this topical issue;
- asked the Secretariat to take on board the points made during the Policy Commission's discussion and have the question examined in detail by the relevant working bodies, before bringing it back to the Policy Commission in June 2018.

(n) Study on the use of additional languages at the WCO

231. The CHAIRPERSON said that the Policy Commission had examined this question on the basis of a presentation by the Chairperson of the Finance Committee. The Policy Commission had recommended that a Working Group be established to consider this issue and that the Group consist of the six Vice-Chairs, the Chairpersons of the Finance and Audit Committees, the three largest contributors to the WCO budget (United States, Japan and the European Union) and representatives from three language groups, namely Arabic, Russian and Spanish. The choice of these languages had been based on the study carried out by the consulting company Ernst & Young. The Chairperson said, however, that an approach had been made by the Portuguese-speaking community which had requested - on grounds of fair play and inclusiveness - to add three representatives from the Portuguese-speaking community. The Chairperson proposed that this be accepted.

232. The Delegate of the RUSSIAN FEDERATION expressed support for the Policy Commission's decision, subject to also including the Chairperson's proposal. He said that when considering the resources for additional languages, the Working Group should take account not only of the WCO budget but also of donor contributions and the specific participation of the countries belonging to the relevant language groups. Finally, in order to optimize the activity, he proposed that the Russian Federation chair the Working Group, and urged that the work commence as soon as possible.

233. The Delegate of AZERBAIJAN said that the proposal to use additional languages at the WCO had its own history. Indeed, a few years previously, Azerbaijan and other countries had proposed to expand the number of languages to include Russian; he therefore supported the proposal now being made. Increasing the number of languages, including for the documents prepared by the Secretariat, would render the Organization's work more efficient. Azerbaijan offered to be part of the Working Group and said that the Group should determine its own working methods, once it had been formally established. The CHAIRPERSON confirmed that the Working Group would have its own Terms of Reference.
234. The Delegate of BRAZIL expressed his gratitude and support for the proposal made by the Chairperson regarding the inclusion of Portuguese speakers in the Working Group.
235. The Delegate of PORTUGAL also expressed gratitude for the decision which would make it possible to reinforce the capacity of the Portuguese-speaking Members.
236. The Delegate of SOUTH AFRICA, speaking in his capacity as the Vice-Chair of the East and Southern Africa region, expressed his region's support for the Chairperson's proposal.
237. The CHAIRPERSON summarized that there was agreement on the conclusions of the Policy Commission's deliberations regarding the Working Group on the use of additional languages, subject to the inclusion of three representatives from the Portuguese-speaking community. He said that it also seemed agreed that the Working Group would be chaired by the Russian Federation.
238. In response to the latter point, the Delegate of the UNITED STATES drew attention to paragraph 88 of the Policy Commission Report which stated "The Working Group would elect a Chair"; hence she preferred that the decision on the chairing of the Group be postponed to the Group's first meeting.
239. The CHAIRPERSON agreed that the proposals in the aforementioned paragraph 88 of the Policy Commission Report would be followed.
240. In conclusion, the Council :
- approved the establishment of a Working Group on the use of additional languages at the WCO which would have the following composition :
 - the six Vice-Chairs;
 - the Chairpersons of the Finance and Audit Committees;
 - three Members from each of the following language groups : Arabic, Portuguese, Russian and Spanish;
 - the three largest financial contributors, namely the European Union, Japan and the United States; and
 - agreed that the Working Group would elect its Chair and that the Terms of Reference would be agreed upon by all constituent members.

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

241. The CHAIRPERSON explained that this topic had been presented to the Policy Commission by the Deputy Secretary General.

242. At the Chairperson's invitation, the Council adopted the Operational Plan for 2017/2018, as set out at Annex IV to these Minutes.

(p) Audit Committee Report

243. The CHAIRPERSON explained that the Audit Committee Report had been presented to the Policy Commission by the Chairperson of that Committee.

244. At the Chairperson's invitation, the Council adopted :

- the Report of the Audit Committee (Doc. SA0110);
- the external Audit on "Assessment of the WCO's interaction with other international organizations, including the involvement and effectiveness of WCO regional structures";
- the internal Audit on "IT Security"; and
- the Audit Plan for 2017/2018.

(q) Timing of the election for the post of Deputy Secretary General

245. The CHAIRPERSON indicated that this question was dealt with under another Agenda item (see paragraphs 369 to 396 below) and the election of the Deputy Secretary General would take place at the extraordinary Session of the Council in December 2017.

(r) Amendment of Council Decision No. 285/REV. (Procedure for the nomination and election of the Chairperson and the Vice-Chairpersons of the Council, and the members of the Policy Commission) to reflect decisions taken by the Council in 2016

246. The CHAIRPERSON indicated that the proposed amendment was necessary to reflect the Council's decisions, at its July 2016 Sessions, relating to the provisions applicable to the nomination and election of the Council Chairperson. In fact, the process for the election of the Council Chairperson at the current Sessions had been conducted in line with those provisions. The Policy Commission was recommending the revised Decision for adoption.

247. At the Chairperson's invitation, the Council adopted the revised Decision on the procedure for the nomination and election of the Chairperson and the Vice-Chairpersons of the Council, and the members of the Policy Commission, as set out at Annex III to these Minutes and renumbered as Decision No. 347.

248. Finally, the Council adopted as a whole the Reports on the Policy Commission's 76th and 77th Sessions.

6. ACCESSIONS TO THE WCO

249. The CHAIRPERSON said that as had been decided during the adoption of the Agenda, at the request of several Members, the issue of future accessions and the deposit of an instrument of accession by Kosovo now constituted a single Agenda item.
250. He recalled that the accession of Kosovo had been discussed at the Council's 119th/120th Sessions in 2012. At that time, the Council had reached the conclusion that due to serious disagreements between the Members and uncertainty over Kosovo's status from the point of view of international law, it was premature to consider Kosovo's membership in the WCO. It had been concluded that this matter should not appear on the Policy Commission or Council Agenda again until there was tangible progress, or some other specific reason that warranted its being taken up again. A "specific reason" had now arisen, namely a letter addressed to the Member States by the Belgian Ministry of Foreign Affairs, in its capacity as Depositary of the Council Convention, indicating that Kosovo had deposited accession documents, and that following this, according to the Depositary's opinion, the Convention had entered into force with regard to Kosovo. However, many Members had submitted official objections regarding the actions of the Depositary.
251. The Chairperson explained that the matter of accessions had been taken up by the Policy Commission at its session earlier in the week; he drew the Council's attention to the conclusion of what had been a difficult and comprehensive discussion, namely that as the Policy Commission had not been able to arrive at a concrete conclusion on this matter, it would need to go forward to the Council, as the WCO's supreme body, for further discussion and for decision. The Chairperson said he had also suggested that this issue be discussed at the regional meetings in the margins of the Council Sessions, in order to pave the way for the Council's deliberations.
252. He concluded his introduction to this item by pointing out that there were quite a few quasi-State entities whose legal status was uncertain in terms of international law, and therefore the outcomes of the Council's discussions on this matter probably would have a precedential nature and could be applied to future accessions.
253. The Delegate of SERBIA said she was compelled to take the floor to speak about an issue that was of the most serious concern, and of the utmost importance to the Republic of Serbia, namely the functioning of the WCO with the goal of preserving its integrity and authority. The issue facing the Organization had been imposed on it due to the violation by the Depositary and the Secretariat of its valid decisions, and of international law. It was clear from the valid and binding conclusion of 2012 that this issue could not be put on the Agenda; what the Council was discussing today was the respect of its procedures, of the decisions adopted by the Organization's supreme body, and of the Resolutions of the United Nations Security Council (UNSC).
254. The Delegate of Serbia said she believed the issue was simple, because everyone recognized the necessity of obeying and respecting the Organization's Convention, its Rules of Procedure and, above all, the decisions it had taken. If Members did not do so, they would be putting at risk the integrity and authority of the Organization. The supreme decision-making body of the Organization was the Council, in which all Member States participated, and in June 2012, when so-called "Kosovo" had first attempted to accede to the Convention establishing a Customs Cooperation Council, the Council had concluded that "the matter should not appear on the Policy Commission or Council Agenda again until there was tangible progress ...". This conclusion had been adopted by consensus, which gave additional weight to it as

it reflected the will of all the Organization's Member States. A challenge to this conclusion was a challenge to the will of all the Member States.

255. The Delegate of Serbia turned to the question of why the 2012 conclusion had been adopted by consensus. Firstly, it was clear that the issue had been, and still remained controversial, and by reaching a consensus all the Members had wanted to send a strong message that they agreed not to politicize the Organization but to focus on preserving the goal of making it one of the most prestigious expert, professional international organizations - an organization independent from political pressures and true to its values.
256. She said that all Members were aware of the legally binding UNSC Resolution 1244 (1999). That Resolution continued to provide valid legal grounds for the administration of Kosovo and Metohija, and clearly confirmed the sovereignty and territorial integrity of the Republic of Serbia. She said that Kosovo and Metohija was an autonomous province forming an integral part of the Republic of Serbia that was, in accordance with UNSC Resolution 1244 (1999), administered by the United Nations Interim Administration Mission in Kosovo (UNMIK). It was clear from the foregoing that so-called "Kosovo" was not a State and as such it did not meet the WCO membership requirements under Article XVIII of the Convention.
257. The Delegate of Serbia went on to say that the Members of the WCO were Members of the UN and were aware of the provisions of the UN Charter, which they all agreed to respect and which they all cherished; Article 25 of the Charter clearly stated that UNSC Resolutions were obligatory. Additionally, Article 103 clearly stated : "In the event of a conflict between the obligations of the Members of the United Nations under the present Charter and their obligations under any other international agreement, their obligations under the present Charter shall prevail". Also there was a dialogue between Belgrade and Pristina under the facilitation of the European Union, which everyone supported and which was the result of a Resolution of the UN General Assembly. The unilateral steps undertaken by so-called "Kosovo" beyond the framework of the Belgrade-Pristina dialogue had a negative impact on the dialogue, which was aimed at addressing outstanding issues and improving the quality of life of the population. Serbia was fully devoted to this dialogue and had invested a lot in it; it had even taken some difficult decisions with the goal of moving the dialogue forward.
258. What was being discussed today was not only about Serbia, but about the functioning of the WCO. Today it was Serbia, tomorrow it could be any Member, or any issue regarding the work of the Organization. This was about the rule of law, which everyone agreed was essential.
259. The delegate said that the Depositary had not respected the valid and binding Council conclusion of 2012, the CCC Convention, a UNSC Resolution, the Charter of the UN and the Vienna Convention on the Law of Treaties. The Depositary was bound to respect the conclusion of the supreme body of the Organization and to inform all WCO Member States and the WCO Secretariat, without delay, as it had done back in 2012, of the intention of the so-called "Kosovo" authorities to deposit their instrument of accession. The delegate emphasized that the Depositary was very well aware of the sensitivity of this issue, because it was precisely at the request of the Depositary that the 2012 Council conclusion existed. By receiving the instrument of accession to the Convention deposited by so-called "Kosovo", the Depositary had been in direct breach of Article 76 of the Vienna Convention on the Law of Treaties, which provided that the Depositary was under an obligation to act impartially in the performance of its functions. Under the terms of paragraph 2 of Article 77, "In the event of any difference

appearing between a State and the depositary as to the performance of the latter's functions, the depositary shall bring the question to the attention of the signatory States and the contracting States or, where appropriate, of the competent organ of the international organization concerned”.

260. In addition, the Depositary had not even duly provided the States Parties to the Convention with timely information on the deposit of the instrument of accession, or on objections made in that regard, while some States Parties had to date received no notification to that effect. The Depositary had even gone a step further. It was not authorized to independently interpret the decisions of working bodies and organs of an organization, least of all the supreme body of the WCO. Neither was Belgium's Federal Public Service, Foreign Affairs (MFA), authorized to assess whether or not circumstances had changed or whether or not there had been significant progress in the case of so-called “Kosovo”, or to violate UNSC Resolution 1244 (1999).
261. The citing, by Belgium's MFA, of some examples of the deposit of individual instruments of accession was unacceptable, and its invocations of three conventions to which so-called “Kosovo” had allegedly acceded in the past (Apostille Convention, Convention for the Pacific Settlement of International Disputes, and Convention Relating to International Exhibitions) were groundless. In the Bureau for Exhibitions, under one of these conventions, so-called “Kosovo” could not even participate as its contribution, being based on the scale of assessment of the UN, could not be calculated.
262. The delegate went on to say that Serbia found the Depositary's comparison of this issue with the membership of Palestine to be inappropriate and unacceptable. Palestine and so-called “Kosovo” could not be compared, because Palestine had been recognized as a State by the UN (Observer State), and only after that had it become a Member of the WCO, whereas Kosovo and Metohija was under the interim administration of the UN in accordance with UNSC Resolution 1244.
263. She said she was sure that none of the conventions she had mentioned would be familiar to Members, but they would all remember a very important recent example, namely the 2015 attempt by so-called “Kosovo” to become a Member of UNESCO, which had highly politicized UNESCO and created divisions in that Organization. The application had been rejected, and had done a lot of harm to UNESCO. She wondered why the Depositary had not mentioned that example, or other examples where applications had also been rejected, such as in the International Organisation of Vine and Wine, or the Conference of European Constitutional Courts. Serbia wanted to believe not that the Depositary was biased, but that this was an omission. It did not want to believe that the Depositary was challenging the decisions of the WCO's supreme body or the will of its Member States, or that the Depositary, from a Member State that had several times served as a non-permanent Member in the UNSC, was challenging the authority of the UNSC or a Resolution of the UNSC under Chapter VII.
264. Turning her attention to what the Secretariat had done, the Delegate of Serbia said that in addition to the Depositary, the WCO Secretariat also was bound by the decisions of the supreme body of the Organization, and having in mind the aforementioned valid and binding Council conclusion of 2012, it should not have taken note of the accession of so-called “Kosovo” solely on the basis of the notification by Belgium's MFA. The Secretariat, as an executive, not a decision-making body, should have alerted the supreme body, asking for guidance on how to proceed - especially given the numerous objections, oral or in writing (already 15) - raised by

many Member States concerning representatives of so-called “Kosovo” taking part in the work of the Organization. Of serious concern was the fact that, despite all these objections, the Secretariat had gone a step further, and independently and arbitrarily, in breach of the existing rules, had even assessed the contribution of so-called “Kosovo”. The delegate recalled that contributions in the WCO were calculated on the basis of the scales of assessment of the UN and OECD, and so-called “Kosovo” was not a Member of either organization. As in the case of the Depositary, Serbia wanted to believe that these were omissions that would be corrected; indeed, she did not know how this could be explained to an external auditor when the financial records of the Organization were reviewed.

265. Bearing in mind the above considerations, the Delegate of Serbia concluded by reiterating that : there was still a valid and binding Council conclusion of 2012; there had been no tangible progress on the issue of the accession of so-called “Kosovo” to the WCO (as requested in the 2012 conclusion); the need to respect the previous decision of the Council and the integrity of the Organization, thus avoiding risks of mismanagement, was of the utmost importance; it was also of the utmost importance that the UNSC Resolutions and the UN Charter be respected; it was evident that no consensus existed among the Member States on this controversial issue; numerous objections had been made by Member States to the Depositary and the Secretariat, concerning the attempt to deposit instruments of accession by so-called “Kosovo”.
266. For these reasons she said that the Republic of Serbia, in line with the still valid and binding conclusion of the Council from 2012, requested that the receipt of the instrument of accession from so-called “Kosovo” by the Depositary, and its listing as a Member State by the Secretariat, be considered as null and void, and that all its activities and participation in the work of the WCO be suspended pending the settlement of this issue in the UN. Until then, Serbia insisted that the official documents of the Organization refer to so-called “Kosovo” in a status-neutral manner, in accordance with UNSC Resolution 1244 (1999) and with UN practice, and that so-called “Kosovo” be removed from the list of Members of the WCO.
267. Finally, she said that the Republic of Serbia wished to be constructive. It appealed to all Member States to respect the Organization’s decisions, international law, and the rule of law in general, and hoped that reason would prevail. What was at stake was the functioning and integrity of the Organization.
268. The Delegate of BAHRAIN, in his capacity as Vice-Chair for the North of Africa, Near and Middle East (MENA) region, said that his region had discussed this matter quite extensively and believed that the issue was governed by what was stated in the Convention as it currently stood. Also, previous decisions should be respected. In order to protect the WCO from such situations, the MENA region believed it was vital for future accessions that the Convention be amended. Once a request had been deposited, the WCO should not take any action until the decision of the UN was clear on that matter, as had been the case with Palestine. Without going into the arguments in detail, he said that the MENA region supported the views expressed by the Delegate of Serbia.
269. The Delegate of KAZAKHSTAN noted that this issue had been discussed previously by the Council, and expressed his regret that this incident had intruded into the work of the Organization. Kazakhstan considered that no-one had the right to violate the basic principles of the Organization, and it was a pity that the Secretariat had ignored this issue. No entity could become a Member of the WCO without a decision by the Council. A technical action under Article II of the Convention

Establishing a Customs Cooperation Council could not be converted into a finished legal act. The basic principles of the WCO dictated that a two-thirds majority was required to change a decision taken by the Council, and the latter's previous decision had not been changed. Finally, the Organization did its best to maintain its autonomy and resist politicization, but now the Members were seeing an attempt to politicize the activities of the WCO. Therefore, Kazakhstan supported Serbia's position and called on all Members of the Council to react objectively to this situation. Kazakhstan questioned the future of the Organization and feared that a rather dangerous precedent had been created.

