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MINUTES OF THE 121ST/122ND SESSIONS
OF THE CUSTOMS CO-OPERATION COUNCIL
(Brussels, 27 - 29 June 2013)

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MINUTES

OPENING OF THE SESSIONS

1. The 121st/122nd Sessions of the Council were held at WCO Headquarters in Brussels from 27 to 29 June 2013. The list of participants is reproduced at Annex I.
2. The CHAIRPERSON welcomed the participants and declared the proceedings open. The Council began by observing a moment's silence in memory of Customs officers all over the world who had lost their lives during the previous year. The Chairperson made particular mention of the Deputy Director General of Malaysian Customs, Mr. Datuk Shaharuddin Ibrahim, who had been killed on his way to work in April 2013. She also mentioned the Vice-President for the Customs and Finance Guard of the Hungarian National Tax and Customs Administration, retired Lieutenant General Mihály Arnold, who had passed away a few days previously.
3. The Chairperson announced that Mr. Algirdas Šemeta, EU Commissioner for Taxation and Customs Union, Audit and Anti-Fraud, and Mr. Bishar Hussein, Director General of the Universal Postal Union (UPU), would address the Council in the course of its Sessions.

1. ADOPTION OF THE AGENDA

4. The Agenda set out in Doc. SC0123 was adopted unchanged.

2. APPROVAL OF THE MINUTES OF THE 119TH/120TH SESSIONS OF THE COUNCIL

5. The Minutes of the 119th/120th Sessions of the Council, contained in Doc. SC0122, were approved.

3. COMMENTS BY THE CHAIRPERSON OF THE COUNCIL

6. The CHAIRPERSON said she had been reflecting on how Customs was one of the oldest and longest established parts of the global system, and at the same time the WCO theme for 2013 was Innovation. To make sure that a system with long-established traditions on both the public sector and private sector sides continued to innovate and renew itself was a challenge for Directors General, in terms of achieving the right blend between tradition and culture on the one hand, and change and innovation on the other. The Secretary General's selection of Innovation as the theme for 2013 was fortuitous given how much the environment had changed this year, with the huge increase in political discussion on economic integration and free trade agreements. This was a major change that Customs administrations needed to innovate for.
7. The concept of innovation often tended to be associated only with developments in technology, but in fact technology was nothing more than a toolkit - real innovation came from leadership, from looking at systems, processes and procedures to ensure that they were appropriate, and focused on risk management. As the risks and the environment kept changing, there was a constant need to innovate.

8. Innovation within the WCO itself was equally important, and in this connection the Chairperson remarked that, during the sessions, the Council would have an opportunity to consider and comment on a new Mission, Vision Statement and Strategic Plan for the Organization, as well as on some interesting new Packages developed by the Secretariat.

4. REPORT OF THE SECRETARY GENERAL

9. The SECRETARY GENERAL welcomed all delegates. He echoed the remarks of the Council Chairperson, saying that Innovation was the theme for 2013 and he was going to report on a year characterized by innovation and evolution.
10. He began with a profile of the WCO, which now consisted of 179 Members. There had been two new Members since the last Council Sessions, namely South Sudan and Somalia, both of which belonged to the East and Southern Africa Region. Capacity building activities had already been scheduled, and had begun to be delivered, for the new Members. The Harmonized System now totalled 147 Contracting Parties, with Costa Rica, Bosnia and Herzegovina, Mozambique, Comoros, and Guinea-Bissau acceding. The Revised Kyoto Convention now totalled 86 Contracting Parties following the accession of Mozambique, Bangladesh, Gabon, Swaziland and Albania. He foresaw more accessions to coincide with the 40th Anniversary of the original Kyoto Convention. The Istanbul Convention remained at 64 Contracting Parties, with no new accessions. He noted that the number of acceptances of the amendment to the CCC Convention, under which Customs and Economic Unions would be permitted to join the WCO, had increased by 6 and now totalled 69.
11. There were currently 165 staff members in the Secretariat, representing 54 nationalities. This included 48 Technical Officers (A grades). The number of Technical Attachés stood at 36 - increased from 32 the previous year. He expressed his appreciation to Members which had provided Technical Attachés, because the Organization could not operate without their contribution. He also appreciated the Technical Attachés seconded to the WCO for the regional structures. In addition, there were eight Professional Associates, who were gaining experience and making a great contribution. Previous Professional Associates had returned to the WCO in important roles such as Chairpersons of Committees and as Technical Attachés. The Secretary General took the opportunity to thank Japan for providing funding for the Professional Associates Programme.
12. Turning to finance, the Secretary General said that the Organization continued to employ strict management towards a balanced budget, with oversight by the Finance Committee characterized by transparency. He said that a budgetary break-even was likely to be achieved in 2012/2013 (a deficit budget had initially been forecast) thanks to good financial management. For the next fiscal year (2013/2014), the Finance Committee was recommending a General Operating Expenditure increase of 0 %. The salary increase decision had been deferred. Budgetary revenue would be 15.2 million euro in contributions (including the contribution by the European Union), representing a 0 % increase. These decisions were a reflection of the economic difficulties faced by some Members.
13. He expressed appreciation for the voluntary contributions, which had totalled approximately 10 million euro in 2012/2013, and also for the support provided by Members in releasing experts for WCO missions. He also thanked Members for

hosting regional structures and seconding officers, and expressed his appreciation for external donor funding.

14. The Secretary General announced the publication of the Organization's second Annual Report, which included a WCO profile and a description of key WCO activities. The Annual Report also included Member profiles for all 179 Members.
15. In 2012/2013 there had been five regional meetings of Directors General, and the Secretary General had been able to attend each one. He then reported on a series of activities aimed at raising the profile of Customs and the WCO, including meetings with Presidents, Prime Ministers and Ministers.
16. Moving on to the subject of participation in high-level international meetings and the organization of major WCO events, he said that in July 2012 there had been a ICAO/WCO/Singapore Joint Conference on Air Cargo Security in Singapore. The PICARD Conference had taken place in Morocco in September 2012. The Asia/Pacific and Americas Customs Leaders Dialogue had been held in Panama in April 2013. The Global Congress on Combating Counterfeiting and Piracy, held in Istanbul, had attracted some 850 participants; Turkey's Prime Minister had given a keynote address on Customs issues. The Secretary General also mentioned the IT Conference and Exhibition held in Dubai, which had been attended by over 1,000 participants.
17. He said that the Chairperson had mentioned the annual theme of Innovation and had emphasized that that WCO needed to be responsive to a quickly changing world. He wished to place the WCO's activities in the context of the recent G8 meeting, using three keywords to describe global topics and challenges that were relevant to Customs, namely Trade, Tax and Transparency - the three "Ts". Trade was seen as an engine of economic growth. In addition, a large number of trade negotiations were going on at the global level at the WTO, and many negotiations for trade agreements had started or were about to start at the regional level. Tax compliance meant how to tackle the tax avoidance issue. Corporate transparency served as a connector of trade and tax, and made it possible to address the issue of supply chain transparency.
18. The Secretary General pointed out that the first "T" - trade, was connected to Customs because it was about supply chain efficiency for economic competitiveness and regional integration. When meeting Heads of State, he was repeatedly asked how to enhance the business and investment climate and often asked how to improve indicators like the World Bank's Doing Business. He always responded that border procedures were a visible factor for enhancing economic competitiveness, and this issue was addressed by the Revised Kyoto Convention (RKC). The trade facilitation agenda was at the core of the package of WTO negotiations to be concluded by the end of this year. In terms of regional economic integration, the issue was connectivity both within a region and outside it.
19. Customs could play a vital role in this domain through the implementation of the Economic Competitiveness Package (ECP). The WCO had delivered three ECP regional workshops already, and three more would be delivered later in 2013. The ECP core elements were the RKC and the SAFE Framework, given that security was part of competitiveness. Turning to Authorized Economic Operator (AEO) status, small and medium sized enterprises and informal trade, the Secretary General said that these were key issues where engagement with the private sector was concerned. During the recent Policy Commission session, Members and the PSCG had discussed how to set up a Customs-business dialogue on the national level.