270. The Delegate of ARGENTINA said that, like other Member States, in March 2017 the Republic of Argentina had submitted a note in which it formally objected to the process of accession of Kosovo. As was indicated in that letter, Argentina had always affirmed the validity of UNSC Resolution 1244 (1999), which evoked the principle of territorial integrity and recognized Kosovo as an integral part of the territory of the Republic of Serbia. Therefore, Argentina considered that so-called Kosovo could not be a Member of the WCO as, not being an independent State, it did not meet the requirements set out in Article XVIII of the Convention establishing a Customs Cooperation Council. The Depositary and the WCO Secretariat should not have accepted the application for accession to the Convention made by Kosovo, and this rendered the subsequent procedure null and void. What had been done could set a very dangerous precedent, and it had politicized an eminently technical Organization, i.e. the WCO.
271. The delegate said that in Argentina's view the Depositary, in receiving the instrument submitted by Kosovo, had not acted in accordance with its obligations under the Vienna Convention on the Law of Treaties, and had acted contrary to UNSC Resolution 1244 (1999), which was mandatory. In addition, Argentina believed that account had not been taken of the earlier decision of the WCO that, in the absence of consensus, the issue of the accession of so-called "Kosovo" should not be dealt with again until there had been tangible progress or some other specific reason that justified its resumption. In this regard, Argentina's opinion was that the Depositary should have asked the Secretariat to submit the matter to the Council for consideration, as it had done in 2012. It was regrettable that this decision had not been respected, and Argentina was concerned that this might undermine the legitimacy of the WCO's highest body. At the same time, the Secretariat had exceeded its functions by including Kosovo in the list of WCO Members, explicitly ignoring the Council's 2012 decision; Argentina objected to this inclusion.
272. In conclusion, the delegate said that his delegation reiterated its objection to the Kosovo accession process and, consequently, also objected to Kosovo's presence at the meeting.
273. The Delegate of CYPRUS began by emphasizing that he fully subscribed to everything that the Delegate of Serbia had said, especially with reference to the non-compliance of the application submitted by "Kosovo" with the membership criteria of the WCO, and the unquestionable supremacy of the UN Charter and the internationally binding UNSC Resolutions. He added that the Republic of Cyprus would submit a national statement to the Minutes of the meeting on its position of non-recognition with regard to the purported accession of "Kosovo" to the Organization.
274. He said that, for at least the past 15 years, he had participated in the plenary sessions of the Council, which he had thought to be the supreme decision-making body of the WCO. He felt very perplexed to find himself debating, and questioning, the

authority of the Council and the supremacy of its decisions. In 2012, the Council had taken a clear and precise position on an application submitted by “Kosovo”, i.e. that it would only consider that application again when there was tangible progress or some other specific reason to do so. Since then, the Council had not pronounced itself again on the matter, and therefore this decision should still be valid and should guide the Organization’s actions. There was a precedent to this, as the same standards had been applied and followed in a different case of accession to the WCO, as correctly pointed out by Serbia.

275. He said that with all due respect to the authority of the Depositary, its role was, and should be, of an administrative and procedural nature. By definition, a Depositary was someone who was entrusted with something; hence, the Council trusted that the Depositary would act in good faith, with impartiality and in line with the Council’s decisions. In addition, Article 77, paragraph 2 of the Vienna Convention on the Law of Treaties clearly stated that “In the event of any difference between a State and the depositary, the depositary shall bring the question to the attention of the competent organ of the international organisation concerned”. He wanted to believe that this “competent organ” was the WCO Council. This was standard international practice, and there were examples in other organizations, but unfortunately the practice had not been followed when such a situation had arisen in the WCO. Having said this, the Delegate of Cyprus added that he wanted to believe that the quite complicated and uncomfortable situation the Organization was now facing was due only to a procedural omission by the Depositary. He would like to see the Depositary recognize and correct this situation by withdrawing the disputed notification regarding “Kosovo” and referring this issue to the Council.
276. In addition, in order to preserve and uphold the spirit of unity, the WCO’s tradition of consensus, the focus on the Members’ common mission and objectives and the supremacy of the decisions of the Council, Cyprus called upon the Council to reaffirm its 2012 decision and, thus, to consider this instrument of accession as null and void, delete “Kosovo” from the WCO membership list, and keep the situation under review.
277. Noting that over many years he had had the pleasure and honour to experience the multiple successes and growth of the Organization, the delegate said that this was not only about “Kosovo”; it was also about the essence of the functioning, authority, integrity and future reputation of the Organization. And speaking of the future, he certainly recognized the need to adapt the Organization to the new and challenging international realities. Therefore, it was necessary to find a clear solution that would guarantee the involvement of the Council in pending and future accessions to the WCO, including the case of “Kosovo”, and what could be better than a formal amendment of the Convention. However, considering that this would be a time-consuming process, Cyprus believed it was imperative that, in the meantime, a mirroring interim arrangement be agreed. To this end, it could support the proposal put forward by China during the Policy Commission session, which was explained thoroughly in paragraph 103 of the Policy Commission’s Report, under the item “Accessions to WCO”.
278. The Delegate of BRAZIL said that Brazil supported the statements made by Serbia and by other countries, adding that the WCO was not the Organization to discuss the substantive aspects of this issue, as it was a technical body not a political forum. Brazil did not recognize the existence of Kosovo as a State, and reaffirmed the need to comply with UNSC Resolution 1244. It had expressed its objection in writing. It was essential that the Council take a decision on the issue of Kosovo’s becoming a Member, and reassert its competence in this matter. Brazil supported the Council

decision of 2012, and disagreed with the restrictive interpretation that had been placed on the Convention by some parties. Since 1949, the International Court of Justice and several other bodies had recognized implied powers even if they were not specifically mentioned in a convention; these were the powers needed for the adequate functioning of international organizations, and the most important of them was that the plenary body of an intergovernmental organization - in this case the Council - had the power to decide which countries belonged to the Organization. If that were not so, two possibilities could arise. Either it was up to the Depositary, and even a Depositary acting in good faith (which he believed was the case here) could make mistakes, so it should not be left to the discretion of the Depositary to decide who was a Member of an international organization, especially as this contradicted the concept of equality between all sovereign Members; or, and this was an even worse alternative, no-one could decide who was entitled to become a Member. There were many entities, including some terrorist organizations, that claimed to be States, and in the worst case they could all ask to accede.

279. The Delegate of Brazil pointed out that some other international organizations whose conventions contained very simple language had adopted decisions similar to the one now under consideration, i.e. the governing body had the power to decide on accessions. When the Depositary received a controversial application, it should retain the instrument and inform the Secretariat and the Council Chairperson accordingly, so that the governing body could take a decision. Even in cases where the Depositary had conveyed an instrument of accession to the Secretariat, the Secretariat should ask the governing body to make a decision. The criteria for acceptance were clear, as they were included in several documents issued by the UN and its Secretary General. The delegate concluded that the Council could and should decide on this matter; if it were to reverse the 2012 decision, that would have very serious consequences where the WCO was concerned.
280. The Delegate of AZERBAIJAN expressed his regret that this instrument of accession had been received, adding that UNSC Resolutions should be respected by everyone. The WCO should be consistent in its work, abiding by decisions already adopted by the Council. The position of the Government of Azerbaijan was that it objected to the accession of the so-called "Republic of Kosovo" to the Convention Establishing a Customs Co-operation Council, on the grounds that the Republic of Azerbaijan did not recognize the aforementioned entity as an independent State. Therefore, no bilateral cooperation between the Republic of Azerbaijan and so-called "Kosovo" would be possible under any WCO tools and instruments. The Delegate said that this accession was going to create uncomfortable problems for some countries, including Azerbaijan. Accordingly, the Ministry of Foreign Affairs of Azerbaijan had conveyed to the Belgian Ministry of Foreign Affairs the fact that this was not acceptable to Azerbaijan. He added that in Azerbaijan's opinion the Depositary did not have the authority to qualify such an entity as a State for the purposes of the Convention, and should not have made a decision on this matter without consulting the Council and taking account of decisions previously taken by the latter.
281. The Delegate of the SYRIAN ARAB REPUBLIC said he had listened very carefully to the intervention by the Delegate of Serbia, and he fully and unreservedly supported Serbia's position, which had been made very clear. That position was based on arguments regarding the relevant conventions, treaties and resolutions. Serbia had sent letters to the Belgian Ministry of Foreign Affairs, as Depositary, and to the WCO Secretariat, objecting to Kosovo's accession to the Organization. The Syrian Arab Republic would like the Council to abide by the relevant UNSC Resolution and comply with international law.

282. The Delegate of GEORGIA said his country strongly believed that the Members formed a Customs community which had the privilege to follow the main objective of the WCO, i.e. to be the centre of Customs excellence and an expert-based environment; was it really ready to change this philosophy and become a political platform ? The WCO had always overcome all challenges based on consensus; indeed, it used the slogan “Borders divide, Customs connect”, but at present it was moving further in a political framework, making its main mission fragile and making the Organization vulnerable. Today, Members were celebrating the 65th Anniversary of the WCO; for 65 years they had been strongly supporting mutual interests based on consensus, but now they were diversifying into politics, ignoring the nature of consensus.
283. The Delegate said Georgia considered that the accession of Kosovo to the Convention Establishing a Customs Co-operation Council had no validity, including in the context of Georgia’s treaty relations with Kosovo under that Convention. He wished to thank Belgium’s Federal Public Service, Foreign Affairs for delivering its response; however if, even based on the view of the Depositary, there was no provision in the Convention concerning the accession-related competence of the Council, then because it appeared impossible to reach consensus on the receipt of Kosovo’s instrument of accession by the Depositary, the latter should have advised Members prior to its formal receipt of the said instrument of accession, so that they could express their positions. This was how WCO Members made decisions - based on consensus and discussion, and taking each other’s arguments into consideration. This was not a challenge for one country to deal with today - it was a challenge for everyone, and the possible consequences were hard to predict. Georgia considered the practice adopted in this case to be unacceptable and dangerous, and he reiterated that the Council decision of 2012 should be respected.
284. The Delegate of TURKEY said his country had been informed that Kosovo’s instrument of accession to the Convention Establishing a Customs Co-operation Council had been submitted, and the Convention had entered into force with regard to Kosovo on the date of deposit of that instrument of accession, i.e. on 25 January 2017. The Convention’s provisions concerning membership were indeed clear. Kosovo’s accession process had been conducted in accordance with the Convention. Hence, Turkey considered that Kosovo was currently a Member of the WCO, and its membership should not be questioned any longer. Also, the delegate said that the Council was not a platform for disputing political issues. Regarding possible solutions to disputable cases of this kind, if countries considered that it would be difficult to amend the Convention, as this would require all Contracting Parties to notify the Belgian Ministry of Foreign Affairs of their acceptance of the amendment recommended by the Council, then the question was how could similar, disputable accession initiatives be handled in the future. Turkish Customs would support a pragmatic solution for future situations. Consideration could be given to having the Council adopt a common Declaration regarding a possible revision of Article XVIII of the Convention Establishing a Customs Co-operation Council.
285. The Delegate of the EUROPEAN UNION said that the EU took note of the notification by the Belgian authority and reaffirmed that such designation was without prejudice to its positions on the status of Kosovo, in line with UNSC Resolution 1244/1999 and the International Court of Justice Opinion on the Kosovo declaration of independence.
286. The Delegate of the RUSSIAN FEDERATION began by joining previous speakers in recalling the Council decision of 2012, adding that Members had been

obliged to return to the discussion on the possible membership of Kosovo in the WCO because, in March of this year, the Belgian Ministry of Foreign Affairs, as the Depository of the Convention Establishing a Customs Co-operation Council, had notified Members of the so-called "accession" of Kosovo. She said that the position of the Russian Federation regarding membership of this territorial entity in the WCO was well-known; it was reflected in the 2012 Council Minutes, and it remained unchanged. The Russian Federation still believed that it was premature to talk about WCO membership for Kosovo, as this would contradict the Convention as well as other provisions of international law which regulated the status of Kosovo. In this connection, the Delegate recalled that Article XVIII of the Convention specified that the Government of any State could become a Contracting Party to the Convention. UN Security Council Resolution 1244 - the single, legally binding instrument that provided the basis for settlement of the issue regarding the status of Kosovo - clearly affirmed the territorial integrity of Serbia, of which Kosovo and Metohija were a province.

287. The Delegate said that based on this legal situation, on 30 March 2017 the Embassy of the Russian Federation in Belgium had conveyed Russia's objections to the action taken by the Belgian Ministry of Foreign Affairs, as Depository of the 1950 Convention; in notifying Members of the accession of the territorial entity of Kosovo, the Ministry had gone beyond the framework of the technical functions of a depositary. The Russian Federation believed that the Council decision of 2012 remained valid, and that this matter should not appear on the Policy Commission or Council Agenda again until there had been tangible progress regarding the legal international status of Kosovo.
288. Although it was true that the number of States which recognized Kosovo had increased over the past five years, in terms of international law this was not a decisive factor and should not be regarded as "tangible progress". The Delegate said she tended to agree with the Delegates of Serbia, Bahrain and other previous speakers that examples of "tangible progress" would be Kosovo becoming a Member of the UN or obtaining observer State status there, as had Palestine, or developments in the discussions between Belgrade and Pristina on the status of Kosovo. Finally, she recalled that these discussions on the possible accession of Kosovo were taking place under a broader Agenda item entitled "Accessions to WCO"; therefore, whatever approach was agreed upon in relation to Kosovo would very probably also be employed in order to resolve any future issues related to membership applications, especially involving territories whose international legal status was in dispute.
289. The Delegate of the UNITED STATES said the United States welcomed Kosovo as a Member of the WCO. As a WCO Member, Kosovo Customs would be able to leverage the WCO's expertise and important tools that would help it to facilitate trade and bolster security. The process for accession to the international instrument that had founded the Organization was a matter of law, and had to be governed by the terms of the Convention Establishing a Customs Co-operation Council. Nothing in the Convention stated that WCO Members needed to be UN Members. The Council was not empowered under the WCO Convention to approve or disapprove Kosovo's accession to the WCO Convention. The United States would not agree to any document or communication from the Council to the Depository in this matter. Kosovo's accession was fully consistent with Article XVIII of the Convention. The Depository (the Kingdom of Belgium) had carried out its ministerial duties appropriately by accepting the instrument of accession and notifying WCO Members.
290. The Delegate of the United States added that upon the deposit of its instrument of accession, Kosovo had become a Member of the WCO. There was no legal basis

for treating it any differently from any other Member. To the extent that any party to the WCO Convention did not wish to be in a treaty relationship with Kosovo, that party was free to avail itself of well-established mechanisms for stating an objection to such a relationship. This is what the United States had done with respect to Palestine. The United States did not recognize Palestine as a State - some WCO Members did, some did not. He said efforts that sought to contest Kosovo's status as a WCO Member unjustifiably politicized the Council, undermined the legal underpinnings of the Organization, and threatened Members' ability to continue the important work of the WCO. Supporting Kosovo's membership in the WCO did not require, nor did it imply, a change in bilateral recognition policy. Many countries that did not recognize Kosovo had supported its membership in other international organizations.

291. The delegate concluded by indicating that Kosovo was a contributing member of the international community that was recognized by over 100 other countries and was a Member of UN specialized agencies, including the World Bank and IMF. The WCO's decision on Kosovo was also consistent with UNSC Resolution 1244. There was nothing in UNSC Resolution 1244 that said Kosovo could not or should not be treated as a State. Lastly, in an effort to pursue a compromise, if others agreed the United States would be prepared to accept the concept that WCO documents refer to "Parties" rather than "States." However, all Parties would have to be identified in the same manner.
292. The Delegate of GREECE began by emphasizing that Greece fully subscribed to what had been said by the Delegates of Serbia, Cyprus and others, especially with reference to the compliance of the application submitted by Kosovo with WCO membership criteria, and the supremacy of the UN Charter. Greece was not questioning the authority of the Council and the supremacy of its decisions, and wished to stress the administrative and procedural role of the Depositary. That said, Greece would like to see the Depositary recognize this oversight, withdraw the notification of the deposit of the instrument of accession of Kosovo, and refer the issue to the Council. The delegate also called upon the Council to reaffirm its 2012 decision and thus consider this instrument of accession as null and void. Concerning future accessions, Greece recognized the need to adapt the Organization, but in the meantime an interim arrangement had to be reached.
293. The Delegate of GERMANY said that Germany had been one of the first countries to officially recognize the Republic of Kosovo after the country had declared its independence in February 2008, and to establish diplomatic relations with it. Germany was considered to be one of Kosovo's privileged partners, offering the country long-term support in its efforts towards integration in Euro-Atlantic organizations. The current regulations under Article XVIII of the Convention Establishing a Customs Co-operation Council contained stipulations regarding all instruments of accession to the WCO. Kosovo had met the requirements and had become a Member of the WCO. Germany supported Belgium's view of the legal situation, which had been presented during the last Heads of Customs Conference in Vienna as an official statement by Belgium. The delegate said that Germany reaffirmed its strong support for this decision and looked forward to cooperating with this new Member of the WCO family. Furthermore, Germany believed that there was no necessity for the WCO to reform the rules for future accessions.
294. The Delegate of BELARUS said that the Republic of Belarus did not recognize the unilateral declaration of independence of Kosovo and, accordingly, did not consider it as a sovereign State. The Republic of Belarus opposed the membership of Kosovo

in the WCO as a sovereign State. In its opinion, the accession of Kosovo to the WCO had no legal basis and did not entail any legal consequences. Belarus' continuing membership of the WCO and participation in the work of the Organization did not prejudice the aforementioned position. The Republic of Belarus did not consider itself bound by any international legal obligations towards Kosovo. It supported the position of Serbia. The delegate added that the issue under consideration had already been discussed by the WCO Council, the decision had been made, and pending its revocation or the occurrence of circumstances as specified in the decision, Belarus saw no legal basis for considering Kosovo's accession to the WCO, let alone making a positive decision about that issue.

295. The Delegate of SOUTH AFRICA, in his capacity as Vice-Chair for the East and Southern Africa (ESA) region, said that his region, comprised of 24 Members, had held extensive discussions on this matter. After careful reflection, including reference to other pertinent principles and practices, the ESA region had arrived at a common position. In the absence of recognition of Kosovo as a State, the ESA region could not support the accession of Kosovo to the WCO. Notwithstanding the fact that the WCO was an apolitical intergovernmental organization, the region noted that the WCO itself was composed of political constructs, in the form of Member States. Thus, Member States were defined in terms of political territories, so there was no absolutism in the definition of the term "apolitical".
296. The Delegate of UZBEKISTAN said that the Republic of Uzbekistan did not recognize the independence of Kosovo. This remained one of the most complicated issues in international relations, and Uzbekistan believed that all issues related to declarations of independence by countries should be decided in the framework of the United Nations. The Kosovo precedent could have negative consequences for the WCO, and for this reason Uzbekistan supported the position voiced by the Delegate of Serbia.
297. The Delegate of PAKISTAN said he understood that the WCO could bring new Members into its fold, without taking account of decisions about recognition taken in any other international forum. He said the creation of new States had always been controversial - the mother State normally resisted recognition of its separated part. The situation on the ground, however, reflected a different position. It was only with the passage of time that newly-emerged States were recognized. Pakistan therefore urged the Council to recognize the practical situation on the ground and allow Kosovo be part of the WCO, so that it could be a State that complied with all international obligations. Alternatively, the matter could be put to the vote so that the majority could decide on Kosovo's accession.
298. The Delegate of BANGLADESH said he had been instructed by his Government to convey to the Council that since Bangladesh had recognized Kosovo, it also supported the accession of Kosovo to the WCO.
299. The Delegate of SLOVAKIA said that with regard to the pending application of Kosovo for membership of the WCO, the Slovak Republic maintained the position it had presented during the WCO Europe Meeting in Vienna. The Slovak Republic still had concerns about the procedural aspects of this pending application. It would also highly appreciate more information as to why the conclusions of the 2012 WCO Council Sessions had not been followed. The key element for membership, as recognized by the WCO Council itself in 2012, was consensus among the Member States. Looking back to 2012, consensus had not existed then; in the Slovak Republic's opinion, it was obvious that consensus did not exist now either. For this reason, the Slovak Republic

supported the statements made by the Delegates of Serbia, Cyprus, Greece and other Member States.