20. Considerable progress was being made in the area of Globally Networked Customs (GNC), particularly on the regional integration front where various pilots and projects based on the GNC concept were under discussion or underway in Latin America and in Africa, as well as between China and the European Union (the SSTL Project), and between the European Union and the United States which were discussing how to use the GNC concept to exchange information for AEO mutual recognition.
21. In terms of Coordinated Border Management (CBM), the Secretary General would meet with the Secretaries General of ICAO and the IMO just after the Council Sessions to discuss the maritime, land and air sectors. He added that CBM was supported by Single Window and the Data Model. Requests to map data models and data requirements had been received, and mapping was being carried out for 30 countries. The Secretary General urged Members to submit innovative best practices in this area, noting that 27 Members had done so to date.
22. In terms of the WTO trade facilitation negotiations and their relationship to WCO tools, the Secretary General said that the WCO had produced comparison tables demonstrating the very strong synergy between the WTO trade facilitation text and the RKC. The ECP, for its part, covered the content of the trade facilitation text in its entirety, and with the ECP Toolkit the WCO was fully ready to support the implementation of any future trade facilitation agreement.
23. Turning to the RKC, the Secretary General recalled that there were now 86 Contracting Parties, and further accessions were expected during the Council Sessions. While efforts to promote accession continued, acceptances of Specific Annexes were also important. He also pointed out that the toolkit for quality implementation assessment of the RKC, endorsed by the Permanent Technical Committee (PTC), was now available for self-assessment purposes. The Secretariat urged Members to use the toolkit and provide feedback on it, and would be happy to provide advice on the use of the toolkit if so requested.
24. As for the role of Customs in regional integration, the Secretary General drew attention to a number of new and ongoing initiatives in various parts of the world. There were of course different degrees of regional integration, ranging from the free trade agreement to full fiscal union; for Customs there were three areas requiring consideration in the context of regional integration, namely border control and facilities, revenue management and institutional arrangements. It was important that Customs be involved in regional integration discussions from the outset.
25. With regard to the second "T" - taxation, the Secretary General said that tax evasion and aggressive tax avoidance were issues of global concern, as had been highlighted very recently by the G8 and within the OECD, with the revision of the OECD transfer pricing guidelines. Information exchange had been identified as being of vital importance in this area, and at a recent meeting of the OECD Forum on Tax Administration the Secretary General had had an opportunity to present the WCO's work in this area. The OECD was pursuing a path similar to GNC in terms of facilitating information exchange and building revenue collection capacities. In this respect, he remarked that where revenue enhancement was concerned, the involvement of the private sector, and pre-shipment inspection companies in particular, remained a major problem in West Africa, which the Secretariat was endeavouring to address through the Revenue Package Phase II.

26. With regard to informal trade, the Secretariat had recently organized a Research Conference on the subject, to which a range of experts, including academics, had been invited. The Conference had revealed the wide range of interpretations of the meaning of informal trade. In general, the term encompassed trade not captured in trade statistics, but some scholars disagreed on whether it included non-compliant traders in legal goods only, or also in illegal goods. He proceeded to describe the incentives for informal trade, including survivability, the trade regulation framework such as high tariffs, complex Customs procedures, and corruption. He then described various ways that Customs was dealing with informal trade, namely through trade facilitation, enforcement and negotiation. A research book on informal trade would be published as one of the outcomes of the Conference. The Secretary General said he was committed to continuing the dialogue and reflection in this area and to sharing emerging best practices.
27. Turning to the third “T” - transparency, the Secretary General said that transparency of procedures was addressed by the ECP, the RKC and the Revenue Package. The transparency of Customs as an institution was addressed more specifically by the Organizational Development Package (ODP), and the related issue of Integrity would be addressed during the session as part of the discussions on the ODP. As for transparency in supply chains, this was an enforcement issue addressed by the Compliance and Enforcement Package (CEP). Data quality was another issue related to transparency, and this had been discussed with the Private Sector Consultative Group (PSCG) at the recent Policy Commission session. The work on data quality would be continued within the SAFE Working Group. In relation to the data issues, he said that Members had called for a cautious approach with respect to the strategic review of the Harmonized System (HS). Outreach on the HS would continue, and the Secretariat would study other product identification codes further.
28. Turning to the subject of compliance and enforcement, the Secretary General indicated that this year would see the publication of a combined Report on Illicit Trade, replacing the three separate WCO Reports on Drugs, Tobacco and IPR, and that Report would be available to the public.
29. The newly implemented CEP was made up of four elements : enforcement tools, enforcement technology and infrastructure, partnerships to address supply chain risks, and operations. As an example of the practical application of these elements, he described Operation BIYELA which had targeted health and safety risks in Africa, addressing the issue of fake pharmaceutical products, foodstuffs and vehicle parts in particular. The Operation had involved 23 major ports, focusing on the deployment of risk management (on which training had been given to Customs, with the participation of the private sector), and the use of technological infrastructure such as the Interface Public-Members (IPM) and the CENComm tool, as well as partnerships with other government agencies, such as health ministries and other law enforcement agencies, and also the relevant private sector parties. The outcomes, in addition to building capacity, included a substantial increase in seizures and analysis, awareness-raising among consumers, better cooperation with partners, and enhanced political will which in turn led to progress with legislation.
30. On the subject of the enforcement technology component of the CEP, the Secretary General pointed out that the nCEN seizure database had been tested in Mauritius and Kenya and was now ready to be deployed in the East and Southern Africa Region, thanks to generous funding from Finland. The Cargo Tracking System (CTS) had been piloted in the Bahamas and Jamaica and was expected to be fully deployed in those countries, following appropriate Customs training, by the end

of 2013. The Secretary General also mentioned the Databank on Advanced Technology.

31. Forthcoming global operations based on the CEP included operations targeting the illicit trade in tobacco products (the specific nature of which would be finalized following a Members' survey), together with Operations COCAIR and WESTERLIES which focused on drugs. Health and safety oriented operations similar to Operation BIYELA would be conducted in other parts of the world also. Operation GLOBAL SHIELD, concerning chemical precursors used for manufacturing explosives, was ongoing, while Operation DEMETER III, targeting hazardous waste, was currently under preparation.
32. The Secretary General then turned to capacity building and the Organizational Development Package (ODP). In order to realize the capacity building enablers of people, partnerships and political will, the WCO was pursuing strategic advisory support and delivery, human resource development, stakeholder engagement, and Integrity. The WCO had done work with the African Union, in the form of a survey on Integrity and developing best practices.
33. The Secretary General then highlighted interaction with donor institutions. Of particular significance was the signing of a Memorandum of Understanding (MOU) with the Islamic Development Bank in March 2013. He also drew attention to several new donors, such as China for the Fellowship Programme, the United Kingdom Department for International Development (DFID) for the East and Southern Africa Region, and the European Union for certain specific projects in Africa; he also looked forward to continued cooperation with existing donors such as Finland, Japan, Korea, NORAD, SIDA, the United States, the United Nations, the World Bank and regional development banks. As a concrete example of donor interaction, he indicated that with the support of the Asian Development Bank and the Inter-American Development Bank, the Government of Panama had hosted a Customs Leaders Dialogue in April 2013, bringing together 50 Customs leaders from the Americas/Caribbean and Asia/Pacific Regions to exchange views on Customs priorities and work in progress.
34. In discussing the WCO's regional approach, the Secretary General highlighted the opening of Regional Dog Training Centres in Moscow and Beijing, and a Global Canine Conference hosted by the Russian Federation, as well as a proposal by Mauritius for the establishment of a multilingual Regional Training Centre. Also a pool of experts was being developed at the regional level, and there had been a significant increase in the number of experts accredited for this purpose. He also mentioned a survey on the best practices of regional entities, as well as a very interesting pilot project in the Asia/Pacific Region for the establishment of a Regional Customs Laboratory.
35. The Secretary General stressed that all the activities he had referred to were included in the WCO Strategic Plan. Where the prioritization of WCO activities was concerned, the Secretariat had been proposing a focus on ECP, but regional priorities were multiple and there was consequently no need to single out one in particular.
36. He concluded his presentation by drawing the Council's attention to four upcoming events, namely the Women in Leadership Conference, the Knowledge Academy, the PICARD Conference in St. Petersburg, and the Technology and Innovation Forum in Argentina.

37. The Delegate of KAZAKHSTAN welcomed the various WCO activities which aimed to support global trade. He stressed the importance of innovative proposals and new tools such as the ECP which supported the implementation of the SAFE Framework of Standards. His Administration supported the WCO Strategic Plan, which contained the priorities for future work, and considered that the inclusion in the Plan of Performance Indicators for all types of activities allowed Members to better assess the efficiency of the work. His Administration was also guided by Performance Indicators when assessing its modernization, and was paying attention to innovative issues such as the reduction of clearance times and the implementation of measures to facilitate trade at the border. He expressed appreciation to the Secretary General and the Secretariat for their support for the Forum on AEOs held in Astana in May 2013, which had been very well received both nationally and globally. His Administration would be interested in hosting an AEO Forum again in the future.
38. The Delegate of GEORGIA thanked the WCO Secretary General for his dedication to the world Customs community, and for identifying and providing solutions to the challenges facing Customs administrations. The proactive work of the WCO guaranteed Member elaboration and implementation of innovative and successful approaches for the world Customs community. Georgia, as a WCO Member, had been successful in the modernization process. The achievement of renewed infrastructure facilities at crossing points and clearance zones, together with harmonized procedures, innovative IT, and providing fair, simple, and transparent clearance for Authorized Economic Operators, had been recognized by many on the international level. Sustainable development could be attained by pursuing current international best practices. The WCO had developed four Packages for the global Customs community, namely the Economic Competitiveness Package, the Revenue Package, the Organizational Development Package and the Compliance and Enforcement Package, while promoting transparency and tax compliance, and tackling illicit trade and terrorism. The four Packages created a platform for Members to launch projects in line with international standards. Finally, he proposed an excellence database, where Members could share their reform mechanisms and tools with other Members.
39. The Delegate of JAPAN said that he appreciated the overall efforts by the Secretary General and the staff of the Secretariat, and welcomed the fact that the Secretary General conducted policy coordination and activities for raising the profile of Customs through high-level dialogue with the Members and other international organizations. The Secretary General's report showed a balanced and comprehensive approach to fulfilling the missions of the WCO and Customs, which was commendable. Japan had a great interest in trade facilitation, which it was promoting, and greatly appreciated the adoption of the ECP. In this regard, Japan would be ready to contribute to the implementation of the ECP Action Plan endorsed at the December 2012 Policy Commission session in Kyoto, for example through the use of the Japanese Customs Cooperation Fund.
40. The Delegate of Japan then touched upon activities in the Asia/Pacific Region, including the proposal by Japan for the establishment of a Regional Customs Laboratory (RCL) in the context of strengthening cooperation in the Region. The RCL aimed at establishing a new regional framework for cooperation in the Customs analysis field, and for enabling capacity building activities and information-sharing in a more efficient, effective, systematic and stable manner. In this regard, the Central Customs Laboratory of Japan was currently conducting a trial programme. He concluded by stating that Japan was committed to providing continued support to the WCO.

41. The Delegate of CHINA thanked the Secretary General for his report highlighting the progress of the WCO in the past year, for which he should be congratulated. Over the past year, China had become more deeply involved in WCO activities. China had proposed and participated in Operation SKYNET to fight drug smuggling, committed to building the Dog Training Centre in the Asia/Pacific Region, and sponsored the Fellowship Programme. All of these things were indications of not only the progress of China, but also the progress of the WCO to keep Members moving forward on trade facilitation, enforcement and capacity building. Encouraged by the previous year's progress, China had proposed Operation DEMETER III to tackle trafficking in solid hazardous waste. The delegate hoped that all Members could contribute to this Operation to help protect public health and environmental safety. The difficult trade and economic situation called for a better balance of trade security and facilitation by Customs. Where the 3 "Ts" were concerned, the various WCO Packages provided a response to the challenges posed. He confirmed his Administration's commitment to continue working with all Members and with the Secretariat to demonstrate the value of Customs.
42. The Delegate of the PHILIPPINES congratulated the Secretary General on his comprehensive report on the proactive initiatives undertaken by the WCO over the past year, which took account of many of the issues that were important to developing and developed countries. Regarding the Secretary General's remarks about the need to focus on enhancing integrity among Customs administrations, he said that in countries like the Philippines, integrity was a very important part of the Customs reform programme. He also noted the importance of trade statistics and information exchange, both for countering illicit trade and for collecting the rightful amount of revenue. Another point raised by the Secretary General which was particularly important for the Philippines was the engagement of policymakers, bearing in mind that many of its reform programmes required amendments to current laws and paradigm shifts in the orientation of Government policies.
43. The Delegate of the RUSSIAN FEDERATION said that his Administration fully supported the activities reported by the Secretary General and the objectives presented to the Members. He thanked the Secretary General for participating in the opening of the Regional Dog Training Centre in Moscow in May 2013 and reported on the Global Canine Conference which had been attended by 28 Customs administrations from around the world. Participants had learned about the operation of the Dog Training Centre and related technology in Russia, and had been able to exchange views and training methods. Proposals on how to develop the use of dogs for detection purposes had been adopted at the Conference, and hopefully this would help Customs administrations to improve their dog training services and the usage of dogs in Customs.
44. The Delegate of GUINEA referred to the issue of trade facilitation, including the work related to the WTO and also pre-shipment inspection (PSI) which was a particular problem in West and Central Africa. The decision to use inspection companies was taken by governments, not Customs administrations, and if the WCO continued its diplomatic efforts in this area, this might have an impact on policymakers' decisions, and also on capacity building for Customs. He therefore encouraged the WCO to continue its activity in this regard.
45. The Observer for the UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT (UNCTAD) referred to the recent signing of an MOU between the WCO and UNCTAD to support the development and implementation of a performance measurement module for automated Customs clearance systems, which was based on