300. The delegate added that according to Article XVIII of the Convention Establishing a Customs Co-operation Council, all Members of the WCO had to be notified in the event of the accession of a new Member. The Slovak Republic still had not received such a notification, and an explanation for this would be highly appreciated.
301. When it came to future accessions, the delegate said the Slovak Republic strongly believed that all WCO Member States should strive for a clear and precise accession process. It was not sure that the Organization currently had such a process, that reflected the evolution of the world since the 1950s when the Customs Co-operation Council Convention had been drafted. This was why the Slovak Republic wished to support and reiterate the EU position. It fully agreed that the Convention establishing a Customs Cooperation Council should be amended to address the aforementioned evolution of the international environment. At the same time, it was fully aware that this process would take considerable time.
302. That being said, the Slovak Republic was of the opinion that the WCO Council could have a role in this process, i.e. an advisory role in complicated accession cases or any pending cases, such as for example in the case of countries which were non-UN Members. In such cases, the Depositary could ask the WCO Council, through the Secretary General (exactly as it had done in 2012), for its advisory (non-binding) position or guidance regarding such an accession. The delegate said that this was also the practice in other international organizations.
303. The Delegate of CHINA said that the issue was not whether or not Kosovo was recognized as a State, or whether or not it should be a Member of the WCO; it was about procedures. As the 2012 Council decision was still valid, and no further decision had been taken by the Council on this matter, China had been very surprised to find that without such a decision, and without the authorization of the Council, this application had already been accepted by the Organization, in the sense that the name of this new Member had been included in the list of WCO Members and in other documents. Many previous speakers had raised this point. The 65th Anniversary of the WCO was being celebrated during the Sessions, and in this mature and prestigious organization it was quite clear that any mistake made, or action taken without the authorization of the Members, should be corrected. Today the issue was an application for membership, but tomorrow it might be another issue. She asked her fellow Members whether they were willing to accept the fact that a new Member had been added without their authorization, without a consensus decision having been reached, and in fact without their knowledge.
304. On the accessions issue itself, she agreed with previous speakers that the precondition for accession was that the applicant had to be a State. There would appear to be no doubt about the sovereign status of UN Members, but from time to time controversies arose about the sovereign status of entities that were not UN Members. In such cases, it was not up to the Depositary or the Council to make a judgment about these international controversies. In her view, the answer would be to suspend such applications until the international controversy had been settled.
305. In this technical organization which had many Customs challenges to address, she suggested that the Council adopt a procedure governing all future accessions to the WCO, in order to avoid time-consuming discussions in the future. Some Members

had already mentioned the possibility of amending the Convention for this purpose; however, bearing in mind the long process for such an amendment, she believed it was necessary for the Council to adopt an interim solution. As she had indicated during the Policy Commission session, she would suggest a Council Decision for this purpose, including three points : (i) the Depositary to refer all applications for accession to the Council, without any prejudgment (this would free the Depositary from such burdens in the future); (ii) for a non-UN Member about which there were no international controversies regarding its sovereign status, the instrument of accession would simply be accepted; (iii) for a non-UN Member whose sovereign status was the subject of controversy, the Council should not attempt to make a judgment regarding that entity's status, and the application would simply be suspended until the controversy had been settled elsewhere. In the interests of transparency and fairness, such a procedure, if adopted, should apply equally to all applications.

306. The Delegate of ALBANIA said that although there was no room for further discussion, as in Albania's opinion this had been a closed issue since 25 January 2017, her country believed that the Republic of Kosovo's membership of the WCO was of great importance not only for Kosovo but also for other WCO Members, especially Kosovo's neighbours with which it had trade exchanges. Like many other countries, Kosovo had become a Member of the WCO by depositing its instruments of accession with the Belgian Ministry of Foreign Affairs, as stipulated by Article XVIII of the founding Convention. The Belgian Ministry of Foreign Affairs, by notifying all signatory and acceding Governments and the Secretary General of the deposit of that instrument, had fulfilled a duty prescribed by the Convention, without violating Article XVIII. That Article stated : "The Government of any State which is not a signatory to the present Convention may accede thereto as from 1 April, 1951". The Delegate emphasized that this Article did not indicate that only Members of the United Nations could be regarded as States.
307. Bearing in mind that international organizations did not recognize States - only States recognized States, the Delegate of Albania went on to say that Kosovo fulfilled the criteria set by the Montevideo Convention of 1933, as it was recognized by the majority of UN Member States. Kosovo, as a new Member of the WCO, had demonstrated its willingness to honour all commitments to the rules and standards of the Organization, had paid its membership fee in due time, and was in the process of finalizing its internal procedures for acceding to some Conventions for which the WCO Secretary General was the Depositary. Kosovo, as an independent State recognized by 114 countries, had control of its territory and trade flow. It had built a functional and effective Customs institution; Kosovo Customs had created international personality, recognized by a large number of WCO Members.
308. The delegate added that so far, Kosovo had 11 bilateral agreements on mutual assistance in Customs matters with countries of the region, EU Member States and others. The Stabilization and Association Agreement between Kosovo and the European Union, which had entered into force on 1 April 2016, had established a contractual relationship between the Union and Kosovo, covering a wide variety of sectors. Kosovo was a Member country of more than 60 international organizations. At present, the majority of WCO Members did recognize Kosovo, while more than 30 WCO Members that did not recognize Kosovo had supported its membership in different organizations. By undergoing the same procedure of depositing instruments of ratification, Kosovo had become a party to the Convention Abolishing the Requirement of Legalisation for Foreign Public Documents (known as the Apostille Convention) on 6 November 2015, a Member of the Permanent Court of Arbitration on 5 January 2016, and earlier, part of the 1928 Paris Convention on International

Exhibitions, of the International Centre for Settlement of Investment Disputes, etc. So, it was clear that there were no grounds for any ambiguity on Kosovo's membership of the WCO. The Republic of Albania welcomed the Republic of Kosovo to the Customs family.

309. The Delegate of ROMANIA said that Romania was one of the Member States which had sent an objection both to the Belgian Ministry of Foreign Affairs and to the Secretariat. Romania did not recognize Kosovo, and in its opinion the Council conclusion of 2012 should prevail. A compromise had been agreed at that time; technical assistance was being provided to Customs in Kosovo, and countries were cooperating with Kosovo even if they did not recognize it as a State. However, in this instance there had been a lack of transparency in the entire process. Romania remained convinced that any decision related to accessions which presented some uncertainties should be made in consultation with the Council.
310. The Delegate of CHILE said that Chile supported the position expressed by the Delegate of Serbia. Indeed Chile, like Serbia, had sent a Note to the Depositary, objecting to Kosovo's membership of the Organization. He said Chile believed that Kosovo was not recognized as a sovereign State at international level. There was no governmental relationship between Chile and Kosovo, and therefore Chile objected to Kosovo's accession to the WCO.
311. The Delegate of SPAIN said he wished to express his support for Serbia's views, which had already been echoed by many delegations, and reiterate Spain's position which had been expressed on several previous occasions. He said Spain considered that the instrument of accession to the Customs Co-operation Council (CCC) presented by the territory of Kosovo should have been dealt with in accordance with Article XVIII of the Convention Establishing the CCC, which provided that the Government of any State could accede to the Convention. This application for accession had been handled without reference to the controversy surrounding the international status of the territory of Kosovo, as evidenced by the fact that it was not a Member of the UN and many UN Members had not recognized it.
312. The delegate said it was therefore necessary to consider the role played by the Depositary of the Convention. It was not up to the Depositary to determine whether the conditions for becoming a Contracting Party, as established by Article XVIII, were satisfied. For that reason, Spain considered that the receipt and handling of the application submitted by the territory of Kosovo set a dangerous precedent, and was a violation of the Depositary's obligation to act impartially as required by Article 76 of the 1969 Convention on the Law of Treaties, and of Article 77.2 of that Convention which stated, in essence, that in the event of any differences of opinion the Depositary should consult the Members or, where appropriate, the competent organ of the Organization concerned. He said the Depositary should have forwarded the application from the territory of Kosovo to the Member States, and the Member States should have taken a decision on it at the appropriate level within the Organization. The Depositary should not have received the application and processed it automatically. In doing so, it had exercised a power it did not have, namely to determine, explicitly or implicitly, whether the entity concerned was a State.
313. The Delegate of Spain said that in 2012, on the other hand, the Depositary had acted in the proper manner by referring this matter to the Council. Spain therefore wished to emphasize the need to respect the previous decisions of WCO bodies. As far as it was aware, there had been no changes to the position adopted by the Council in 2012. Consequently, the Depositary should have acted in a similar way as it did

in 2012, rather than going against a decision of the WCO's supreme body. Perhaps the world had changed, but Spain felt there had been no tangible progress - membership applications from the territory of Kosovo had been rejected by a number of organizations, including UNESCO and the International Organisation of Vine and Wine.

314. In essence, for the reasons mentioned, the delegate said Spain formally requested that the Depositary's decision to accept the instrument of accession from the territory of Kosovo be suspended, given that it had not acted impartially, it had not consulted the WCO Member States in a case where there were clearly differences of opinion, and it had gone against the decision taken by the WCO in 2012. Finally, the delegate said that in any event, where Spain was concerned the acceptance of the instrument of accession by the Depositary was null and void in the opinion of Spain.
315. The CHAIRPERSON said that although he had not exhausted the list of delegations requesting the floor, the time allocated to the discussion of this item had now run out (a situation which had also arisen in respect of an earlier Agenda item on the previous day), and it was necessary to move on. However, before concluding this item he would give the Secretary General the opportunity to provide some explanations, as some speakers had commented on the actions of the Secretariat.
316. The SECRETARY GENERAL said there had been some criticism of the Secretariat's handling of this case, but the Convention Establishing a Customs Co-operation Council was crafted in such a way that once the Depositary had accepted an instrument of accession and had notified the Members and the Secretariat accordingly, that was the end of the accession process. The Organization had operated in that way for the past 65 years. The difference between the 2012 and 2017 situations was that, in 2012, the Depositary had referred the case to the Secretariat to ask for the views of the competent authority; therefore he had been able to seek the advice of the Council and convey the outcome to the Depositary which, having reflected on the Council's conclusion, had decided not to pursue the accession process and therefore not to send a notification to the Members and the Secretary General. In 2017, however, there had been no prior consultation or notice; he had simply received notification of Kosovo's accession (on 6 March 2017) at the same time as many of the Members.
317. The Secretary General added that he had no discretionary power in the matter - that would be regarded as making a political judgment. For that reason, he had followed the established procedure. He had, however, requested a meeting with the Belgian Minister of Foreign Affairs. At that meeting, held on 23 June 2017, he had conveyed the concerns expressed by many Members, and asked for clarifications. The Minister had promised to send a representative to the Council Sessions to explain the situation and respond to questions. At the meeting on 23 June, the Secretary General had also proposed that given the technical nature of the WCO and in order to avoid its politicization, any future applications for accession from non-UN Members should be referred to the Council for advice. The Minister had suggested that an amendment to the Convention would be a better way forward, and had been very reluctant about the establishment of a new mechanism in addition to the current Convention. The Secretary General had explained that the Council's input would be of an advisory nature only, but again the Minister's response had not been positive.
318. The Secretary General concluded his remarks by requesting that the Depositary be invited to provide further explanations regarding the situation.

319. The CHAIRPERSON then summed up the discussions. The first point he wished to address was when, and how, the Members had become aware that an instrument of accession from Kosovo had been received. He personally had learned of this on 25 March 2017, through a phone call from the Secretary General. The terms of reference of the Council Chairperson stated "It is expected that there be frequent communications between the Secretary General and the Council Chairperson throughout the year, during which the Council Chairperson will [...] be informed of any significant and/or urgent issues and, on behalf of the membership, guide and advise the Secretary General as to the way forward [...]". He did not consider that a two-month delay between the instrument being received and the Council Chairperson being informed of this was the correct way to ensure proper communication between the Secretariat and the Chairperson. He would not venture to make a legal assessment of what was, and was not allowed under the terms of the Convention; as Chair, his role was to conduct the discussions and draw conclusions from them. Today, a considerable number of countries - more than 20 - had had the opportunity to speak. Some Members had maintained that everything had been done in accordance with the Convention and there was nothing to discuss, but he wished to ask those Members, as well as the Depositary and the Secretariat, why, if this was true, the question was on the Agenda for the session.
320. Recalling that his role was to draw conclusions from the discussions, as indeed former Chairperson Ms. J. Feehily had done in 2012, he said that based on the tenor and mood of the discussions he was not prepared to conclude that the Council supported the position of the depositary, as many States did not agree with the procedure carried out by the Depositary. In fact, a wide variety of positions had been presented, ranging from the position that there was nothing to discuss, to many proposals for specific actions that should be taken. A considerable number of countries did not recognize the validity of the actions taken by the Depositary and had raised very serious concerns, in some cases in writing, about the events which had occurred. The Customs Co-operation Council had been set up to act in a spirit of goodwill and on the basis of consensus, and it was his job to lead the discussions towards a consensus. Against that background, the objections voiced by Members (including demands that the representatives of Kosovo be removed from the meeting room, and assertions that Members would leave the Organization if the decision on the accession of Kosovo remained in force) should not be ignored.
321. With that in mind, the Chairperson said he believed that in 2012 all those involved, including the Depositary, the Secretary General and the then Chairperson had acted wisely. He saw no possibility of his revoking the 2012 decision, which had been taken by the Council by consensus.
322. Turning to the question of what should be done next, he said there had been suggestions on the need to establish a set of measures which would safeguard the Organization from such rifts. The External Auditors had drawn attention to the need to foster involvement among the Members, and it was clear that a whole section of the membership now felt isolated to some extent. He concluded that the decision taken in 2012 had not been overturned and therefore remained valid. The next step could be to establish a Working Group to sum up all of the Policy Commission's proposals, which could be found in its Report, and in particular the Secretariat's proposal for a Council Decision recommending to the Belgian Ministry of Foreign Affairs that henceforth, it refer any request for accession received from a non-Member of the UN to the WCO Council, for guidance. Hopefully, the Working Group would be able to prepare a draft Decision for examination in the first instance by the Policy Commission, and then by the Council.

323. Finally, the Chairperson said it was encouraging that two WCO regions had been able to arrive at consensus positions during their discussions in the margins of the Sessions, and he hoped that the membership as a whole would follow this positive example, acting first and foremost for the benefit of the Organization.
324. The Delegate of AUSTRIA raised a point of order under Rule 12 of the Council's Rules of Procedure. He said he would not comment on the political debate which had taken place regarding Kosovo, but his delegation could not accept that the Depositary had not been given the floor, meaning that countries had not had an opportunity to hear, and respond to, the Depositary's point of view. The Chairperson had drawn conclusions, but because Members had been unable to consider the Depositary's position, those conclusions could not be considered to reflect the views of the Council. Also, those conclusions were factually incorrect because they implied that in 2012 a decision had been taken that the Council did not want Kosovo to accede, whereas there had been no unanimity on a decision at that time. According to the 2012 Council Minutes, the Council had merely indicated that it did not wish to give advice to the Depositary, which had requested such advice. So, no factual decision had been taken by the Council regarding Kosovo. He requested firstly that the Depositary be given the floor in order to state its point of view, and secondly that it be entered in the Minutes that the conclusions of the Chairperson on this Agenda item did not reflect the opinion of the Council.
325. The CHAIRPERSON said his ruling on this point of order, which he was required to provide under Rule 12 of the Council's Rules of Procedure, was that the Depositary would be given the floor, and after that his conclusions on this Agenda item would be discussed.
326. The Representative of the BELGIAN MINISTRY OF FOREIGN AFFAIRS said that as the Depositary of the Brussels Convention, the Ministry wished to provide some clarifications about the manner in which it had fulfilled its duty in notifying the Contracting Parties, in March of this year, of a new act of accession to the Brussels Convention of 1950. She said that on 25 January 2017, the Belgian Ministry of Foreign Affairs had received a Note Verbale, accompanied by a document entitled "Instrument of Accession" to the Convention Establishing a Customs Co-operation Council, done at Brussels on 15 December 1950, of which the Belgian Government was the Depositary. This instrument had come from the "Republic of Kosovo".
327. The Belgian Government, in its capacity as the Depositary bound by a duty of impartiality, had confined itself to examining whether the act received was in due and proper form, in accordance with its obligations under Article 77, paragraph 1 (d) of the 1969 Vienna Convention on the Law of Treaties. At first sight, this act had indeed been drawn up in due and proper form.
328. Next the Belgian Government, as the Depositary, had - through diplomatic channels as was correct - informed the Ministries of Foreign Affairs of all the Contracting Parties to the 1950 Brussels Convention, as well as the WCO Secretary General, that it had received the aforementioned act, in accordance with its obligations under Article 77, paragraph 1 (e) of the Vienna Convention and Article XVIII (b) of the 1950 Brussels Convention. The Representative emphasized that she had referred to "receiving" the act, not "accepting" it. Unlike "acceptance", which implied a decision, "receiving" an instrument was a neutral act, and an act of pure form. "Receiving" was, in fact, the correct terminology, used in Article 77, paragraph 1 (c) of the 1969 Vienna Convention to describe one of the functions of a depositary.