- performance measurement work undertaken by Cameroon Customs several years previously. The module helped to measure the activities of Customs administrations in various areas, including integrity, revenue collection and trade facilitation. A pilot project would be conducted in Liberia before the end of 2013, and once the module had been finalized, it would be made available to all requesting Customs administrations.
46. The Delegate of GHANA said that the Secretary General's very comprehensive report shed a great deal of light on the role of the WCO as perhaps the most powerful force in modernizing the world supply chain. He expressed his Administration's appreciation of the WCO's support for various aspects of Ghana Customs' modernization plan, including in particular the Secretary General's appeal to the President of Ghana in favour of transferring the destination inspection function to Ghana Customs. He hoped the WCO would provide the management assistance required for Ghana Customs to take over this function.
47. The Delegate of SUDAN expressed his Administration's full support for the work undertaken by the Secretariat. Regarding inter-regional cooperation, he welcomed new WCO Members South Sudan and Somalia, and hoped to benefit from technical assistance in order to increase cooperation with them, thus enhancing trade facilitation.
48. Responding to these comments, the SECRETARY GENERAL thanked Members for their support of WCO activities and staff. He congratulated Kazakhstan on its very successful regional AEO forum and its support for the SAFE Framework of Standards, of which AEO was one element. He said he was looking forward to working with Kazakhstan to promote the SAFE Framework in that country, in the region, and globally.
49. He welcomed the Delegate of Georgia's suggestion regarding the introduction of a database to facilitate the sharing of best practices in the area of economic competitiveness. Georgia's suggestion, which would be acted upon, was in line with what the Secretariat was doing in other fields; for example, a new database had been established for national strategic plans and performance measurement tools that could be accessed by Members. He also greatly appreciated Japan's support for the ECP and was looking forward to the outcomes of the innovative project to set up a Regional Customs Laboratory.
50. He thanked China for its innovative and supportive activities, such as proposing Operations SKYNET and DEMETER III, and contributing to the regional structure by hosting a Regional Dog Training Centre. He also appreciated China's sponsorship of the Fellowship Programme, which promoted international cooperation in the very important area of enhancing human resources. This could serve as a model for greater engagement and participation by the Customs community.
51. The Secretary General said he agreed with the Delegate of the Philippines that information exchange was important, and he would monitor developments in the OECD Tax Forum and other global and regional entities, to see how they might benefit the Customs community. He also agreed that engagement with policymakers was one of the WCO's major concerns. This was why the WCO had developed the Orientation Package, and the Secretariat would continue to work with Members, including the Philippines, on the delivery of this Package.

52. He thanked the Russian Federation for hosting the Regional Dog Training Centre and the Global Canine Conference, which had provided an excellent opportunity for global networking and assistance.
53. He took note of the issue raised by the Delegates of Guinea and Ghana concerning the use of PSI companies in West and Central Africa. Diplomatic efforts were important, and would continue, but there was also a need for the WCO to share its concerns with other players. Thus, the Secretariat had started talking with the IMF and the World Bank to hear their ideas and seek alignment with the WCO's concerns and interests. The WCO had recently held a workshop in Niger on PSI and how to help Members to terminate PSI contracts. In this connection, he would liaise with regional economic communities regarding possibilities for the necessary capacity building.
54. The Secretary General welcomed UNCTAD's work in the important area of performance measurement, which was based on the performance contracts initiative which had begun in Cameroon and then expanded to Togo and now Liberia. He hoped other countries could benefit from this initiative, which supported integrity and efficiency. The WCO would continue to work with UNCTAD and other technology suppliers to incorporate WCO tools and standards that were then made available to the Customs community.
55. Finally, he appreciated Sudan's commitment to working with the WCO in welcoming new Members South Sudan and Somalia. Stability at borders was a very important element for social and economic development, and the WCO would work with Sudan, South Sudan, Somalia and neighbouring countries to achieve the common goals of Customs.
56. The CHAIRPERSON thanked the Secretary General for his comprehensive report on the many activities undertaken in 2012/2013.
- **Keynote Address by Algirdas Šemeta, EU Commissioner for Taxation and Customs Union, Audit and Anti-Fraud**
57. EU COMMISSIONER ALGIRDAS ŠEMETA recalled that, two years previously, he had addressed the Council, together with US Secretary of Homeland Security Ms. Janet Napolitano, and had presented an ambitious agenda on supply chain security. He welcomed the progress and achievements made in this area by the WCO and its Members, including implementation of the SAFE Framework of Standards and the current work on air cargo security; the constructive dialogue on risk management and technology; and the work on capacity building. The WCO's pragmatic and Member-driven approach had helped to produce results that reflected the interests of all concerned.
58. He then referred to the importance of efficient and effective Customs for economic growth and competitiveness, quoting the Organisation for Economic Co-operation and Development (OECD) which estimated that reducing global trade costs by 1 % would increase worldwide income by more than USD 40 billion, 65 % of which would go to developing countries. That was a huge potential to be realized. The investment required to reform Customs procedures was easily recuperated in increased trade and wealth. He cited the example of Customs reform in Cameroon which had increased revenues by 12 % in two years, and the example of Mozambique where the increase had been 50 %.

59. Turning to trade facilitation, Commissioner Šemeta highlighted the Revised Kyoto Convention (RKC) as the blueprint for modern Customs procedures, effective Customs controls and the facilitation of trade. Indeed, the current WTO trade facilitation negotiations in Geneva largely reflected the concepts used in the RKC. Trade facilitation was very much at the core of the economic policy debate today, and at the core of trade facilitation was Customs, which was crucial in ensuring that legitimate trade could cross borders as quickly and efficiently as possible.
60. He then raised a fundamental question for the WCO and its Members : How to work together to reduce the costs and speed up legitimate international trade ? In this respect, he saw a two-fold answer : engage in continual Customs modernization domestically and, in tandem, strengthen and modernize Customs cooperation internationally.
61. Modernization entailed combining trade facilitation with increased protection for citizens, legitimate traders and public finances, and it involved a number of aspects including the legal framework, organization and procedures.
62. Within the EU, a major overhaul of the Customs rules was underway, with the new Customs Code which sought to extend computerization to all Customs declarations and to fully exploit IT capacities to make procedures simpler, more relevant and more efficient for modern trade needs.
63. The EU was also working on : strengthening risk management; developing a toolbox to improve Customs' efficiency in enforcing health, safety and environment rules; strengthening IPR border enforcement; stepping up the combating of the illicit trade in tobacco products; intensifying the control of drug precursor chemicals; and a crisis management action plan.
64. Commissioner Šemeta emphasized the critical nature of risk management for security and safety but also to protect economic interests and to facilitate legitimate trade. In this connection, the EU had : introduced a system of pre-arrival and pre-departure electronic information submission by traders; introduced a common risk management framework for all Member States, covering all transport modes; and implemented an AEO programme, under which trusted operators who had invested in securing their supply chain enjoyed faster Customs clearance and other benefits.
65. In this connection, there was a need to improve the quality and availability of data for risk analysis purposes through closer engagement with economic operators. This engagement was being achieved, inter alia, through the EU's cooperation with the United States in air cargo security. The commitment of the UPU to cooperate in developing advance information standards for postal consignments was also welcomed.
66. Turning to international cooperation, Commissioner Šemeta emphasized that strong international cooperation was vital for Customs to work optimally and the SAFE concept of mutual recognition was an important tool to ensure the security of supply chains while facilitating trade. The EU strongly favoured such an approach and had already established AEO mutual recognition with Japan and the United States and discussions were underway with other partners, including China. Progress could also be made through the international exchange of information and cooperation on technical standards and technology, as was the case in the Smart and Secure Trade Lanes (SSTL) project between the EU and China, now being extended to Hong Kong

and Spanish ports. EU-China cooperation had the additional benefit of reinforcing IPR enforcement.

67. The efficiency of international cooperation depended on a high degree of standardization and here the role of the WCO was crucial, through the RKC, the Harmonized System and the SAFE Framework of Standards. The WCO's role in standardization should be extended to other areas, including IPR enforcement. In this connection, the EU actively contributed to the Globally Networked Customs initiative and was working on standards for automatic exchanges in the framework of the mutual recognition of AEOs and for the exchange of Customs declarations.
68. To ensure that international cooperation benefited all countries, it was also necessary to continue sustainable capacity building with developing countries and the EU was currently exploring options for close cooperation with the WCO on capacity building in Africa.
69. Commissioner Šemeta then explained that the EU was active in international Customs cooperation at both bilateral and multilateral level.
70. At the bilateral level, for many years the EU had been negotiating and concluding free trade agreements with a range of partners worldwide. Negotiations were now commencing inter alia with the United States and Japan. Those agreements included ambitious commitments on Customs and trade facilitation.
71. At multilateral level, Commissioner Šemeta referred to the negotiations being conducted in Geneva on the WTO Trade Facilitation Agreement. Although progress was slow and time was running out in advance of the Ninth WTO Ministerial Conference to be held in December 2013, the EU believed that the successful conclusion of these negotiations was critical for the global trading system and would bring significant benefits for all WTO Members, in particular for developing countries.
72. The Trade Facilitation Agreement had to strike a balance between ambitious commitments on the one hand and, on the other hand, ensuring that developing countries could fully implement such commitments. The EU was ready to contribute its fair share to developing countries to enable them to reap the benefits of an Agreement. Making trade easier and cheaper would help integrate developing countries in the regional and global trading system. It would be a win-win deal for governments, Customs administrations and businesses.
73. Once the WTO Trade Facilitation Agreement was concluded, the WCO would have a crucial role to play in supporting its implementation and providing technical assistance and capacity building.
74. Commissioner Šemeta referred to the WCO's theme for 2013 "Innovation for Customs progress", emphasizing that innovative and ambitious Customs modernization served to facilitate trade, increase economic competitiveness and accelerate growth. The WCO had a unique opportunity to serve the international Customs community, as well as the wider trade community, by tapping into the potential that procedural simplification and trade facilitation offered. While the needs and the immediate focus of WCO Members might be different, the common and ultimate goal must be the same : to build modern, well-functioning and interconnected Customs administrations.
75. In closing, the Commissioner wished the WCO and all its Members success in the work ahead.

76. The text of Commissioner Šemeta's address is reproduced in full at Annex II to these Minutes.
77. Speaking as the Head of Irish Customs, the CHAIRPERSON noted that, in the final days of the Irish Presidency of the EU, much work had been accomplished on the modernization of the EU Customs legislation. Ireland had, moreover, put trade at the heart of its Presidency and was encouraged by the progress achieved, particularly in securing the mandate for the Commission in the EU-United States trade talks and for the commencement of trade talks with Japan.
78. The SECRETARY GENERAL thanked Commissioner Šemeta for his kind words regarding the progress made by the WCO and for his strong support at political level for the Customs community in the area of modernization and international cooperation. The Secretary General congratulated the EU on finalizing its Customs Code and on the advances made in many areas, including the enlargement of the SSTL project and the commencing of trade talks with a number of important partners.
- **Keynote Address by Mr. Bishar Hussein, Director General of Universal Postal Union (UPU)**
79. The CHAIRPERSON introduced Mr. Bishar Hussein, Director General of the Universal Postal Union (UPU) who had been elected to the post in October 2012 and whose four-year mandate had begun on 1 January 2013.
80. The UPU DIRECTOR GENERAL began by stressing the historically close relations between the WCO and the UPU and the complementary missions of the two Organizations : the WCO's mission was to enhance the capacity of its Members to implement effective cross-border controls, to facilitate legitimate trade and travel, and to stop illicit transactions and activities; the UPU's mission was to facilitate interactions between the peoples of the world. He underlined that the WCO was a partner of critical importance for the UPU, with common objectives : serving the citizens of the world, facilitating trade and commerce while ensuring security and safety of their respective networks.
81. Both Organizations were now facing new challenges. E-commerce was growing and the security environment had become more complex. While technological change was creating new opportunities, both Organizations had to reconcile the conflicting requirements of security and facilitation. For the Posts, the environment was becoming more and more competitive, though transporting goods ordered online represented a golden opportunity for the Posts.
82. Since Customs was a critical link in the global postal supply chain, the Post-Customs interface had to be as efficient and as streamlined as possible to ensure a high-quality postal service, especially as the postal customer base would increasingly be comprised of small and medium-sized enterprises (SMEs). Posts were allocating significant efforts and resources to improve this interface.
83. Firstly, the WCO and the UPU had collaborated to jointly develop electronic messages to permit the pre-advice and possible pre-clearance of postal items, and were now looking forward to the electronic linking of Posts and Customs worldwide. Electronic data exchange between Posts and Customs would facilitate tracking and tracing, a key customer requirement. It would also permit better synchronization of goods and associated data.