329. The Representative said that, in this manner, the Belgian Government had fulfilled its duty to notify all of the Organization's Member States. The legal consequences arising out of the deposit of the instrument thus notified did not flow from that notification, or from a decision of the Depositary, but from the application of the Convention. It was up to each Contracting Party to the 1950 Brussels Convention to decide, individually, on statehood, eligibility and accession. Consequently, the Depositary had already notified Contracting Parties - and would continue to do so - of all reactions/objections received in respect of the notification of the aforementioned instrument of accession and, where appropriate and if necessary, its own responses to Contracting Parties which had complained that the Depositary had not carried out its functions correctly. As things stood at present, 13 out of the current 181 WCO Member States had conveyed to the Depositary, by Note Verbale, formal objections to the accession of Kosovo. Out of these 13 Member States, 8 had criticized the way the Depositary had acted, and the latter had replied, justifying its conduct.
330. She added that one question posed by some Member States was why the Depositary had acted in a different manner in 2017 than it had in 2012, on previous receipt of an instrument of accession from Kosovo. It was true that in 2012, the Depositary had sought the WCO Secretary General's advice on this, and he had submitted that request for advice to the Council. The reason for this different approach was in fact simple, and had to be viewed in the light of the Brussels Convention Depositary's practice, which was similar to that of other depositaries, regarding the circumstances in which a depositary would not notify its receipt of an act, i.e. only when it was evident that the entity which had deposited an instrument of ratification or accession was not a State, would a depositary not give notification of the instrument it had received. One of the essential elements in terms of that evidence was the capacity, or otherwise, to enter into relations with other States.
331. In this connection, the circumstances were very different in 2017 from what they had been in 2012. Unlike in 2012, today a considerable number of States (114) had recognized Kosovo, and Kosovo was a Member of several international organizations (including, inter alia, the IMF, World Bank, Council of Europe Development Bank) and had acceded to several other multilateral conventions, the depositaries of which had, in each case, acted in exactly the same manner as the Belgian Government, in its capacity as Depositary, had acted now.
332. The Representative said that based on this relevant international practice, in January 2017 it had not been evident that the entity which had deposited its instrument of accession was not a State. Here, she reiterated her earlier assertion that this aspect apart, it was not up to the Depositary to decide or adjudicate on matters of statehood.
333. Moreover, the Belgian Government, in its capacity as Depositary of the Brussels Convention, had acted in the same impartial manner now (i.e. in 2017) as it had in 2015 on receiving Palestine's instrument of accession to this Convention (it being noted that the Kingdom of Belgium did not formally, at the bilateral level, recognize Palestine as a sovereign State). It was perhaps worth mentioning that in 2015, the Depositary had also received, and notified, objections to the accession of Palestine from two Member States.
334. The Delegate of ARGENTINA thanked the Chairperson for his valuable proposal on the establishment of a Working Group to analyse future accessions, especially given the lack of consensus shown during the discussions and the fact that several different solutions had been put forward by delegations. Regarding the Kosovo

situation, he asked whether Austria's point of order meant that the Council was being asked if its decision of 2012 had to be regarded as invalid.

335. The Delegate of SERBIA said that, like the Delegate of Argentina, she would support the establishment of a Working Group to analyse future accessions, and she also wished to know whether the Council Decision of 2012 was invalid. Regarding the points raised by the Depositary, she felt that her earlier statement under this Agenda item had been very detailed in respect of all the breaches that had been committed by the Depositary, against the 2012 Council conclusion as well as against Article XVIII of the Convention. The Depositary had emphasized that it had simply "received" the instrument of accession of a State, but there was a valid and binding Resolution of the Security Council in this regard, and Belgium - having served several times on the UN Security Council - was well aware that the Security Council's Resolutions, especially under Chapter VII, were obligatory. The Depositary had also breached the Vienna Convention on the Law of Treaties. With the explanation it had just provided, the Depositary was again engaging in an interpretation of the progress that had been made, and was clearly focusing on those cases it wished to focus on, again failing to mention the well-known case of UNESCO, where so-called Kosovo's attempt to become a Member had been rejected.
336. Turning to the Depositary's reference to the case of Palestine, the Delegate of Serbia said that this was an unacceptable comparison because Palestine had become a Member of the WCO after it became an Observer State in the United Nations. The issue of Palestine had first appeared on the Policy Commission's Agenda in 2006, and she had found many relevant quotations by the Secretary General; for example, in December 2006 he had told the Policy Commission that "At present, Palestine was not a State, but it did have a Customs authority and had signed trade agreements internationally. The problem to be resolved was a legal one, namely whether an entity that was not a State could be admitted". The Report of the Policy Commission's June 2007 session indicated that "The Delegate of Belgium informed Members that the Ministry of Foreign Affairs of Belgium had been consulted on this matter and that its position was clear : although, from a technical perspective, it shared the World Bank's positive assessment, the legal aspects of the accession of Palestine to the WCO remained problematic". The matter had remained under discussion in the Policy Commission from 2008 onwards, until 2012 (i.e. the year that also saw the discussion and adoption of the decision concerning so-called Kosovo), when "The Secretary General said that it seemed likely that the United Nations would review the question of Palestine's status in the Autumn this year based on developments since last year and he suggested that the developments in the United Nations be monitored and that the matter be returned to at a future Policy Commission session".
337. The Delegate of Serbia said she did not understand the double standards which were being applied. In the case of Palestine, which clearly was not under the administration of the United Nations, the Organization had monitored and followed developments in the UN, whereas in the case of so-called Kosovo a valid and binding Resolution of the UN Security Council had been ignored.
338. The Delegate of BRAZIL said that he fully supported the intervention made by the Delegate of Argentina; thus, he was in favour of the establishment of a Working Group, and he considered that the question of whether the 2012 decision was still valid should be put to the vote in the Council.
339. The CHAIRPERSON said he wished to avoid a new round of discussions on Kosovo at this stage, with delegations repeating the positions they had already

stated. The central issue remained the fact that the Depositary had acted in one way in 2012, and in another way in 2017. According to the Minutes of the 2012 Council Sessions, "The Delegate of Azerbaijan said that he had been attending WCO Council Sessions since 1996, and in the past the focus had generally been on Customs issues, and in particular on Customs cooperation from which the Organization had taken its original name. Unfortunately, in the past two years he had seen an increasing tendency for political matters to feature in the discussions. There were many important issues of a professional nature for the Customs community to discuss, including for example supply chain security, and he believed that the Council should concentrate on those issues rather than on territorial disputes which were a reality for a number of countries around the world, including Azerbaijan, but should not be allowed to intrude on the work of the Organization". The Council Chairperson at that time had relied, inter alia, on Azerbaijan's intervention when drawing her conclusion that the issue of Kosovo should not appear on the Policy Commission or Council Agenda again until there was tangible progress, or some other specific reason that warranted its being taken up again. From what he could see, the Council decision taken in 2012 stood valid and remained a stumbling block for the Council to take further decisions.

340. The Delegate of ALBANIA raised a point of order : Kosovo had requested the floor several times during the discussion and had not been granted it, whereas others (including Albania) which had raised their nameplates later than Kosovo had been given the floor. She asked the Chair whether he was making a selection between those requesting the floor; if so, this was not consistent with a spirit of collaboration and proper values.
341. The CHAIRPERSON said that although Kosovo was present in the meeting room, as Chairperson he could not ignore the fact that many countries present did not recognize Kosovo's participation as a Member. Consequently, his ruling on this point of order was that he would not give the floor to Kosovo. In accordance with the Council's Rules of Procedure (Rule 12), this ruling could be overturned by decision of the Council (i.e. by a vote).
342. The Delegate of BELGIUM said he understood from the Chairperson's ruling that he did not consider Kosovo to be a Member of the WCO. He challenged that ruling, as provided for by Rule 12 of the Council's Rules of Procedure, and requested a vote on it.
343. The CHAIRPERSON confirmed that in accordance with the Rules of Procedure, a vote would be held on this issue.
344. The Delegate of the RUSSIAN FEDERATION said that the question of whether Kosovo was to be considered as a Member of the WCO was not a point of order, but was part of the substance of the matter currently under discussion by the Council. Moreover, according to Rule 7 in the Council's Rules of Procedure, it was up to the Chairperson to decide whether to give the floor to any representatives of non-Member Governments that might be present in the meeting room.
345. The Delegate of MOROCCO said the Customs community now found itself in the very situation it wished to avoid - discussing a highly political issue on which delegates were not fully competent to decide. A calm and positive attitude was required so that the Council could move on to address the many important Customs topics that remained to be discussed. The Council had shown great wisdom in 2012, and if in 2017 it had also been consulted prior to the notification of Kosovo's membership, it would undoubtedly have shown the same wisdom. The WCO operated by consensus;

in the absence of consensus within the Council, the solution was to wait until the difficulty had been resolved in the United Nations or elsewhere. The past could not be rewritten, but where future applications were concerned it was essential to put in place some clear rules. In this connection, he drew attention to the proposal put forward by China concerning the handling of any future applications for membership submitted by non-Members of the United Nations.

346. Regarding Palestine, the Delegate of Morocco recalled that for many years, no action had been taken by the Council in response to the North of Africa, Near and Middle East region's requests regarding WCO membership for Palestine. Only after Palestine had become a non-Member Observer State in the United Nations had it been accepted as a Member of the WCO. He urged the Council to focus on the Chairperson's proposal, adding that in his view the establishment of a Working Group which would propose a draft Decision to the Policy Commission or the Council was the only possible way forward.
347. Following a break for consultations, the CHAIRPERSON said that he had considered several options for the way forward, none of which seemed particularly promising. In any event, he had come to the conclusion that, without a vote, it would not be possible to arrive at a satisfactory solution. Against that background, he proposed that a vote could be taken on the question "Would you accept that Kosovo become a Member of the WCO?". The outcome would be clear, and would put an end to all arguments on this point. Then, where the handling of future cases was concerned, there appeared to be very broad support for the establishment of a Working Group.
348. The Delegate of INDIA said she wished to draw attention to the Council's 2012 conclusion that this matter should not appear on the Policy Commission or Council Agenda again until there was tangible progress, or some other specific reason that warranted its being taken up again; the use of the words "taken up again" in that conclusion meant that the matter would have to go back to the Council again if the situation changed; in her view, Belgium did not have the right to take a unilateral decision in the way that it had. Also, she asked what would be the Terms of Reference and timeline for the proposed Working Group, and what would be the status of Kosovo (which had not been recognized by India) pending the Group's report.
349. The Delegate of the UNITED STATES said that while he had no objection to the creation of a Working Group to discuss future accessions, this might give rise to further discussions about the Group's composition and its Terms of Reference, as mentioned by the previous speaker. Consequently, he proposed that the Policy Commission (as a body whose composition was known and in which all regions were represented) be asked to take this matter up at its next meeting. He also observed that no other Member of the WCO had ever been subject to a vote in the Council concerning its membership. There was an established procedure for joining the Organization which Kosovo, like other Members, had followed. He raised a point of order, moving to suspend the debate on this question and proceed with the other matters that delegates had come to Brussels to discuss.
350. The CHAIRPERSON said he took this as a request under Rule 13 (d) of the Rules of Procedure for the closure of the debate on the question under discussion. However, he wondered what would happen if the Council simply moved on now without reaching any conclusion. He drew attention to the Depositary's statement that receiving an instrument of accession was an administrative action which did not imply acceptance of it. The Depositary had also indicated that, in the case of future

applications for accession, it would act on the basis of good practice, consistent with international law. Did this mean that if all the entities around the world whose status was in dispute sent an instrument of accession to the Belgian Ministry of Foreign Affairs, those recognized as States by Belgium would become Members, and those not recognized as States by Belgium would not ?

351. He returned to his earlier suggestion that the solution lay in establishing whether the 2012 conclusion of the Council remained valid, or whether it was a stumbling block and should be removed. A vote on this issue would provide guidance to the Council and make it possible to move the discussion forward.
352. Regarding the points raised by the Chairperson, the representative of the BELGIAN MINISTRY OF FOREIGN AFFAIRS referred the Council to its earlier statement.
353. The Delegate of the RUSSIAN FEDERATION said she did not believe that having the Council vote on whether to accept a new Member was correct from a procedural standpoint, or with reference to the terms of the Council Convention. Article III of that Convention listed the functions of the Council, and the list did not include any reference to accepting new Members into the Organization. As far as she was aware, no-one was calling into question the validity of the Council decision of 2012; she proposed, as a point of order, that (i) the discussions on this matter be stopped now, (ii) it be confirmed in the Minutes of the Sessions that the 2012 Council decision remained valid, (iii) the Minutes also reflect the discussions held, and (iv) the Council then move on to other Agenda items.
354. On a point of order, the Delegate of AUSTRIA remarked that the Delegate of the United States had moved for a closure of the debate under Rule 13; under the terms of that rule, after the floor had been given to one more speaker in favour of the motion and two against it, the motion should be put to the vote immediately. The rule had been broken, and he urged the Chairperson to proceed to the vote.
355. The Delegate of OMAN said that if, as appeared to be the case, the only way to resolve the conflict was to vote, then voting should proceed.
356. The CHAIRPERSON said he had no option other than to put to the vote the motion to suspend (i.e. put aside) the discussion; a two-thirds majority would be required to carry the motion. If that motion was carried, then in practical terms it would mean that Kosovo was recognized as a Member of the WCO. He assumed that this motion to suspend the debate was being used as a technical means of addressing the substance of the issue, but nevertheless, the Rules of Procedure required that the Council vote on the motion. One point to be decided was whether Kosovo would be permitted to participate in the voting. In his view the answer was no, but the Council should vote on this point before voting on the motion to suspend the debate.
357. The Delegate of AUSTRIA suggested that Kosovo be permitted to participate in the voting, and in the highly unlikely event that its vote tipped the balance, the Council could then decide whether or not to count that vote.
358. The CHAIRPERSON ruled against this proposal, on the grounds that it would be tantamount to recognizing Kosovo's status as a Member. He also indicated, in response to questions posed, that for the same reason Kosovo would not be permitted to participate in the vote on whether or not it would be permitted to vote, and that the voting would be conducted by secret ballot.

359. Before voting commenced, the SECRETARY GENERAL said that based on the Convention Establishing a Customs Co-operation Council - and as reinforced by the explanations of the Belgian Depository - currently Kosovo was a Member. Question 1 (Should Kosovo be allowed to vote ?) therefore concerned the Council limiting the competence of a Member. From the Secretariat's point of view this was illegal and would have legal consequences, in the sense that the Organization could be taken before a Court. He said that as guardian of the integrity of the Organization, he was compelled to make this statement, and he requested that it be placed on record.
360. The CHAIRPERSON responded that two WCO regions, as well as many individual Members, did not think that Kosovo was a Member of the Organization. This could not be ignored, and that was the reason for the vote on Question 1 (Should Kosovo be allowed to vote ?). In the margins of the sessions he had been asked for clarifications regarding the meaning of Question 2 (Should we suspend the debate on the accession to the WCO ?), and having sought advice from the Secretariat he wished to specify that "suspend" in this context meant "to put aside for an indefinite time", i.e. if this motion was carried, the Council would not discuss the accession of Kosovo again until another decision had been taken in this regard.
361. Before conducting the secret ballot, the HEAD, ADMINISTRATION AND PERSONNEL, drew attention to the statement made by the Secretary General regarding Question 1; in the light of that statement, when he called out the names of the Members entitled to vote, Kosovo's name would be called.
362. After the ballot papers had been distributed, the Chairperson pointed out that under Rule 21 of the Council's Rules of Procedure, decisions of the Council were taken by a majority of not less than two-thirds of the Members present at the meeting and entitled to vote. He announced that a total of 146 Members had been present and entitled to vote; the number required to attain a two-thirds majority was 98.
363. When the votes on Question 1 (Should Kosovo be allowed to vote ?) had been counted, the Chairperson announced that 77 Members had voted "Yes", 66 had voted "No", and there were 3 spoiled ballot papers. This meant the Council had decided that Kosovo was not allowed to vote, because a two-thirds majority had not been attained. The CHAIRPERSON recalled that the Secretariat considered the vote on Question 1 to be illegal.
364. Noting that a ballot paper had already been distributed to Kosovo for Question 2 (Should we suspend the debate on the accession to the WCO ?), the Chairperson said that if the result of the voting proved to be so close that the vote cast by Kosovo tipped the balance, then the vote would have to be conducted again (given that it had just been decided that Kosovo was not allowed to vote).
365. When the votes on Question 2 (Should we suspend the debate on the accession to the WCO ?) had been counted, the Chairperson announced that 71 Members had voted "Yes", 69 had voted "No", and there were 6 spoiled ballot papers. Therefore, the decision of the Council was not to suspend the discussions on Agenda item 6 - Accessions to the WCO, as a two-thirds majority in favour of suspension had not been attained.
366. Raising a point of order, the Delegate of ICELAND said that he had been attending Council Sessions for 16 years, and these two days had been the worst he could remember. He did not agree with the Chairperson's conclusion concerning Question 1. A two-thirds majority was required to deny Kosovo the right to vote,

because according to the Secretary General, Kosovo was a Member, and if the Council wished to change that position a two-thirds majority was required. Therefore, in his view Kosovo still had the right to vote.

367. The CHAIRPERSON said that at least he now had a decision of the Council to refer to. Some might not agree with it, or might call it illegal, but it was their choice as individual Members whether or not to be bound by the two decisions taken. It was not for him, as Chairperson, to judge. He said it was clear from the statement made by the Belgian Ministry of Foreign Affairs, as Depositary of the Convention Establishing a Customs Co-operation Council, that it had acted on its own discretion in both 2012 and 2017, and that it would do so again in the future. The Secretariat had stated its position. As Chairperson he could not change these things. At the same time, he could not ignore the strong level of protest from the floor, which exceeded anything he had ever experienced before at the Council. It was his belief that the Council decision of 2012 was still in force. Earlier he had proposed that the Council vote on whether it wished to over-ride the 2012 decision, but this proposal had not been taken up by the Members. He reiterated his disappointment at the lack of communication with the Chairperson, recalling that two months had elapsed between Kosovo's deposit of its instrument of accession and his being informed of this development.

- Extraordinary session of the Council and election of a Deputy Secretary General

368. Moving on to practicalities, the Chairperson said that having consulted the Secretariat, he had a very extensive list of matters that remained to be discussed, including a number of technical issues, as well as policy, governance and budget matters. That being the case, he noted that, under Rule 1 of the Council's Rules of Procedure, "The Council may hold additional meetings, either on the request of any Member [...] or, in case of emergency, at the request of the Chairman". This Rule had been mentioned at the Policy Commission's session earlier in the week, in connection with an important item of business that the Council had yet to discuss, namely the timing of the election of the next Deputy Secretary General.

369. After consulting the Secretariat, he had formed the opinion that if the discussions on "Accessions to the WCO" continued now, it would not be possible to complete all of the outstanding business in the time remaining at these Sessions. He therefore sought the Council's views on the possibility of holding an additional, extraordinary, session later in the year. It would provide an opportunity to continue the discussion on "Accessions to the WCO", deal with any other outstanding matters, and conduct the election of the next Deputy Secretary General. On the latter point, he said the Policy Commission had concluded that the question of the timing of, and process for, the election of the next Deputy Secretary General should be submitted to the Council for resolution, it being noted that there was majority support for holding that election at the end of 2017.

370. Specifically, the proposal, which had been coordinated with the Secretariat, was that this extraordinary Council session be held soon after the December Policy Commission meeting, so that the latter could pave the way for the extraordinary session by addressing some of the most difficult issues related to accessions.

371. The SECRETARY GENERAL confirmed that a number of items of business had to be completed at the current Sessions; the proposed extraordinary session of the Council would deal with two issues, namely "Accessions to the WCO" and the election of a Deputy Secretary General.

372. The Delegate of SOUTH AFRICA said he supported the holding of an extraordinary Council session after the December Policy Commission session, and he requested that the necessary deliberations about the election of the next Deputy Secretary General take place at the current Sessions, so that the election itself could be held at the extraordinary Council session in December.
373. The Delegate of SERBIA said that, in a constructive manner and in a spirit of consensus, she could support the proposal for an extraordinary session of the Council to be held in December, and she appreciated the Chairperson's proposal that a Working Group address this topic first. The topic of "Accessions to the WCO", which would be discussed at the proposed session, included both the accession of Kosovo and future accessions, but in respect of Kosovo the situation after the two votes was very clear. There was a valid and binding Council decision from 2012.
374. The CHAIRPERSON said that these two issues remained together as a single Agenda item, entitled "Accessions to the WCO", and the proposal was that this item be discussed further by the Working Group which would be established, and at the extraordinary Council session. As for the 2012 Council decision, it had not been challenged and it remained valid.
375. The Delegate of SERBIA said she agreed with the proposal, but pending the discussions in December on Kosovo and all other future accessions, the Secretariat should delist Kosovo, because its presence was not in accordance with the valid conclusion from 2012.
376. The CHAIRPERSON recalled that the Secretariat had clearly stated its position on this matter. The Depositary had its own view on the accession issue, which perhaps was not shared by the Secretariat, and the Members all had their own views. The issue was still open for discussion, at the extraordinary Council session. In the meantime, he did not want the work of the WCO to be blocked.
377. The Delegate of SERBIA repeated that the 2012 decision of the Organization's supreme body, the Council, was still valid and had to be respected, regardless of the opinion of the Secretariat or the Depositary. If that decision was being challenged, the matter should be put to the vote; if not, Kosovo should be removed from the list of Members and suspended from the Organization's activities.
378. The Delegate of NEW ZEALAND suggested that the Council stop talking about Kosovo at this meeting and get on with its other business. New Zealand joined South Africa in endorsing the Chairperson's proposal for an extraordinary Council session in December 2017, provided that a clear decision was taken at the current sessions in favour of the election of a new Deputy Secretary General at the extraordinary session.
379. The Delegate of INDONESIA said that in the light of budgetary and time constraints, he considered that the next Council Session should not take place until July 2018.
380. The Delegate of the UNITED STATES endorsed the proposal that an extraordinary session of the Council be held later in the year, presumably in December, with the understanding that a vote would be held at that time to fill the Deputy Secretary General position. Regarding the other matters that had been discussed, he said the United States would be submitting a paper to the Secretary General for

inclusion in the Minutes; he suggested that other countries might wish to avail themselves of this opportunity also, as a possible means of moving forward.

381. The Delegates of CHINA, SPAIN, INDIA, GUATEMALA and NIGERIA also endorsed the proposal for an extraordinary Council session in December, with the election of the next Deputy Secretary General being conducted at the extraordinary session.
382. The Delegate of UGANDA proposed that if an extraordinary session of the Council did have to be held, it should take place immediately after the December Policy Commission session and in the same location, in order to facilitate the travel arrangements of delegates required to attend both sessions.
383. The CHAIRPERSON said that according to the Rules of Procedure, Council sessions were normally held in Brussels. Also, many Member countries had Embassies or Customs Attachés in Brussels, so it would be possible for them to be represented at the extraordinary session even if budgetary constraints prevented national Customs officials from making the journey. The Secretariat's proposal was that the extraordinary session take place on 14 and 15 December.
384. The Delegate of BAHRAIN supported the proposal to hold an extraordinary session of the Council in December, which would also include the election of the Deputy Secretary General. He sought confirmation that Egypt's hosting of the December Policy Commission session in Luxor would not be affected by this proposal.
385. The CHAIRPERSON informed the Council that one outcome of the Policy Commission's recent session that had not yet been presented to the Council was that Egypt had very generously offered to host the next session of the Policy Commission, which would take place in Luxor from 4 to 6 December. Policy Commission members would be able to attend both events.
386. The Delegate of CYPRUS agreed with the proposal that an extraordinary session be held in December, on the understanding that in the meantime, the Council decision of 2012 remained valid and Kosovo's membership would be suspended pending the discussions on its accession to the WCO in December.
387. The Delegate of LEBANON said that while he was very happy to be attending the Council sessions for the first time, he was also quite shocked; there had been a great deal of discussion, but to no avail as deadlock had been reached. There had been too much talk of politics and not enough focus on Customs matters. He agreed with the proposal for an extraordinary session of the Council in December, and urged Members to raise the level of the debate and not confine themselves to discussing Kosovo.
388. The Delegate of the RUSSIAN FEDERATION said that he was also shocked; he supported the proposal that an extraordinary Council session be held in December, but suggested following the same model as at the current sessions, i.e. a three-day Policy Commission session, culminating in the preparation of a Report to the Council, followed immediately by the extraordinary Council session, with both meetings taking place in Brussels. This would be the most cost-effective solution for delegates. He agreed with previous speakers that the election of the Deputy Secretary General should take place at the extraordinary Council session, and hopefully it could be agreed in advance that the successful candidate would take office on 1 January 2018.

He assumed that the proposal for a Working Group to discuss the accession of Kosovo was still applicable; such a Group could prepare the ground for the extraordinary Council session by putting forward some compromise proposals.

389. The Delegate of CHILE supported the proposal by the Chairperson and the Secretary General for an extraordinary Council session in December to discuss the general question of accessions to the WCO and elect the next Deputy Secretary General, but he requested that the date of the extraordinary session be brought forward to 11 and 12 December, to provide for a measure of continuity between delegates' journeys to Luxor and Brussels; this would be much more practical for Members travelling from the more distant continents.
390. The Delegate of VIETNAM said he was not in favour of having an extraordinary Council session in Brussels in December, because time, workload and budgetary constraints would prevent many Directors General from attending. In his view, given the importance of the Deputy Secretary General post, the next incumbent should be selected by Directors General themselves. Therefore, he proposed that the election of the next Deputy Secretary General take place at the next ordinary sessions of the Council, i.e. in June 2018, in Brussels.
391. The CHAIRPERSON said that he discerned a clear majority in favour of the proposal, put forward by him and by the Secretary General, for an extraordinary Council session to be held in December, and under Rule 1 of the Council's Rules of Procedure, only a simple majority in favour of holding an additional session of the Council was required. Consequently, he concluded that the Council had decided to hold an additional, extraordinary session in December 2017. The issue of accessions would be dealt with at that session, with respect to previous Council decisions on the matter, and the Chair proposed that a Working Group had to be established to address this issue and prepare proposals to be considered by the Policy Commission and the Council. During the extraordinary session, the Council would also elect a new Deputy Secretary General, and address any outstanding issues not dealt with during the remainder of the current Sessions.
392. The Council agreed.
393. Additional interventions by Members relating to the "Kosovo" question under other Agenda items are contained in paragraphs 5, 45, 52, 55 and 515 to 522 to these Council Minutes. At the specific request of the Delegations of Cyprus and the United States, their written statements which were not read out during the Sessions are contained in a separate Annex (Annex IX) to these Minutes.
394. Later in the Sessions, under Agenda Item 7 - Governance, the CHAIRPERSON returned to the practical arrangements for the December 2017 extraordinary Council session in Brussels, at which an election would be held for the post of Deputy Secretary General.
395. The SECRETARY GENERAL said that a Code of Conduct for candidates for the post needed to be agreed upon at the present session; a draft would be distributed forthwith. Where the timeframe was concerned, a vacancy notice would be issued at the end of July 2017, and as candidates generally needed time for a domestic authorization procedure, a three-month period for the receipt of applications was the norm, i.e. the deadline would be the end of October 2017. Turning to the meeting dates, he confirmed that the Policy Commission session in Luxor, Egypt, would take place from Monday 4 to Wednesday 6 December; in order to allow time for essential

preparations, the extraordinary Council session, including the election of the Deputy Secretary General, would take place in Brussels at the end of the following week, i.e. on Thursday 14 and Friday 15 December.

396. The Council endorsed the dates of 14 and 15 December 2017 for the extraordinary Council session in Brussels, and approved the Code of Conduct for candidates for the post of Deputy Secretary General. The Code of Conduct is set out at Annex V to these Minutes.

7. GOVERNANCE

397. The Delegate of AUSTRALIA introduced this item by presenting the paper prepared by her Administration. She emphasized that WCO governance was important. Organizations which resisted change became stale and strategically myopic. Good governance underpinned organizational performance and culture, and had to permeate at every level of every organization.
398. She said that, the previous day, the Council had dealt with a 15-year itch regarding the Harmonized System, and now the Council was faced with the option of dealing with a similar irritant in advance of the next elections.
399. A year previously, the majority of the Council had indicated a preference for change. Since then, the December 2016 Policy Commission meeting had decided that Australia would take the lead on this issue, consult the membership and provide a paper for consideration at the current Council Sessions.
400. The paper being presented was informed by research which included reference to academic sources. In preparing its submission, Australia had undertaken a robust consultation process - inviting contributions from all Members, capturing the views of 22 Members which had written to Australia, and attending four regional Heads of Customs meetings. The matter had been discussed at all six regional Heads meetings.
401. The delegate said that, in the spirit of transparency, it should be noted that six Members which had written to Australia were not supportive of the conduct of the review and one Member disagreed with the paper's findings. These views were referenced by way of a note in the Australian report and were attached to the paper in full.
402. The paper had been with Members since mid-June. In summary, and based on the research available, it was hard not to conclude that a change to the governance arrangements was both necessary and inevitable.
403. For pragmatic purposes, Australia wished to make a proposal for the consideration of the Council, namely that immediately following the election of the next Secretary General, the membership adopt revised tenure arrangements for both the Secretary General and the Deputy Secretary General positions, whereby each position was limited to a maximum of two terms of five years each.
404. That arrangement would commence on the first day the new Secretary General assumed office in 2019. In practical terms, that would preclude any candidate with more than ten years of tenure from seeking re-election after that date.

405. Notwithstanding the vote the previous year, Australia could see no genuine reason why the Council could not adopt this position in advance of the next election. Process should not be allowed to dictate progress and, indeed, this would remove an issue that might distract from the important process of selecting the right candidate to lead the WCO.
406. The Delegate of NIGERIA said that, in his opinion, this was an issue that the Council should not be discussing since a vote had been taken in the Council the previous year, and that vote had put a stop to the discussion of the topic. As far as he was aware, there had not been a vote to reverse that decision and if the Council - a very important, robust and mature body - was to be respected, its decision in 2016 should be respected and not challenged within a time span of just six months. Once a vote had been taken, it should be observed. Consequently, he had been shocked to receive a letter just six months after the last Council Sessions asking that the matter be re-opened. In his view, the previous decision remained valid and, consequently, the issue should not be being discussed again at the current Sessions.
407. The Delegate of the ISLAMIC REPUBLIC OF IRAN appreciated the informative paper on governance prepared by Australia. He said that the aim of all Members was to ensure that the Organization prospered. The WCO was a specialized institution and its experience played a major part in ensuring good governance within the Organization. The Secretary General and Deputy Secretary General were elected by the Directors General of Member Customs administrations who took various criteria into account when voting for those posts. Looking at the history of elections to those posts, it could be seen that difficulties had not arisen. He therefore considered that Members should not deprive themselves of the possibility to elect senior officials for more than two terms in exceptional cases and, consequently, he favoured retaining the status quo.
408. The Delegate of CÔTE D'IVOIRE agreed with the views expressed by Nigeria and pointed out that at the 22nd Conference of Heads of Customs of the West and Central Africa region held in Dakar, the region had reaffirmed its position in favour of maintaining the status quo with regard to the tenure of the Secretary General and Deputy Secretary General. There was no reason to question the vote and decision taken by the Council on this subject in July 2016.
409. The Delegate of AZERBAIJAN said that the opinion of previous speakers should be respected, as well as the previous decisions taken by the Council. He considered that the issue should therefore not be discussed in greater detail.
410. The Delegate of INDIA said that India agreed in principle with Australia that there should be fixed tenure. Nonetheless, the Council had voted and taken a decision the previous year, and that decision should be respected.
411. The Delegate of the UNITED STATES noted the decision taken by the Council in 2016 and also the decision at the Policy Commission session in December 2016 whereby Australia had been asked to prepare a paper. He thanked Australia for having produced the paper, which made some valid points. The United States also noted that, in a spirit of compromise, Australia had proposed that changes should only take effect several years hence (in 2019 or 2020) and would not affect the election of a Secretary General in 2018.
412. The Delegate of NEW ZEALAND recalled that, at the Council Sessions in 2016, Members had been asked whether a change in governance arrangements was

desirable because of concerns that the WCO might not be at the forefront of international best practice in that respect. A vote had revealed a significant mood for change in the Council, and the Policy Commission had subsequently invited Australia to prepare a further paper for consideration by the Council. New Zealand supported the approach put forward by Australia, whereby a change in governance arrangements would commence on the day when the new Secretary General and Deputy Secretary General took office. New Zealand considered it important to ensure that prospective candidates would already know the basis on which they were standing for election.

413. The Delegate of UGANDA pointed out that, at its Sessions in 2016, the Council had spent two days discussing this issue and now there was a risk of potentially opening up the same discussion. He thanked Australia for its paper but requested that the decision taken in 2016 should be respected; the matter could be revisited at a later stage.
414. The Delegate of CAMBODIA expressed surprise that the governance topic had been reopened at the Policy Commission session in December 2016, just a few months after the Council had taken a decision on the matter through a vote. There had been a small margin in favour of retaining the status quo and that was in line with the rules of the WCO. It was necessary to be seen to abide by that decision at least for a period of time. If the discussion were re-opened now, it could lead to another conclusion or decision that would over-ride the previous one which had not yet been applied even once. His Administration felt that the issue should not be reopened as it was important to protect, respect and preserve the principles, rules and procedures of the Organization's decision-making mechanism and, more importantly, the authority, integrity and credibility of the decisions taken by the Council.
415. The Delegate of the EUROPEAN UNION thanked Australia, also on behalf of the Member States, for producing the paper and reiterated the position of the European Union and its Member States, namely in favour of a limitation on the term of office for the Secretary General and Deputy Secretary General and that this should be applied as rapidly as possible.
416. The CHAIRPERSON summarized that the majority of delegates who had taken the floor were not in favour of implementing the Australian paper. He added, for the record, that when the Members asked in one situation that the decisions of the Council be binding and respected and discussion should not be reinitiated, they should be fair and consistent in other situations and, consequently, the decision of 2012 on the accession issue should be equally respected.
417. In conclusion, he reiterated that he could not see strong support for Australia's proposal to introduce provisions immediately after the next elections, though he could see support for a limitation on the terms of office in general. The issue could be taken up again later, perhaps at the next Council Sessions, but that depended on the wishes of the Council and was for the Council to decide.
418. The Delegate of SOUTH AFRICA said that it could not be correct that a Member be requested to conduct a study and that, when the study was tabled, the very fact of having commissioned someone to carry out the study was then called into question. At the very least, there was a need to consider the substance and content of what the study proposed and not simply to reject it outright. South Africa wished to place on record its view that governance was the lifeblood and soul of a modern professional organization. It was also of the opinion that the WCO, as a dynamic and standard-setting intergovernmental organization, would do well to continuously

re-examine its operations, policies and practices. This would help to ensure that the Organization continued to be a leader in professional and technical Customs matters, including its own configuration. He emphasized that his comments were in no way a reflection on the performance of the current Secretary General and Deputy Secretary General. South Africa appreciated the multitude of achievements of the WCO under the steady stewardship of the current team, led by the Secretary General. Nevertheless, South Africa supported limiting the terms of the Secretary General and Deputy Secretary General.

8. TECHNICAL MATTERS

(a) Compliance and Facilitation

419. The DIRECTOR, COMPLIANCE AND FACILITATION, summarized the work which had been carried out by her Directorate and the Committees it served, namely the Enforcement Committee (EC) and the Permanent Technical Committee (PTC) for the financial year 2016/2017. Before starting, she informed the Council that both the Chairperson of the EC, Mr. J. Lee (United Kingdom), and the Chairperson of the PTC, Mr. J.R. Van Kuik (the Netherlands), would also say a few words on the two Committees.
420. The Director began by providing an abbreviated overview of the main topics dealt with by the Compliance and Enforcement Sub-Directorate in the preceding year, particularly the main outcomes of the 36th Session of the EC. She explained that work had continued to focus on the main high-risk areas as directed by the Policy Commission which had all been captured under the Compliance and Enforcement Package (CEP) along with other cross-cutting or emerging priorities or areas of work.
421. She mentioned that the COPES initiative had become a flagship programme within the Directorate. Another area of risk where work had been further developed was the Cultural Heritage portfolio, where more emphasis had been placed over the past two years, particularly due to the security implications of this form of crime in terms of potential terrorist financing. Another of the main areas of work under the Coordinated Border Management approach had been the fostering of closer Customs-Police cooperation in order more effectively to address security concerns as well as illicit trade.
422. She then turned to another topical area which had been at the centre of the EC agenda as well as of the Policy Commission and Council sessions, namely illicit financial flows, with particular focus on the areas directly linked to Customs core responsibilities such as countering cash smuggling and trade-based money laundering. Technology and data analytics had also been addressed, as had issues surrounding free trade zones, with particular focus on how to improve controls to prevent free zones from being exploited by illicit actors.
423. The Director then moved on to highlight some of the concrete deliverables achieved during the past financial year, as well as the main activities included in the new draft CEP Action Plan for 2017/2018 as approved by the EC. The EC had also discussed the future development of a practical Customs Environmental Guide for Frontline Officers, and endorsed environment-oriented operations scheduled for the current year. In the revenue area, the outcomes of the Third Working Group on Revenue Compliance and Fraud were mentioned, as well as an update on the tobacco-related operational activities and the Global Trade Enforcement Network.

Work in the area of post clearance audit (PCA) was also highlighted, including the approval of the WCO PCA "How to Audit" Typology.