84. Secondly, the UPU had created a legal basis for the provision of advance electronic data for risk-assessment purposes. The UPU Convention, which was the fundamental legislative text governing international postal operations, had been amended the previous year to make this possible. The UPU had also developed security standards, the observance of which would be mandatory for UPU Members from 2014 onwards. These standards had been developed in collaboration with the WCO and the International Civil Aviation Organization (ICAO). The UPU was also working in collaboration with the WCO and ICAO to implement a system that would enable Posts to give Customs officials information about the contents of airmail for risk-assessment purposes and allow any feedback about a suspicious item to be acted upon, all before aircraft takeoff.
85. Thirdly, the UPU's Postal Technology Centre had created an electronic Customs Declaration System (CDS), which was an integrated system that served customers, Posts, and Customs administrations. It enabled customers to enter data about an item online, and enabled the Posts to give Customs advance data about a postal item. It also enabled a Customs administration to inform a Post about the action to be taken in respect of any given item.
86. The UPU Director General then referred to some of the other important activities of the UPU, such as : updating and modernizing the Customs-related documentation; developing a new online system for prohibitions and restrictions; developing projects to promote the production of accurate and complete Customs declarations; developing training material to be made available online; and organizing workshops involving both Posts and Customs officials. The UPU and WCO were also collaborating to organize a joint regional workshop for African countries.
87. Regarding the fight against illicit transactions and activities, he mentioned cooperation with the United Nations Office on Drugs and Crime. The UPU had, moreover, also passed legislation to make the transport of counterfeit and pirated articles illegal.
88. Improving the interface between Posts and Customs in implementing electronic data exchange was a priority and contacts between postal and Customs authorities at national level had to be on a regular basis. For this reason, the UPU and the WCO were developing guidelines for establishing a Memorandum of Understanding between a Customs administration and postal operators at national level. He called upon the WCO Members to support these initiatives upon their return to their administrations.
89. He emphasized that the critical elements in the supply chain were : the postal network, the Customs, the airlines and border security. It was necessary to work in close cooperation, to support one another. He concluded by saying that the Post would do its best to provide Customs with advance electronic information about goods. However, the Post was asking Customs to facilitate the growing movements of parcels, as every parcel was critical and every parcel delayed was a loss of revenue and led to a frustrated customer.
90. The text of Mr. Hussein's address is reproduced in full at Annex III to these Minutes.
91. During the subsequent discussion, the Delegate of the RUSSIAN FEDERATION confirmed the challenges that were posed to both the Russian Post and Customs by the growing movements in postal traffic. This called for use of new technologies and developing an interface between Posts and Customs. The provision of advance

electronic information was not merely an objective, but rather the prerequisite to address the growing number of parcels and allow them to be physically processed. He further mentioned the challenges of online trading and payments, value inaccuracy and identification of goods. He proposed that a WCO working group be established to consider the IT systems used by the Members of the UPU and their potential, and to come up with appropriate recommendations.

92. The Delegate of BRAZIL confirmed that, as a consequence of e-commerce, his country was facing an increasing number of parcels and use of post to deliver goods, which was particularly important for SMEs. However, every day seizures were made of illicit goods, including drugs, which were being smuggled via postal traffic. At the beginning of the year, a Committee had been created between the Customs and the postal service under the Ministry of Communication. Brazil was now formally a member of the WCO/UPU Contact Committee and would follow the discussions on postal traffic. It expected developments in this area and appreciated the efforts invested in advance information and identification of senders and the destination of parcels.
93. The Delegate of BENIN welcomed the good cooperation between the WCO and the UPU and the UPU's efforts on the sharing of information, pointing out that due to lack of cooperation between the Posts and the private stakeholders and lack of information at national level, Customs was often accused of delaying the flow of postal traffic. He mentioned the need for ASYCUDA systems to have the necessary connection, and emphasized that Members should be aware of the need for cooperation in order to allow Customs to carry out its role properly.
94. The Delegate of the PHILIPPINES expressed the concerns of his country regarding the relationship between the Customs and the postal service. He stressed the importance of developing an interface between the IT system developed by the UPU and the Customs systems. But how could this interface be operationalized, bearing in mind that Customs administrations had different clearance systems ? He also asked about technical assistance for establishing this linkage, whether a cost would be involved and if the UPU system was open-source software.
95. Responding to the Delegate of the Russian Federation regarding the growing number of small parcels, the UPU DIRECTOR GENERAL said that this meant a growth in business and was exactly where the UPU wished to be positioned. There were 600,000 post offices worldwide and 7 million people who delivered mail every day. Social mail had admittedly decreased due to the development of the Internet and electronic mail. However, with the growing number of parcels, countries and their governments had the responsibility to build the infrastructure to meet this challenge. Greater collaboration between the Customs and Posts was very welcome, especially on a technical level.
96. With regard to the comments from the Delegate of Brazil, he stressed that, with the growing number of parcels due to e-commerce, the postal network was often a target for sending illicit goods, but postal officers were being trained and supported by security officers to be able to detect such illicit consignments.
97. He agreed with the Delegate of Benin that there was a need for continuous improvement in cooperation between Customs and Posts, and for training. The WCO/UPU Contact Committee was discussing these issues. The UPU had 192 different networks in different countries with different social, political and economic backgrounds and with different levels of development. However, the message of the

need for cooperation and advance information was clearer today than ever before and was constantly being emphasized amongst the UPU membership.

98. Concerning the question raised by the Delegate of the Philippines regarding the interface between the different IT systems, the UPU Director General agreed that this was indeed a challenge and was being addressed by the UPU Postal Technology Centre. Every country had its own level of IT development and often had its own specifically national system. However, open-source software has been developed to be used by Members and they were being encouraged to use it to the extent possible.
99. Finally, the SECRETARY GENERAL stressed that facilitation and border security were important, both for Customs and for postal administrations. The delays in postal traffic were attributable to the growing number of parcels, but also to lack of information. This was what the UPU was endeavouring to address, first by changing its Convention to allow sharing of information with Customs and by launching a pilot project with a number of countries and involving Customs. There was good cooperation between the UPU and the WCO and there was a need to increase the cooperation at national level between Post and Customs, as they shared the same goals.
100. Finally, the Secretary General thanked the UPU Director General for his inspiring speech and expressed the commitment of the WCO to work with the UPU on technical issues, and also at a political level to enhance Customs-Post cooperation.
- **Celebration to mark the 40th Anniversary of the Kyoto Convention on the Simplification and Harmonization of Customs Procedures**
101. Introducing this item, the CHAIRPERSON recalled that a ceremony was planned to mark the 40th Anniversary of the original Kyoto Convention on the Simplification and Harmonization of Customs Procedures. She then gave the floor to the Secretary General for his opening remarks.
102. The SECRETARY GENERAL stated that it was indeed the 40th Anniversary of the original Kyoto Convention, which had been adopted by the Council in Kyoto (Japan) in 1973. The December 2012 Policy Commission session had been held in Kyoto and the Policy Commission members had visited the international conference centre where the 1973 Sessions of the Council had been held.
103. He then provided some brief background to the circumstances having led to the revision of the Convention, the work for which had culminated in 1999 with the current version of the Convention called the "Revised Kyoto Convention (RKC)". Following the relocation of WCO Headquarters to its current premises in 1998, the RKC had been the first major Convention to be adopted and this very meeting room had been named the "Kyoto Room" to commemorate that event. The RKC currently had 86 Contracting Parties and was an important instrument for trade facilitation and supply chain efficiency. Some 40 years previously, the WCO had had the foresight to simplify and harmonize procedures and the RKC now formed the basis of the WTO Trade Facilitation negotiations and many other free trade agreements.
104. The Secretary General emphasized that quality implementation of the RKC was important at this stage, as strongly recommended by the Policy Commission in December 2012 and set out in its Kyoto Communiqué. He concluded by stating that the number of Contracting Parties had grown continuously over the past 40 years.