424. Moving to the Drugs Programme, the Director highlighted discussions on flagship joint projects such as the Container Control Programme and AIRCOP. The topic of new psychoactive substances was also addressed, including the outcomes of the global Operation CATalyst and the potential implementation of similar exercises in the future. With regard to the Security Programme, the main focus had been the new Security Project for South East Asia. Turning to IPR and the health and safety area, she referred to the outcomes of the three main operational activities that had been implemented. Finally, for the Intelligence, Risk Management and CEN Programmes, she highlighted the 15th Progress Report of the GIIS Action Plan and the activities undertaken by the CEN Programme, as well as the work of the CENMaT Virtual Working Group.
425. The Director then gave the floor to the CHAIRPERSON OF THE ENFORCEMENT COMMITTEE, Mr. Lee, who focused his remarks on the changes that had been introduced over past sessions, such as adding different formats to allow more in-depth discussions. He also mentioned how the EC had become the driver of the Compliance and Enforcement Package Action Plan which was now being approved at the end of the sessions to ensure that all the activities agreed during the meeting were captured therein.
426. Mr. Lee mentioned that the EC had been working in a more strategic way with regard to the planning and implementation of operational exercises, to make sure that the lessons learnt from past exercises were being integrated into day-to-day operations. He concluded that, in the context of these operations and more generally, the Committee had been pushing for a stronger enforcement capability, going beyond merely seizures and looking to achieve consequence by launching investigations to really impact and deter illicit activities and actors.
427. The DIRECTOR then turned to the activities of the Procedures and Facilitation Sub-Directorate and the work of the Permanent Technical Committee (PTC). She highlighted some of the key topics that had been dealt with during the past financial year, such as the WTO Trade Facilitation Agreement (TFA), e-commerce, integrated supply chain management and many more.
428. Under the TFA, two meetings of the TFA Working Group had been held, one jointly with the PTC and another with the Capacity Building Committee. Having in mind the entry into force of the TFA, work had been further enhanced in this area and a number of tools endorsed. The Working Group on E-Commerce had held its first meeting and work had been carried out under the four sub-groups (Trade Facilitation & Simplification, Safety & Security, Revenue Collection, and Measurement & Analysis). Draft Interim Recommendations on Cross-Border E-Commerce had been developed. An update of the Guidelines for Integrated Supply Chain Management had been launched and discussions on data analysis (the theme of the year) had produced a number of recommendations for the future. The Virtual Working Group on the Future of Customs had discussed global value chains and, as a result, had endorsed a Handbook on Inward and Outward Processing Procedures which was based on the results of a survey to which 80 Members had responded. The Group would be focusing on disruptive technologies and strategic foresight in the future.
429. The PTC had further looked into the obstacles hindering more accessions to the RKC and how they could be addressed. An outline of the Guidelines for Customs

Brokers had been approved and a draft would be discussed in the next financial year. The Single Window Compendium had been substantially updated and was also awaiting approval of the Council. The Single Window Interactive Map (SWIM) was expected to be completed before the end of the calendar year. Another important tool, the Transit Guidelines, was to be formally launched during the upcoming Transit Conference. The Time Release Study Guide was currently being reviewed by a Virtual Working Group and the outcomes would be discussed at the PTC in the next financial year.

430. Under Customs-Tax cooperation, joint approaches and activities had been discussed in detail, and the work and collection of Members' experiences would continue in the year ahead. One new topic had been launched by the private sector and related to the treatment of return-refill containers. A dedicated Virtual Working Group would address some of the concerns raised by the private sector. Lastly, the process of updating the Glossary of International Customs Terms had been relaunched and a group of volunteers would be preparing some recommendations for discussion at the PTC.
431. The Director then gave the floor to the CHAIRPERSON OF THE PERMANENT TECHNICAL COMMITTEE, Mr. Van Kuik, who thanked the Chairperson of the Enforcement Committee for the very good cooperation in the past years and for the work accomplished at the Joint PTC/EC sessions. He referred to the 2014 Council decision to make the PTC a more strategic body, and stressed that it was now focusing on more future oriented topics such as Blockchain technology, data analysis, integrated supply chain management, global value chains and others, most of which were new topics for Customs. Mr. Van Kuik questioned whether the traditional Customs procedures were enough to support the daily work of Customs in today's world or whether bigger changes needed to be made.
432. He concluded by announcing that the next meeting of the PTC would be held in October 2017, including a joint session with the TFAWG. Such a session had been organized in October 2016 and, due to its success, another joint meeting of the same kind was being planned.
433. The DIRECTOR, COMPLIANCE AND FACILITATION, concluded by listing the actions expected from the Council, as indicated in the written reports of the PTC and EC Chairpersons. She also recognized the invaluable contribution of Mr. Lee who had provided exceptional leadership to the EC for the past three years. It was Mr. Lee's last Council Sessions as, after over 40 years of dedicating himself to Customs and public service, he was now retiring.
434. THE CHAIRPERSON OF THE COUNCIL thanked the Directorate for the excellent work accomplished over the past financial year.
435. Finally, with regard to Enforcement matters, the Council :
- approved the Report of the 35th Session of the Enforcement Committee;
 - took note of the draft Report on the 36th Session of the Enforcement Committee;
and
 - acknowledged the various compliance and enforcement-related developments to date.

436. With regard to Facilitation matters, the Council :
- approved the Summary Report of the 213th/214th Sessions of the PTC;
 - approved the Summary Report of the 215th/216th Sessions of the PTC;
 - took note of the various PTC-related developments to date; and
 - endorsed the tools and papers approved by the PTC during the past financial year (Transit Guidelines, Handbook on Inward and Outward Processing Procedures, the updated Single Window Compendium, and the PTC Work Programme for 2016-2019).

(b) Capacity Building

437. The CHAIRPERSON introduced the topic of capacity building and invited the Director, Capacity Building, to present the work accomplished over the past year by the Directorate, as well as the work of the Capacity Building Committee (CBC) and the Integrity Sub-Committee (ISC), both of which had met during the last financial year.
438. The DIRECTOR, CAPACITY BUILDING, opened this item by stating that, as mentioned by the Secretary General the previous day, there were a number of driving forces shaping the Customs reform and modernization agendas. He noted that, along with the WTO Trade Facilitation Agreement (TFA) which had entered into force in February 2017, the Global Counter-Terrorism Strategy and the Punta Cana Resolution were driving some initiatives. Members were now embarking on projects such as Advance Passenger Information (API)/Passenger Name Record (PNR), Cargo Tracking Systems and Solutions, Cargo Targeting Systems, etc.
439. There were some important regional initiatives, such as the Security by Collaboration (SPC++) project that had already been referred to during the Sessions. He said that the announcement of the 2030 United Nations Development Agenda and Goals also raised the need for countries to enhance their domestic resource mobilization capacity. This created the expectation of some increase in projects related to Customs-Tax cooperation and revenue collection as a consequence. A large number of countries were still involved in projects in relation to automation and new technologies, as well as all the issues related to data analysis and capacity within administrations. This was the context in which the current capacity building agenda was operating. The Secretariat remained very much committed to responding to those needs, supporting Members according to the principles that had been agreed on for capacity building :
- Political will.
 - Ownership and commitment.
 - Holistic development.
440. Moreover, this support should not only focus on technical issues but also on organizational requirements for sustaining the reform process, demand-driven assistance and partnerships.
441. The Director then said that 488 capacity building missions had been delivered to Members during the last year, noting that this was an increase of approximately 17 % compared to the previous year. A great deal of the work of the Capacity Building Directorate entailed maintaining, sustaining and even expanding this level of service

to Member administrations. He said that capacity building delivery was not only the responsibility of the Capacity Building Directorate but also a corporate responsibility, and that the other two WCO Directors and their respective teams provided a high level of support to the Capacity Building Directorate, particularly on the issues of expectations and “expectation management”. He noted that a large proportion of the Directorate’s work was related to this delivery and all the projects that were already in the portfolio.

442. It was also clear that the Mercator Programme had gained more relevance since the entry into force of the WTO TFA. The Director recalled the launch of the Programme at the WCO Council Sessions in June 2014 and that it basically comprised two different tracks, an “Overall Track” and a “Tailor-Made Track”, to provide support and assistance to Members.
443. Since the launch of the Programme, the WCO had delivered in the region of 320 missions to 70 different countries, covering all types of assistance : advisory missions, awareness-raising, training, coordination, accreditation of experts, etc.
444. He noted that the Overall Track was designed to deal with broader interests, such as awareness-raising and development of tools and instruments. In that connection, he highlighted the importance of the TFA Implementation Guidelines, the request for enhancing national practices, and the sharing by Members of their experience in implementing the Agreement.
445. The Tailor-Made Track of the Programme focused on the specific needs of Members, sub-regions and regions, and was based on the WCO’s capacity building principles of needs-based support and results-oriented management. A large proportion of the Mercator Programme which was now on schedule for delivery was moving into the Tailor-Made Track and the majority of the missions were also moving in that direction.
446. The Director then referred to the Capacity Building Delivery Plan that had started this year, pointing out that there were more than 40 different subject matter requests for capacity building, covering such areas as Risk Management, Authorized Economic Operator, Human Resource Management, Time Release Study, Post-Clearance Audit, Intellectual Property Rights, Harmonized System, Valuation, Single Window, Strategic Planning, etc. The number of requests and the diversity of subjects were growing. He underscored the fact that the agenda for Customs reform was not only limited to the TFA. Indeed, for many Members it also encompassed other expectations related to security, revenue collection and even organizational development aspects such as integrity or workforce development.
447. Part of the challenge for the Secretariat in managing the portfolio was that many of the needs expressed by Members were still articulated as isolated ad-hoc activities or as topics of core Customs business, such as post-clearance audit and transit, and that the needs were not placed in the proper context of ongoing reform and modernization initiatives.
448. The Director said that it was also worth bearing in mind that many of the topics were interlinked. As an example, he said that the launch of the AEO programme would affect risk management systems, Customs clearance systems and procedures, and IT and the Data Model. This would, in turn, require administrations to enhance their capacity for stakeholder consultations and engagement, and might have an impact on a possible solution for Single Window. It was impossible for any administration to

address all its development needs at the same time. It was therefore imperative that they organize their development agenda and prioritize their investments so as to be able to structure the support provided by the WCO Secretariat and better monitor and report progress to answer questions raised about the efficiency and effectiveness of capacity building assistance.

449. WCO capacity building experience over the past 11 years had proven that external assistance was much more effective and likely to achieve results when delivered as part of a well-defined programme, owned and managed by administrations, that addressed priorities identified through an effective strategic management process, and that was capable of directing resources and mobilizing all the various functional areas of the administration that should contribute to the initiatives. The increase in requests for support and in the variety of themes was forcing the capacity building delivery operating model to evolve. There should be a move from activity-based responses to multi-year assistance plans, based on national development priorities and plans, with a strong focus on results. These plans should be developed with the Member at the latter's request, and ideally be combined with an in-country WCO lead scoping mission.
450. The Director encouraged administrations to establish a unit or a team responsible for supporting management of the development agenda and particularly for coordinating external assistance, such as a project management office or a project management team. He indicated that this was even more important in the context of the Trade Facilitation agenda, because of the need for coordination with National Committees on Trade Facilitation and with other border agencies. When needed, the WCO and the Mercator Programme would provide support to these teams on strategic planning, development planning or stakeholder engagement. Development plans were living instruments and this model of relationship required the Capacity Building Directorate to have much more regular communications with Members. The WCO was going to deploy a network of Mercator Programme Advisors (MPAs) that would support the Secretariat's coordination with administrations, with Regional Offices for Capacity Building, and with other stakeholders to better scope and plan technical assistance to be delivered on technical expert matters. To achieve this, the Capacity Building Directorate had developed a new package on Project Management, which had been approved by the CBC and was now available to all Members.
451. The Director then turned from the Mercator Programme to the topic of the integrity agenda. Integrity remained a very important subject for many Members and was, in fact, even more significant in the context of the Trade Facilitation agenda due to the need for transparency and predictability. The Capacity Building Directorate had produced a Compilation of Integrity Best Practices which was now available to Members on the WCO Web site; however, the best way of highlighting the importance of the integrity agenda was for Members to take a look at the latest edition of the WCO News magazine which focused on this topic.
452. He then stated that one of the core components of the WCO's approach to capacity building was to support people development. In order to develop organizations, there had to be people development. Customs officials in Member administrations had the primary responsibility of moving the development process forward. He pointed out that the WCO did have a number of programmes and while he would not go into detail on all of them, he emphasized that e-learning was one such available programme and that new modules were being developed for Members on Single Window and the SAFE Framework of Standards. A new e-learning

development was that the Organization was working to offer the material in the context of e-learning to the private sector, given that it was not enough merely to address the requirements of Member administrations in order to build capacity, but there also had to be outreach to the private sector which played a role in the process. The Director then turned to the topic of the Leadership and Management Development Programme and stated that it remained one of the areas that was growing in terms of demand and engagement. It was mainly aimed at supporting senior or middle managers to further the development process. He also mentioned the Fellowship Programme, the Career Development Programme, the Scholarship Programme, and the Executive Programme with the support of Korea.

453. The Director then emphasized the importance of gender equality and diversity, which had been a topic of high relevance throughout the year. Indeed, during the Eighth Session of the CBC which had coincided with International Women's Day, the WCO had hosted a number of celebrations to raise the profile of this topic. In addition, the Capacity Building Directorate had distributed a survey to the Members on this subject and the WCO was endeavouring to improve its tools and instruments in this regard. The Directorate had developed the Gender Equality Organizational Assessment Tool to help administrations make an assessment of how they were doing in terms of gender equality. The WCO was open to piloting and exploring the deployment of this tool with any Member that expressed an interest in the subject. He concluded on this topic by reiterating its importance to all Customs administrations.
454. The Director then referred to the accreditation and management of WCO experts, emphasizing that the WCO could not deliver the number of missions conducted without experts. The major advantage of the Organization was its capacity to mobilize resources from administrations and identify experts on a practical basis, namely "people working on the ground", and endeavour to use this expertise to the benefit of the wider Customs community. The Capacity Building Directorate was working very hard to expand the pool of experts, and indeed it had increased the number of experts by 27 % over the past year; there were now experts from more than 100 Member administrations, meaning that the WCO was now better positioned to support all the regions and all Members. He said that, at the last CBC meeting, Members had asked the Secretariat to be more transparent and provide more information on the process for allocating and deploying experts. To this end, the WCO was convening an Experts Deployment Virtual Working Group that was open to any interested Member. The Group could meet on a quarterly basis, probably starting in September 2017. Regarding the MPAs, he said that there were now 48 accredited experts and 24 pre-accredited experts. The Directorate was working to harmonize the way the MPAs operated, such as providing them with handbooks and improving the quality assurance and review process.
455. The Director concluded his presentation by expressing the international Customs community's gratitude to its partners. The WCO could not deliver its activities without the support of the Customs Cooperation Funds - such as those of China, Germany, Japan and Korea - as well as of all the other development partners that had engaged with the WCO on many different projects. He then said that, within two weeks of the entry into force of the TFA, the WCO had held its Capacity Building Week which had included the Capacity Building Committee and the Integrity Sub-Committee. Other issues had also been addressed during those meetings, including the measurement of results and effectiveness, as well as security and trade facilitation at fragile borders. For a recap on those topics, he invited the Chairperson of the Capacity Building Committee, Mr. Per Arvid Nordli of Norway, and the Chairperson of the Integrity Sub-Committee, Ms. Sigfridur Gunnlaugsdottir of Iceland, to speak.

456. The CHAIRPERSON OF THE CAPACITY BUILDING COMMITTEE (CBC), said that the CBC was one of the best attended WCO meetings and the Eighth Session in March 2017 had been attended by more than 260 participants from 87 Member administrations, 4 universities and 21 international organizations, as well as sponsors and private-sector and other stakeholders. He commented that, in earlier years, the CBC had held joint sessions with the Integrity Sub-Committee to ensure that the CBC was relevant and proactive in the development of tools and activities to build integrity and fight corruption. Based on the same line of thinking, the CBC had held a joint session with the Trade Facilitation Agreement Working Group (TFAWG) for the first time this year. One of the interesting themes was the WCO's plans to increase its efforts to assist and enable traders - especially small and medium-sized enterprises (SMEs) - through the implementation of Mercator Programme tools. He emphasized that WCO donor coordination was an important issue in terms of development efforts, and the joint session had supported the WCO approach, endorsing the proposed Mercator Programme Operating Model for the Tailor-Made Track and the Delivery Plan Methodology.
457. The Eighth Session of the CBC had endorsed a proposed Maturity Model and evaluation criteria for measurement, and had also endorsed the re-establishment of the Virtual Working Group on Performance Measurement to carry the work forward. The Secretariat had presented the new WCO Project Management Workshop Package which had been endorsed, together with a proposed pilot. The WCO policy document on expert management and mobilization, a new Handbook for MPAs and the creation of an informal Working Group that would focus on the coordination of delivery and the assignment of experts had also been endorsed. The Chairperson of the CBC then remarked that security and trade facilitation in fragile environments had been put on the Agenda, as Customs had an important role in re-establishing security and facilitation of trade in nations experiencing conflict or political unrest.
458. He pointed out that International Women's Day, marked annually on 8 March, had coincided with the Committee meeting and had given the CBC an additional opportunity to celebrate the gender equality and diversity issue. He then referred to the WCO Secretariat survey on gender equality, to which 57 Members had responded. The survey looked at the ratio of men and women in administrations and in managerial positions, as well as at salaries and whether gender policies were in place. The results showed that more work needed to be done and that this issue could not be left off the agenda.
459. He concluded with a personal observation that progress was being made and that the "knowledge gap" on Customs issues no longer necessarily followed geographical lines or countries' level of development
460. The CHAIRPERSON OF THE INTEGRITY SUB-COMMITTEE gave a brief summary of the 16th Session of the Integrity Sub-Committee (ISC). She indicated that the ISC had held its second joint session with the CBC, focusing on the ISC's central theme of "collective action to promote integrity". This theme proved that integrity-related issues were not only important but also extremely topical as a joint effort was needed from all stakeholders to work against corruption and achieve a culture of integrity not only in Customs administrations but also in the public sector in general, as well as in the private sector. The theme of collective action to promote integrity would become increasingly relevant with the entry into force of the TFA and the attendant issues related to its full implementation. The use of an instrument such as the TFA required focus on integrity and anti-corruption issues, as TFA implementation could not be effected in a suitable and sensible manner in

situations where there was corruption and low levels of integrity. Indeed, the WTO described the TFA as a tool for fighting corruption and promoting integrity in public services.