105. The Delegates of CAPE VERDE, COTE D'IVOIRE and YEMEN then joined the Chairperson and the Secretary General to deposit their instruments of accession, thus becoming, respectively, the 87th, 88th and 89th Contracting Parties to the RKC.
106. The Delegate of YEMEN said that, by depositing its instrument of accession, his country was working towards full application of international conventions. Yemen had gone through some difficult times up until 2011; however, peace had now been achieved with the help of the Gulf States, Saudi Arabia and the United States. Yemen Customs had been working hard over the past few years to improve Customs revenue collection, which had increased progressively since 2009. Indeed, Customs revenue had stood at USD 522 million in 2009, rising to USD 780 million in 2012 and reaching USD 996 million in 2013. At the same time, Yemen Customs was working in the field of trade facilitation as well as security of trade. By way of example in this respect, in 2010 Yemen Customs had detected a suspect consignment bound for the United States and had also thwarted the transportation of illegal weapons. He concluded by expressing appreciation for all the assistance provided to his country.
107. The Delegate of CAPE VERDE said that her country was extremely honoured to be able to deposit its instrument of accession to the RKC, a tool for trade facilitation. The RKC was vital for the development of her country, especially given its status as a small island economy. She then stressed the highly symbolic nature of this 40th Anniversary and congratulated the Secretary General on all the excellent work done and activities undertaken. She concluded by stating that, despite only now depositing its instrument of accession, Cape Verde was in fact already applying the RKC.
108. The Delegate of COTE D'IVOIRE began by underscoring the importance of the act of ratifying the RKC, with benefits being conferred on his country as a result of accession to and implementation of the Convention. For some years now, the RKC had been the inspiration for his Administration's work. The latter was already applying the Convention to a large extent, although this process had been slowed down by the political and military crisis experienced by his country. He thanked the Secretary General for his efforts to promote the RKC, acknowledging that his visit to Abidjan in May 2012 had accelerated the accession process. He also expressed his gratitude to the WCO for its technical support through the Abidjan-based Regional Office for Capacity Building (ROCB) for the West and Central Africa region, as well as to Belgium and all the financial institutions assisting his country via development programmes. This ratification was the end of a long process, but also the start of a new era for Côte d'Ivoire Customs. It consolidated previous reforms, including the implementation of the AEO Programme and the change to the Customs Code, which was closely linked to the RKC. Côte d'Ivoire would do its utmost to implement the RKC provisions in full.
109. The CHAIRPERSON congratulated the new Contracting Parties on their accession to this important instrument and invited the Observer for the Global Express Association to address the Council and give a private sector perspective on the RKC.
110. The Observer for the GLOBAL EXPRESS ASSOCIATION (GEA) wished the Kyoto Convention a "happy birthday", before briefly introducing his Association. It represented the four major express delivery carriers, which transported some 30 million express shipments daily to 220 countries and territories. He acknowledged that GEA members were currently a key player in the global supply chains that defined trade, before stressing the importance of efficient border management and the RKC's role in that respect.

111. He continued by stating that when a person turned 40, it was an opportunity to look to the future with confidence and maturity. He believed that this was also true of the RKC. Back in the 1970s, the WCO had identified standard, simplified Customs procedures as a way to generate benefits for Customs and trade alike, and had implemented its vision in the form of the Kyoto Convention. The Convention had proved a great success in terms of ratifications and had the potential to deliver massive benefits. This was borne out by analyses conducted by the OECD and the World Economic Forum. According to the OECD, further facilitation of trade would reduce its cost by up to 15 % in developing countries. Turning to the World Economic Forum's analysis, if all countries were to reduce supply chain barriers halfway toward global best practice, then global GDP could increase by 4.7 % and world trade by 14.5 %.
112. The Observer for the GEA then focused on the current situation and the possibility of further trade facilitation. He informed the meeting that, for the past two years, the GEA had been measuring border holds (shipments not immediately released at the border) by Customs or any other border agency. The quarterly measurements taken worldwide painted a very consistent picture. At one end was a group of 32 "best in class" countries holding less than 10 % of shipments, and at the other was a "worst in class" group exceeding 32 in number and holding, on average, 63 % of shipments. These figures illustrated the fact that there was tremendous room for improvement in terms of trade facilitation and tremendous untapped potential for economic growth stemming from better border management. The GEA analysis of the "best in class" economies showed that they typically comprised some or all of the following features : efficient and fast border management procedures; risk-based selectivity; advance electronic processing; and de minimis regimes for duties and taxes. The RKC held the key to all these measures through harmonized, standard and simplified border procedures. If properly implemented by as many countries as possible, it could deliver enormous economic benefits. Indeed, a 5 % increase in global GDP, as suggested by the World Economic Forum, would be of benefit to everyone and not only industry.
113. The CHAIRPERSON concluded this item by thanking the Observer for the GEA for his presentation.

5. POLICY MATTERS

114. The CHAIRPERSON invited participants to consult the Reports of the Policy Commission's 68th and 69th Sessions (Docs. SP0429 and SP0450), which had taken place in December 2012 and June 2013 respectively. Although the 68th Session, in December 2012, had been concerned primarily with matters which were examined further at the 69th Session and were therefore reflected in Doc. SP0450, she drew the Council's attention to the fact that in December 2012 the Policy Commission had approved and issued the Kyoto Communiqué from the international Customs community on the Revised Kyoto Convention and Economic Competitiveness Package.
115. The Council took note.
116. The CHAIRPERSON then invited participants to consult the Report of the Policy Commission's 69th Session (Doc. SP0450), which had taken place earlier in the week. With the assistance of the Secretary General and the senior management of the Secretariat, she presented to the Council, item-by-item, the key outcomes of that session as reported in Doc. SP0450 and in an Executive Summary of that document which had been distributed to delegations. She 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, in most cases, no discussion.