461. She then turned to the ISC's separate session, during which a number of integrity-related topics had been discussed. Iceland Customs had presented its experience concerning the implementation of a new governance standard on equal pay. This instrument had been created to ensure equality of payment for the same job of equal value for all genders. It not only contributed to the gender equity dialogue but also to the broader agenda of non-discrimination. The use of such a tool would support the creation of a work environment based on integrity.
462. The ISC had also discussed the results of a survey on the role of internal affairs units to promote integrity in Customs administrations (role, composition, tasks and challenges), as well as the importance for Customs and Tax administrations to develop an integrity building strategy to promote integrity. A brief discussion on the interlocking nature of integrity and trade facilitation had also taken place, showing that there could be no facilitation without integrity and that integrity should spare no effort.
463. Members' participation in all the critical discussions on promoting integrity emphasized the consensus among Members that Customs should continue to develop new projects to fight corruption and promote integrity, as corruption was a deeply complex phenomenon that required comprehensive, effective and constructive solutions.
464. The Chairperson of the ISC took the opportunity to draw Members' attention to the excellent WCO integrity tools and instruments such as the Revised Arusha Declaration (roadmap for a Customs free of corruption), the Model Code of Ethics, the Guide to Corruption Risk Mapping and the Guide to Prevent Procurement Corruption in Customs which were effective guidance tools to promote integrity. She also referred to a new tool that had been made available at the 16th Session of the ISC and was essentially a compilation of WCO Members' integrity practices, forming a good source of best practices on integrity. Furthermore, the latest issue of the WCO Integrity Newsletter contained a number of articles reflecting the theme of collective action by the CBC and ISC, as well as other integrity-related articles.
465. Concluding her report, the Chairperson of the ISC invited the Council to take note of the Report of the 16th Session of the ISC and to take into consideration the suggestions made by Members for inclusion on the Agenda for the next ISC session. Given the fact that integrity was a cross-cutting subject of relevance to all Customs areas, it was of great importance that it be included in all WCO Committees.
466. The CHAIRPERSON OF THE COUNCIL thanked the Director of Capacity Building and his team, as well as the two Chairpersons, for the work carried out.
467. The Delegate of SWEDEN thanked the Chairperson of the CBC and the Capacity Building Director for the excellent report on the work being carried out by the WCO in the area of capacity building. He also informed the Council that the Swedish Government and the WCO were currently finalizing the details of a new Swedish financial contribution to the WCO and the Mercator Programme. This was a continuation of the longstanding capacity building cooperation between Sweden and the WCO. The new support should be seen as a complement to Sweden's ongoing support for the WCO's trade facilitation agenda through the Swedish International Development Cooperation Agency (SIDA), and to its specific support to trade

facilitation reforms and implementation of the TFA in Sub-Saharan Africa. Sweden aimed to support the overall capacity building agenda of the WCO by contributing funds that were not earmarked for a specific country or a specific project, but which could be used by the WCO where they were most needed. The delegate noted the efforts made by the CBC during the joint session with the TFAWG, in which Sweden played an active role in its capacity as Vice-Chair. Lastly, the delegate indicated that Sweden welcomed the work that has been initiated in the area of gender equality and diversity and supported the setting up of an Informal Working Group on Gender Equality and Diversity which should gather examples of good practices and discuss how to further develop the WCO's work in this field.

468. The Delegate of MEXICO acknowledged the work of the Capacity Building Directorate and the achievements made, as well as the success of the Mercator Programme, particularly in its second track. Mexico shared the WCO's vision and it had 20 accredited experts who took part in WCO missions across all WCO regions. With regard to integrity, Mexico had been elected as Vice-Chair of the ISC. He also pointed out that during the current G20 Meeting, being held at the same time as the WCO Council Sessions, Mexico would present a proposal to fight corruption and would collaborate with the ISC to create a new anti-corruption mechanism.
469. The Delegate of BRAZIL thanked the Capacity Building Directorate for the Mercator Programme and the technical assistance provided to support Members with trade facilitation. He indicated that Brazil would host an accreditation workshop in August 2017 to increase the number of accredited experts to support the Mercator Programme.
470. The Observer for the SOUTHERN AFRICAN CUSTOMS UNION (SACU) expressed her appreciation to SIDA and the WCO for the technical and financial support they had provided and their efforts that focused on Customs modernization in the region, and more specifically on interconnectivity, risk management, enforcement, IT matters, and also legislation issues which were very helpful for SACU. She mentioned that very clear developments could be seen in the fields in which the WCO and SIDA were providing support. She also thanked the Director of Capacity Building and his team for their cooperation.
471. The CHAIRPERSONS OF THE CAPACITY BUILDING COMMITTEE AND THE INTEGRITY SUB-COMMITTEE thanked delegates for their feedback and appreciation of the work achieved in the areas of capacity building and integrity.
472. The CHAIRPERSON OF THE COUNCIL concluded that the Council :
- took note of the Report of the Eighth Session of the Capacity Building Committee;
 - took note of the Report of the 16th Session of the Integrity Sub-Committee.

(c) Tariff and Trade Affairs

Introduction

473. The DIRECTOR, TARIFF AND TRADE AFFAIRS, reported that all WCO Strategic Goal tasks with regard to Tariff and Trade Affairs had been successfully accomplished over the past year. This was evidenced by the significant workload of the Tariff and Trade Affairs (TTA) Directorate for 2016, with 45 days of meetings held, more than 4,000 pages of document prepared, more than 300 items examined and more than 400 decisions taken. In terms of TTA missions, 69 had been conducted for a total of 359 days in 2016/2017, meaning that almost every day of the year there had been a TTA mission taking place.

474. The Director invited the Council to acknowledge the important contribution to the work by the former Deputy Director, Tariff and Trade Affairs, Mr. Jørn Hindsdal, who had retired from the Secretariat recently after 47 years of service with Customs. He also expressed his gratitude to the Danish Administration for having made Mr. Hindsdal available to the Secretariat. Finally, he thanked the Chairpersons of the Harmonized System Committee, the Technical Committee on Customs Valuation and the Technical Committee on Rules of Origin for their hard work which had yielded fruitful results.

(i) Nomenclature and Classification

475. The DIRECTOR, TARIFF AND TRADE AFFAIRS, noted that 16 reservations had been entered in respect of decisions taken by the Harmonized System (HS) Committee, with 10 referred to the Council. He invited Members who had entered reservations to request the Council to refer the issues back to the next session of the HS Committee in accordance with Article 8 of the HS Convention.

476. The CHAIRPERSON OF THE HARMONIZED SYSTEM COMMITTEE, Mr. S.-C. KIM, informed the Council that two new Contracting Parties had acceded to the HS Convention - Burundi had become the 155th Contracting Party and Palestine the 156th. He noted that, although the latest version of the Harmonized System had entered into force on 1 January 2017, it was not yet fully implemented by all Contracting Parties. He encouraged administrations to fully implement the latest version of the HS and to inform the Secretariat of the status of their implementation as soon as possible.

477. He then invited the Council to approve the matters examined by the HS Committee at its 58th and 59th Sessions as indicated in the Report by the Chairperson. He noted that there were ten reservations that had been sent to the Council to be referred back to the HS Committee for re-examination. He drew special attention to the rising number of reservations, which slowed the work of the HS Committee. He also noted that the Committee had examined the possibility of amending Article 8 of the HS Convention with a view to speeding up the decision-making process by limiting the number of reservations to two. Although the HS Committee had not been able to reach a clear consensus on certain details, a majority of the Committee supported limiting the number of reservations. Finally, he invited the Council to approve the Reports of the 58th and 59th Sessions of the HS Committee.

478. The following delegates took the floor to request that the decisions taken at the 58th and 59th Sessions of the HS Committee in respect of which reservations had

been entered by their Administrations be referred back to the next session of the HS Committee for re-examination :

- Japan : Classification of “Thai Chicken Red Curry” in heading 19.04 (subheading 1904.90) and certain “Seaweed products” in heading 20.08 (subheading 2008.99);
- Denmark : Classification of “Blanched ground-nuts” in heading 20.08 (subheading 2008.11) and the “S-View Cover” in heading 39.26 (subheading 3926.90);
- Argentina : Classification of “Blanched ground-nuts” in heading 20.08 (subheading 2008.11);
- United States : Classification of “Quinoa which has undergone the removal of the saponin layer” in heading 11.04 (subheading 1104.29);
- Mexico : Classification of a “SHARP Thin-film Solar Module, model NA-F GK” in heading 85.41 (subheading 8541.40) and the amendment to the Explanatory Note to heading 69.07;
- South Africa : Classification of “Glass shower enclosures” in heading 70.20 (subheading 7020.00);
- Brazil : Classification of “Blanched ground-nuts” in heading 20.08 (subheading 2008.11) and “Hub Unit Bearings (wheel hubs)” in heading 84.82 (subheading 8482.10);
- Thailand : Classification of “Crab Flavour “ in heading 21.06 (subheading 2106.90); and
- Korea : Classification of “Thai Chicken Red Curry” in heading 19.04 (subheading 1904.90).

479. With regard to the amendment to Article 8 of the HS Convention with a view to speeding up the decision-making process by limiting the number of reservations to two, the CHAIRPERSON OF THE COUNCIL recalled that, under Agenda Item 5 - Policy Matters, the Council had unanimously adopted the proposal of the Policy Commission regarding a Council Recommendation to amend Article 8 of the HS Convention (see paragraphs 217 to 224 above). In this connection, both the Chairperson and the Director thanked the Russian Federation for withdrawing its reservation in respect of the amendment, which had enabled the Council to resolve a longstanding issue.

480. The Chairperson thanked the Chairperson of the HS Committee, the Secretariat and the Members for the good work accomplished.

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

- adopted certain corrigendum amendments to the Harmonized System (HS) following the Council Recommendation of 27 June 2014 concerning the amendment of the HS Nomenclature (HS 2017);

- adopted certain amendments to the Compendium of Classification Opinions consequential to the Article 16 Council Recommendations of 27 June 2014 and 11 June 2015;
- adopted certain amendments to the Explanatory Notes and correction of editorial errors;
- adopted the correction of an editorial error in the Recommendation of the Customs Co-operation Council on the Use of Standard Units of Quantity to Facilitate the Collection, Comparison and Analysis of International Statistics Based on the Harmonized System (14 July 2016);
- took note of the status of implementation of HS 2017 and complementary 2018 amendments;
- referred the questions of the classification of the following products back to the Harmonized System Committee for re-examination :
 - “Quinoa which has undergone the removal of the saponin layer” in heading 11.04 (subheading 1104.29);
 - “Thai Chicken Red Curry” in heading 19.04 (subheading 1904.90);
 - “Blanched ground-nuts” in heading 20.08 (subheading 2008.11);
 - “Seaweed products” in heading 20.08 (subheading 2008.99);
 - “Crab Flavour “ in heading 21.06 (subheading 2106.90);
 - “S-View Cover” in heading 39.26 (subheading 3926.90);
 - the amendment to the Explanatory Note to heading 69.07;
 - “Glass shower enclosures” in heading 70.20 (subheading 7020.00);
 - “Hub Unit Bearings (wheel hubs)” in heading 84.82 (subheading 8482.10);
 - the “SHARP Thin-film Solar Module, model NA-F GK” in heading 85.41 (subheading 8541.40);
- approved the Reports of the 58th and 59th Sessions of the Harmonized System Committee; and
- took note of the various other HS-related developments which had taken place since the previous Council Sessions.

(ii) Valuation

482. Highlighting the valuation-related work, the DIRECTOR, TARIFF AND TRADE AFFAIRS, noted that the Technical Committee on Customs Valuation (Technical Committee) had adopted Advisory Opinion 4.17 on royalties and licence fees which was now submitted for approval by the Council.
483. The CHAIRPERSON OF THE TECHNICAL COMMITTEE ON CUSTOMS VALUATION, Ms. Y. Gulis, advised that in addition to the new Advisory Opinion 4.17, based on a case submitted by Mexico, consensus had been reached on a case submitted by China concerning transfer pricing. She noted that the interaction between Customs valuation and transfer pricing was one of the key challenges in the effective implementation of the WTO Valuation Agreement. It was anticipated that this instrument would be adopted at the 45th Session of the Technical Committee in October 2017.
484. She also noted that discussions would continue on two further questions on this topic - submitted by Ecuador and Uruguay - at the next session of the Technical Committee. Discussions had concluded on valuation questions submitted by Colombia and Uruguay, as consensus could not be reached.
485. The CHAIRPERSON OF THE COUNCIL thanked the Chairperson of the Technical Committee, the Secretariat and the Members for the good work accomplished.
486. At the invitation of the Chairperson, the Council :
- approved Advisory Opinion 4.17;
 - approved the Reports of the 42nd and 43rd Sessions of the Technical Committee on Customs Valuation, contained in Docs. VT1051E1c and VT1075E1c respectively;
 - took note of the draft Report of the 44th Session of the Technical Committee on Customs Valuation, contained in Doc. VT1098E1b;
 - took note of the other Customs-valuation-related developments referred to in the Technical Committee Chairperson's report.

(iii) Origin

487. With regard to the origin-related work, the DIRECTOR, TARIFF AND TRADE AFFAIRS, reported that the WCO Origin Compendium had been published; that Compendium compiled into one document all information regarding origin developed by the WCO in various tools and instruments. This would facilitate immediate access to the knowledge available on all origin-related topics. In addition, the Secretariat had further developed the Comparative Study on Preferential Rules of Origin and an updated version of that Study had been published in June 2017.
488. The CHAIRPERSON OF THE TECHNICAL COMMITTEE ON RULES OF ORIGIN (Technical Committee), Ms. N.P. Umoh, highlighted that the Technical Committee and the WCO Secretariat had been very proactive and responsive to the requests and needs from Members in relation to the management, understanding and application of preferential rules of origin. The activities of the Technical Committee and the Secretariat had greatly impacted on Member administrations, especially in the areas of regional integration and uniform application of rules of origin.
489. In collaboration with the African Union and with funding from the Korea Customs Cooperation Fund, the WCO had organized its first Global Conference on Origin, at which the WCO Origin Compendium had been launched.
490. The Chairperson of the Technical Committee stressed that the guidelines developed under the Revenue Package were particularly important to the African continent in the light of the Continental Free Trade Area initiative for African Union Members. She also mentioned that the WTO Trade Facilitation Agreement had entered into force on 22 February 2017, with requirements to put into place systems that would optimize cross-border management and improve the national supply chain, including a system for advance rulings on origin and classification.
491. She concluded by recalling that the WCO provided technical assistance, including on advance rulings, and advised Members to implement the various WCO guidelines and tools related to origin.
492. The CHAIRPERSON OF THE COUNCIL thanked the Chairperson of the Technical Committee, the Secretariat and the Members for the good work accomplished.
493. At the invitation of the Chairperson, the Council :
- took note of the ongoing efforts in the negotiations for the harmonization of the non-preferential rules of origin;
 - took note of the work carried out by the WCO Secretariat in relation to the WCO Action Plan on preferential rules of origin.

9. BUDGETARY AND FINANCIAL MATTERS

494. The CHAIRPERSON OF THE FINANCE COMMITTEE, Mr. William Williamson (United Kingdom), reported that the Finance Committee had held its 100th Session from 10 to 13 April 2017. Joining the celebration of such an important milestone had been three former Chairpersons of the Finance Committee, namely Mr. Robert Lüssi (Switzerland), Mr. Thomas Schoeneck (Germany) and Secretary General Kunio Mikuriya.
495. He informed the Council that all 19 members of the Finance Committee had been present at the 100th Session, as had the Chair of the Audit Committee, Mr. Bjørn Røse, in his capacity of Observer.
496. The Chairperson of the Finance Committee reported that the accounts for financial year 2015/2016 had been independently audited and that, in the Auditor's opinion, the financial statements faithfully portrayed the assets, financial situation and results of the Organization, with a certified result for the financial year at 30 June 2016.
497. The Auditor had certified a final result in accordance with the balance sheet which stood at 51.1 million euro and a surplus in the Profit and Loss account of 1.4 million euro. The surplus was due to prudent management, an increase in management fee income, limited use of the lapse factor and favourable exchange rate fluctuation (primarily that of the pound sterling).
498. The Finance Committee recommended that the budget surplus be added to the accumulated result which, following this operation, would increase the accumulated result on 30 June 2016 to 11,253,069.91 euro. He invited the Council to acquit the Secretary General of his financial responsibilities related to the financial year 2015/2016.
499. The Chairperson of the Finance Committee recalled that the Organization used Belgian accounting standards but, as had been confirmed by the external auditor, was free to adopt other international accounting standards. Consequently, a study document on the impact of a change of accounting standards would be prepared for the next Finance Committee meeting.
500. Referring to the current year 2016/2017, he said that, at the end of March 2017, 69 % of the total general operating expenses (GOE) approved by the Council for 2016/2017 (16,979,250 euro) had been spent. It was forecast that the financial year would close with a modest surplus of around 407,000 euro.
501. The Finance Committee had discussed the proposal by the Co-ordinated Organisations' Committee on Remuneration (CCR) for international staff serving under Co-ordinated Organisation rules in Belgium and in other associated Organizations. The proposal was an increase of 3.1 % in salaries from 1 January 2017. The Committee had accepted the CCR proposal. The daily subsistence and kilometric allowances remained unchanged.
502. Moving on to the forthcoming financial year, 2017/2018, the Chairperson of the Finance Committee explained that discussions held at the Committee's 100th Session had led to a detailed review of the proposed budget for that year. The Committee had been cognizant of the recommendation of the December 2016 Policy Commission session that there should be no increase in Members' contributions. The Finance Committee had, nevertheless, considered three options concerning a

possible increase in Members' contributions : 0 %, 1 % and 1.5 %, the latter being proposed by the Secretariat as the most appropriate to achieve a balanced budget.

503. There had followed a challenging discussion reflecting a divide between those favouring no increase and those that could accept a 1 % increase. Those that could accept a 1 % increase could do so as it would help achieve a balanced budget, help address the additional increase in salaries agreed by the Finance Committee, and it was a relatively small increase (238 euro) for the vast majority of Members which paid the minimum rate. Those Members favouring no increase had referred to the budgetary constraints experienced at national level and the fact that a surplus had been recorded for previous years and could be used to offset future losses; they also maintained that there should be continuous review to seek savings in the current budget. The Committee, after a protracted and sometimes difficult discussion, had finally agreed on a zero percent increase in Members' contributions.
504. In the light of the Finance Committee's decision not to increase the general operating expenses (no increase being proposed by the Secretariat) or Members' contributions, the Secretariat had been invited to bring forward an amended proposal adjusting the various expenditure Chapters as appropriate. The Secretariat had calculated a balanced budget based mainly on the realization of unrealized gains in the investment portfolio. The Finance Committee had approved this approach for the coming year, but had taken the view that this could not be a long-term sustainable solution.
505. The Chairperson of the Finance Committee informed the Council that the spending on capital expenditure during 2016/2017 had been 60,000 euro lower than the amount (695,000 euro) approved by the Council in July 2016. The Finance Committee had noted the proposal to spend 870,000 euro on capital expenditure in the financial year 2017/2018, mainly on IT infrastructure including for the introduction of the new Enterprise Resource Planning system and alterations to the building to accommodate additional staff. The Council was therefore invited to approve the proposed capital expenditure of 870,000 euro for the next financial year.
506. The Chairperson of the Finance Committee then reported briefly on a range of issues that were set out in his report to the Council and could be read in detail in documents on the WCO Web site. He invited the Council to note that :
(1) the Finance Committee had examined and approved the high-level costing of the Strategic Plan; and (2) details of expenditure of the WCO budget, voluntary contributions and donor funding were set out in Doc. SF0446. As part of its role of due diligence, the Finance Committee invited the Council to adopt amendments to the WCO Staff Manual, the WCO Technical Attachés Manual and the WCO Financial Rules, and to adopt the Manual for Short-Term Contractors.
507. The Chairperson of the Finance Committee then recalled that publications of the WCO had been outsourced since 2007 to the benefit of the Organization. The current contract had been extended to allow the Council to reach a decision on the future of outsourcing of publications. A recent call for tender had resulted in only one response, from the current provider. The terms offered by the current provider were less favourable than those currently in place. In subsequent discussions, the current provider had offered improved rates of royalties linked to extended contracts of five or eight years. The Secretariat had felt that it could not commit the WCO to such a lengthy period without prior discussions in the Finance Committee.

508. The Secretariat had therefore commissioned an independent study to advise on the possible way forward. The study had produced three Options : maintenance of the status quo; temporary outsourcing to the current provider under the supervision of a Publications Officer; and insourcing the publishing activities, while outsourcing the operational activities.
509. The study had concluded that Option One would be detrimental to the WCO's interests because of a significant drop in revenue due to a reduced rate of royalties. Option Two - essentially a long transitional period to insourcing - was the most challenging and expensive for the Organization. Option Three meant that the Organization would regain immediate control of the Publications activity, with the aim of outsourcing operations at some point in the future. There had been strong consensus in the Finance Committee for Option Three as it would end the relationship with the current provider and take the publications function in-house at least temporarily and allow time to determine a new strategy for publications. The financing of the stock purchasing and other arrangements could be financed from the reserves and recovered from future sales. Stock purchased from the current provider would not lose its value. In the interim period following the Finance Committee session, the Secretariat had prepared a business case and plan and concluded a transitional agreement to 31 December 2017 with the current provider to deal with legal, financial and technical issues associated with the changeover. The WCO would employ a Publications Officer and two assistants to cover editorial and sales activities. The Council was invited to take note that the Finance Committee had decided to re-integrate the WCO Publications activity, including all its logistics, into the Secretariat.
510. The Chairperson of the Finance Committee then reported on the discussion at the Committee with regard to e-learning modules. The Director, Capacity Building, had informed the Finance Committee that more than 350 e-learning modules had been developed over the 14 years of the e-learning programme, with 23,000 registered users on the CLiKC! platform and more than 50 Members hosting e-learning platforms at the national level. There was growing interest from the private sector in having access to certain modules and it was therefore proposed that e-learning modules be marketed to the private sector through a stand-alone Web site together with an on-line payment system. The estimated cost of setting up the programme was approximately 192,000 euro, with an annual cost after year one of 135,000 euro. Sales were estimated conservatively at 90,000 euro per annum, with the expectation of substantial growth in succeeding years. The Finance Committee had endorsed the proposal and recommended that initial costs could be covered by the Reserves in accordance with the policy on the use of the Reserves. The financial position would have to be balanced at the end of three years and would be evaluated on an annual basis by the Finance Committee.
511. The Chairperson of the Finance Committee also reported that the Committee had received the first report on projects funded from the Reserves. The Council had already heard the outcome of the use of the Reserves to fund the study on the use of additional languages in the activities of the WCO (see paragraphs 231 to 240 above).
512. In conclusion, the Chairperson thanked all those associated with the work of the Finance Committee, mentioning in particular the Deputy Chairperson of the Committee, as well as the Secretariat for its support and the excellent preparation of the documents.
513. The CHAIRPERSON OF THE COUNCIL drew delegates' attention to the report of the Finance Committee Chairperson that had been circulated in advance of

the Sessions, as well as to the scale of contributions for the financial year 2017/2018 that had been circulated earlier that morning; he also drew attention to the strong reservations made by a number of delegates during the session, raising objections and withdrawing from commitments as a result of the inclusion of Kosovo in the list of Members and in the scale of contributions. He also drew attention to the Policy Commission's conclusions on the Financial Audit. It had taken note of the Financial Audit Report for 2015/2016, together with the Finance Committee's observations and recommendations on that Report, and had decided to acquit the Secretary General of his financial responsibilities for the financial year 2015/2016.

514. The Delegate of ANTIGUA AND BARBUDA sought clarification on the proposal to study alternative accounting methods and the possible implications of such a study on the final reporting of figures.
515. The Delegate of SERBIA queried the inclusion of Kosovo in the list of Members' contributions for 2017/2018, adding that in view of earlier discussions Kosovo should be removed from the list. Secondly, she asked the Secretariat on what basis such a contribution could be calculated, given that the scale of contributions was based on the scales of the United Nations and the OECD, and Kosovo was not a Member of either Organization.
516. The SECRETARY GENERAL explained that Kosovo was on the list, as according to the Convention Establishing the Customs Co-operation Council and according to the explanation given by the Depositary, Kosovo was a Member of the WCO. He had heard a discussion about voting rights earlier in the Sessions but not about its membership. Consequently, from the Secretariat's point of view, Kosovo was a Member of the WCO and, as such, was included in the list. With regard to the calculation method, the UN and OECD scales were used as a reference but Kosovo was clearly a minimum payer as were other non-UN or OECD Members included in the list.
517. In response to the Chairperson's request as to whether the explanation was satisfactory, the Delegate of SERBIA said that she could not understand how the will of all the Member States or the conclusion adopted by consensus was not binding; hence she did not really understand the explanation.
518. The CHAIRPERSON referred to the pressing time limit for discussion and stated that he wished to avoid any more voting. He sought to conclude on the matter, with account being taken of the reservations made by Members in their statements during the session with regard to the inclusion of Kosovo in the list of Members and in the scale of contributions.
519. The Delegate of ALBANIA pointed out that her delegation had wished to take the floor during the voting process. She stated that the process was not correct, adding that what had occurred in the election session was unacceptable from her delegation's point of view. At this point, the CHAIRPERSON intervened, asking that the delegate avoid making statements and rather speak on the subject of financial matters.
520. The Delegate of the RUSSIAN FEDERATION said that, based on the position of his country as already presented and taking account of the absence of a common position on the part of the Council regarding the problem of the attempt of so-called "Kosovo" to obtain membership of the WCO, the budgetary and financial report could be approved with the proviso that "Kosovo" be excluded from the list of budgetary

contributors. Moreover, the Russian Federation could not agree to the Secretariat using a rule which had not been approved by the Council to include in the list of budget contributions as Members of the group paying the lowest level of contribution those Member States whose contribution could not be calculated under the rule approved by the Council. The relevant rule for such situations had to be prepared by the special working group, together with other proposals for consideration at the extraordinary Council session in December 2017.

521. The Delegate of GAMBIA stated that the issue of Kosovo had been fully discussed, yet the Chairperson gave Serbia the floor repeatedly, meaning that other delegations had to step in. The Chairperson should confine discussion to the matter on the table and therefore should not allow another discussion on Kosovo.
522. The CHAIRPERSON OF THE COUNCIL accepted the advice of Gambia and closed the discussion, noting the reservations entered up to that point.
523. In conclusion, the Council :
- approved that the budget surplus (1,456,791.46 euro for financial year 2015/2016) be incorporated and that the accumulated result on 30 June 2016 be established as being 11,253,069.91 euro;
 - acquitted the Secretary General of his financial responsibilities for financial year 2015/2016;
 - approved the setting of the general operating expenses (GOE) for 2017/2018 at 16,979,250.00 euro (equivalent to a 0 % increase in GOE), taking note of reservations made by a number of delegates during the session, raising objections and withdrawing from commitments due to the inclusion of Kosovo in the list of Members and in the scale of contributions;
 - approved a final updated scale of contributions which reflected a 0 % increase in the overall contributions for financial year 2017/2018, taking note of reservations made by a number of delegates during the session, raising objections and withdrawing from commitments due to the inclusion of Kosovo in the list of Members and in the scale of contributions;
 - approved the new Staffing Table for 2017/2018 showing the budgeted posts;
 - approved the proposed capital expenditure of 870,000 euro for financial year 2017/2018;
 - adopted Decision No. 348 concerning the budgetary and financial provisions for 2017/2018 reproduced at Annex VI hereto;
 - approved the high-level costing of the Strategic Plan as agreed;
 - approved the application of the salary scale for Belgium, with effect from 1 January 2017, which represented a 3.1 % increase in salaries while the daily subsistence and kilometric allowances remained unchanged;
 - adopted the proposed amendments to the WCO Staff Manual, with effect from 1 July 2017;

- adopted the proposed amendments to the WCO Technical Attachés Manual, with effect from 1 July 2017;
- adopted the proposed Manual for Short-Term Contractors, with effect from 1 July 2017;
- adopted the amendments to the Financial Rules, with effect from 1 July 2017;
- took note that the details of expenditure from the WCO budget, voluntary contributions and donor funding were set out in Doc. SF0446, presented to the Finance Committee in April 2017;
- took note that the Finance Committee had decided to reintegrate the WCO Publications activity, including all its logistics, into the Secretariat (details were set out in Doc. SF0453);
- took note that the Finance Committee had discussed the report on the use of WCO Reserves to date, as set out in Doc. SF0451;
- approved as a whole the Report on the Finance Committee's 100th Session, as contained in Doc. SF0457E1b.

10. ELECTIONS

524. It was proposed that Mr. Enrique Canon (Uruguay) be elected Chairperson of the Council for 2017/2018.
525. The Council approved the above proposal by acclamation.
526. The CHAIRPERSON congratulated Mr. Canon on his election as the new Council Chair and wished him well in his new role.
527. Mr. CANON thanked all those who had voted for him and also thanked his fellow candidate in the election, Ms. Bettina Vogl-Lang, who had proven a worthy competitor. He also paid tribute to the current Chairperson for having skilfully conducted the proceedings of the Council in difficult circumstances. Mr. Canon said that he would not promise specific results, but would work assiduously with the Secretariat, the Members and the Vice-Chairs to arrive at the best means of moving forward on the basis of consensus. He also conveyed his best wishes to Lars Karlsson, formerly a Director both in Swedish Customs and at the WCO, who was recovering from a serious illness.
528. The CHAIRPERSON then announced that following consultations between the Members in the various regions, it was proposed that the Delegates of Bahrain, Chile, Côte d'Ivoire, Fiji, the Russian Federation and Uganda be elected Vice-Chairs for 2017/2018.
529. The Council agreed to the above proposals which were approved by acclamation.
530. Following consultations between the Members in the various regions, it was proposed that the Council elect as new members of the Policy Commission the Delegates of Argentina, Botswana, Canada, Czech Republic, Democratic Republic of the Congo, France, Germany, Iceland, Israel, Japan, Kazakhstan, Nigeria, Saudi Arabia, Spain, United States and Zimbabwe. It was noted that they would serve

alongside a number of delegates elected to the Policy Commission one year previously, namely Australia, Brazil, China, Dominican Republic, Egypt, European Union, Korea (Republic of) and New Zealand.

531. Following consultations between the Members in the various regions, it was proposed that the following Members be elected to serve on the Finance Committee for 2017/2018 : Austria, Azerbaijan, Burundi, Canada, China, Dominican Republic, European Union, Gambia, Germany, Italy, Japan, Korea (Republic of), Malaysia, Paraguay, Saudi Arabia, Spain, Sweden, United Kingdom and United States.
532. It was proposed that Mr. W. Williamson (United Kingdom) be re-elected Chairperson of the Finance Committee for 2017/2018. There being no nomination for the post of Vice-Chairperson, the Chairperson of the Council said that this could be taken up at the extraordinary session of the Council in December 2017.
533. Following consultations between the Members in the various regions, it was proposed that the following Members be elected to serve on the Audit Committee : Bangladesh, Gabon, Guatemala, India, Lesotho, Morocco, Norway, Peru, Russian Federation, South Africa, Togo and Tunisia.
534. It was proposed that Mr. B. Røse (Norway) serve as Audit Committee Chairperson in 2017/2018 and that the Delegate of the Russian Federation serve as Vice-Chairperson for that period.
535. All these proposals were approved by acclamation.

11. OTHER BUSINESS

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

(i) Revised Kyoto Convention

536. The Delegate of BURKINA FASO deposited her country's instrument of accession to the Revised Kyoto Convention (RKC), bringing the number of Contracting Parties to 111.

(ii) Regional Customs Laboratory

537. The Delegate of MEXICO signed a Memorandum of Understanding with the Secretary General for the establishment of a WCO Regional Customs Laboratory in Mexico.

(iii) Regional Dog Training Centres

538. The Delegate of TURKEY signed a Memorandum of Understanding with the Secretary General for the establishment of a WCO Regional Dog Training Centre in Ankara.
539. The Delegate of the UNITED STATES signed a Memorandum of Understanding with the Secretary General for the establishment of a WCO Regional Dog Training Centre in the United States.

(iv) Regional Training Centre

540. In the course of the Sessions, an updated Memorandum of Understanding was signed between China Customs and the Secretary General regarding the WCO Regional Training Centre (RTC) established in China. The text of the Memorandum of Understanding was modified to extend the location for the RTC to include not only the Shanghai Customs College, but also the Education and Training Center in Xiamen.

(b) WCO photo competition

541. The SECRETARY GENERAL thanked the 49 administrations that had participated in the 2017 WCO photo competition, the aim of which was to reflect and thus communicate the importance of Customs officers and the impact they were having around the world.

542. The Secretary General announced that the winning entry, as voted for by the Members, was the Kyrgyz Administration's photograph entitled "No matter the weather, Customs still do their job".

543. The photo showed a Customs officer checking the shipping documents of a truck at Torugart, the Kyrgyz-Chinese road border crossing point. Although the photo was taken in May, the climatic conditions at 3,550 metres above sea level were still harsh at that time of year. The winter lasted about nine months in this region, with temperatures reaching -40° Celsius, and with frequent blizzards and snowstorms.

(c) Upcoming events

544. The Delegate of JAPAN announced that the Sixth WCO Technology and Innovation Forum would be held in Tokyo from 31 October to 2 November 2017. Japan Customs was cooperating with the WCO in the organization of the Forum and he encouraged all Members to attend that event.

545. The Delegate of UGANDA showed a video and invited Members to attend the Fourth AEO Global Conference which would be held in his country in March 2018.

546. The Delegate of TUNISIA said that his country was honoured to be hosting the 12th PICARD Conference which would be held in Hammamet from 26 to 28 September 2017 and was being organized by the Tunisian Customs Administration in partnership with the Ecole supérieure de commerce.

(d) WCO Vice-Chairpersons

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

- Austria (Europe region) : The Secretary General said that he had always appreciated the support of the Austrian Vice-Chair, Ms. Bettina Vogl-Lang, and her team and particularly their work to maintain good communication within the Europe region.

- South Africa (East and Southern Africa region) : The Secretary General said that, as evidenced during the Policy Commission and the current Council Sessions, the South African Vice-Chair had proven to be a source of constructive advice and solutions.

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

(e) Tributes

549. The SECRETARY GENERAL paid tribute to Jørn Hindsdal from Denmark who had recently retired from his post as Deputy Director in the Tariff and Trade Affairs Directorate. His diligence and conscientiousness had been highly appreciated.

550. The SECRETARY GENERAL and the CHAIRPERSON then gave the floor to the Deputy Secretary General, Sergio Mujica, who would shortly be leaving the Secretariat to take up the post of Secretary General at the International Organization for Standardization (ISO). They were proud to see him become the Head of that Organization and, on behalf of the WCO and all its Members, they wished him all the best for the future.

551. The DEPUTY SECRETARY GENERAL said that it had been an honour and a privilege to have served the WCO and its Members for over seven years. He came from a small remote country and his election as Deputy Secretary General in 2009 had brought more diversity and inclusiveness to the Organization, as he had been the first Latin American to be elected to such a post. The WCO was a great Organization where Customs administrations world-wide came together to produce standards, instruments and tools, and to provide capacity building which was indispensable for the WCO to be effective. However, just as important as what the WCO did was how it did it, in a collective and multilateral manner. That was the real strength of the Organization but should not be taken for granted. There was a clear vision recognizing that, by working together, we were stronger than acting individually, and this came from a generosity of spirit, because consensus-based solutions could not be achieved without a willingness to compromise. He hoped that the WCO would maintain this vision and continue to work collaboratively.

552. On a personal level, the Deputy Secretary General said that the seven-and-a-half years spent at the WCO had been the most rewarding and exciting of his life. He thanked Members for allowing him to serve them by electing him twice, as well as for their strong support and best wishes. He had not been looking for a new job but he had been approached and had accepted the post with the ISO which he saw not only as a progression in his professional career, but also recognition of the good performance of the WCO as a whole and an opportunity for the WCO to increase its cooperation and influence with relevant partner international organizations. Finally, he thanked all his colleagues in the Secretariat with whom he had been privileged to work and particularly the management team.

**12. DATE AND PLACE OF NEXT SESSIONS AND
CALENDAR OF MEETINGS FOR 2017/2018**

553. The CHAIRPERSON announced that Egypt had kindly offered to host the next Policy Commission session in December 2017. The Delegate of EGYPT thanked the WCO for the opportunity to welcome the Policy Commission members to his country, indicating that the Commission's 78th Session would be held in the historic city of Luxor in the first week of December.
554. The 131st Session of the Council would be held in Brussels on 14 and 15 December 2017. The 132nd Session would take place in Brussels from 28 to 30 June 2018, preceded by the 79th Session of the Policy Commission from 25 to 27 June 2018.
555. Subject to a number of amendments to the draft that had been circulated, the Council approved the Calendar of meetings for 2017/2018, which is reproduced at Annex VIII hereto.

CLOSURE OF THE SESSIONS

556. The SECRETARY GENERAL paid tribute to Ruslan Davydov, who would be stepping down as Council Chairperson. The Policy Commission and particularly the Council had been very difficult this year on account of a political issue which the Organization was not accustomed to deal with. However, thanks to the Chair's capable chairing and firmness, Members had renewed their solidarity to move forward on the issues facing Customs and the WCO. He looked forward to continuing to work with Mr. Davydov in his new role as Vice-Chair for the Europe region.
557. The CHAIRPERSON said that, when elected a year ago, he had not envisaged that he would be chairing such difficult, dramatic and politicized Council Sessions, dealing with what was probably the most difficult issue to be placed before the Council. He had expended a tremendous amount of effort endeavouring to manage a "no-win" situation.
558. When elected in 2016, he had indicated that he would serve as Chair for one year only in order to give others the chance to preside over and serve the distinguished international Customs community in the spirit of inclusiveness and to position the WCO amongst other international organizations.
559. One positive decision and outcome from the current Sessions had been to agree that there would be an extraordinary Council session before the end of this year. In addition to the aforementioned political issue, another very important matter, namely the election of a Deputy Secretary General, would be taken up at that Session. The Council had also agreed to create a Working Group to explore the possibilities for using languages other than English and French in the WCO. It was true that if a person could not read or understand a language, that posed a major problem; the Chairperson said that he was proud that the Council had now initiated the process for inclusion of additional languages.
560. As the new Vice-Chair for Europe, there would certainly be work to carry out given that, under the Austrian Vice-Chairmanship, it had been decided to promote

transit between Europe and Asia and, at the recent Europe region conference, a Working Group on transit had been established to bring countries together and put into practice the slogan "Borders divide, Customs connects". In this connection, he urged delegates to attend the WCO Global Transit Conference which would be held the following week.

561. In closing, he expressed his gratitude to all Members for their patience and cooperation during the Sessions, and thanked the Secretary General and the Secretariat staff for their hard work, their spirit of compromise and also their patience.

R. DAVYDOV,
Chairperson.

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