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| "A" ITEMS |
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(a) Report of SAFE Working Group

117. At the invitation of the Chairperson, the Council :
- took note of the summary report of the 11th SAFE Working Group Meeting (Doc. SP0435);
 - endorsed the proposal to merge the Time Limits, Integrated Supply Chain Management (ISCM) and General SAFE Review Sub-Groups to form a single SAFE Review Sub-Group;
 - endorsed the proposal to establish an expert group under SAFE for data quality and security issues that would be open to other relevant parties, including procedures and enforcement experts. This was an informal body reporting to the SAFE Working Group, and as such would require no Terms of Reference;
 - noted that the Secretariat would continue to work with Members on the delivery of capacity building to support the implementation of the SAFE Framework of Standards, and that in the interests of good governance any issues in this regard would be considered by the Capacity Building Directorate and referred to the Capacity Building Committee.

(b) Progress report on air cargo security

118. At the invitation of the Chairperson, the Council :

- took note of the progress achieved so far in respect of the work on air cargo security;
- endorsed the WCO-ICAO Joint Action Plan, the outline of the WCO-ICAO Joint Training Module and the high-level outline Terms of Reference for the WCO-ICAO Joint Pilot, reproduced at Annexes I, II and III, respectively, to Doc. SP0436;
- took note of the WCO-ICAO Joint Brochure, the recent cooperation with IATA, the outcomes of the ICAO AVSEC Panel 24, and the intention for the WCO to have a role in the parallel work to be undertaken on facilitation of the international air cargo supply chain.

(c) Revenue Package Phase I - Progress report

119. At the invitation of the Chairperson, the Council took note of the activities conducted by the Secretariat in respect of Phase I of the Revenue Package.

(d) Economic Competitiveness Package - Progress report on implementation of Action Plan

120. 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. The Council also took note of the willingness of the Regional Office for Capacity Building for the Americas and Caribbean Region to assist the Secretariat by preparing a regional strategy for June 2014, and of Argentina's readiness to share information about specific innovative practices as requested under the ECP Action Plan.

(e) Implementation of the Resolution on the Role of Customs in Natural Disaster Relief

121. At the invitation of the Chairperson, the Council took note of the report on implementation, and of the financial difficulties relating to the holding of future seminars on the role of Customs in natural disaster relief in the remaining WCO regions.

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122. 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).

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| “B” ITEMS |
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(f) Economic Competitiveness Package and WTO trade facilitation negotiations

123. The SECRETARY GENERAL said that during his progress report to the Council on the implementation of the Strategic Plan, he had explained how the Economic Competitiveness Package (ECP) was progressing in the WCO, with the emphasis on regional seminars and obtaining more input and best practices from Members. At the same time, there was a link between the ECP and the WTO trade facilitation negotiations, and he invited the Council to focus on this aspect of the ECP.
124. In his keynote speech to the Council, European Union Commissioner Šemeta had spoken of the WTO trade facilitation multilateral framework, which offered an excellent opportunity for Customs administrations to progress, with the support of their political leaders. It was also important to use this opportunity to stimulate the awareness and involvement of the donor community, which was now approaching the WCO to offer support for trade facilitation, through Customs modernization. Accession to, and implementation of the Revised Kyoto Convention (RKC) was of vital significance here, as the WTO had drawn on the RKC for its trade facilitation provisions. However, the WTO trade facilitation text did not correspond fully to the RKC, and the ECP had been developed for this reason, i.e. to ensure that all the Customs elements of the WTO text were addressed. The ECP Toolkit, for its part, had been developed in order to link each element of the WTO text to the relevant WCO instruments, tools and programmes, to show that the WCO was ready, from the technical standpoint, to support the implementation of any future WTO Trade Facilitation Agreement.
125. The Secretary General added that the WTO negotiators and political leaders were hoping to achieve agreement on trade facilitation at the WTO Ministerial Conference to take place in Bali, Indonesia, in the first week of December 2013. Therefore, he was seeking the Council's guidance on how the Secretariat, and above all the Members, should promote WCO tools and position themselves in this context. The WCO Secretariat had been following the WTO trade negotiations and endeavouring to provide technical input when so requested. Also, a WTO Aid for Trade high-level session was about to take place, bringing together many donors and international organizations, along with the negotiators; the WCO would be hosting a stand there, to demonstrate how it could support any future Trade Facilitation Agreement using the ECP and the RKC. The Secretary General urged Customs administrations to support the WCO's endeavours by being involved in the WTO negotiations and promoting WCO standards and tools, as well as WCO involvement in the implementation stage.
126. The Delegate of ECUADOR remarked that some elements of the ECP Action Plan related specifically to IPR issues. Bearing in mind the need for the WCO to apply the provisions adopted by the WTO in respect of IPR, he said there was a need for flexibility where the implementation of the Action Plan by developing countries was concerned. The SECRETARY GENERAL responded by giving an assurance that the WCO's approach to IPR assistance was based on the needs and priorities expressed by Members in terms of enhancing their IPR protection.
127. The Delegate of the UNITED STATES said that in today's global economy, the partnership between Customs administrations and Trade was crucial to securing the global supply chain and supporting economic competitiveness. In recent years,

US Customs and Border Protection (CBP) had pursued initiatives to transform its trade processes and systems. Those initiatives supported consistency and harmonization, automation and efficiency, co-creation, bi-directional education and trade enforcement; he wished to highlight three such initiatives, beginning with perhaps the best example of partnership and co-creation - the Air Cargo Advance Screening pilot (ACAS).

128. He recalled that in 2010, following the discovery on board a plane of two packages from Yemen containing viable bombs, CBP had worked with airlines, the Transportation Security Administration and its partners overseas to develop the ACAS. At the end of 2010, CBP and the Transportation Security Administration had begun to receive pre-loading data on shipments from 28 countries. To date, over 80 million shipments from 189 countries had been processed, i.e. about 82 % of all inbound international air cargo.
129. The ACAS pilot had begun with voluntary participation from the express consignment couriers, but had now expanded to 13 participants, with another 24 working with CBP to become operational. CBP had recently extended the pilot and application period for interested carriers, couriers and forwarders. It was hoped that the results of the ACAS pilot would help establish new air cargo security standards and guidelines at the WCO and the International Civil Aviation Organization. CBP was moving closer to developing regulations based on the results of the pilot and on consultations with Trade.
130. The Delegate of the United States said that the international harmonization of future air cargo security standards was a priority, adding that in a global environment it was important to ensure that security standards did not unduly burden the flow of legitimate commerce. The success of ACAS had been made possible by the strong partnership and constant dialogue with the private sector.
131. Turning to the second initiative, aimed at increasing automation and efficiency, he said that, through its Automated Commercial Environment (ACE) and Simplified Entry pilot, CBP had reduced the number of required data elements for imports from 27 to 12 required and 3 optional, as well as being able to provide Trade with earlier information about the release of goods. This made it easier for importers to file their information with CBP, whilst enabling CBP to target and assess risk earlier in the supply chain. This streamlined approach to the entry process ensured that cargo was more secure, as well as reducing transaction costs and expediting cargo release.
132. CBP had made significant progress towards establishing ACE as the Single Window. A new method of building ACE had been piloted since January 2013, and the proposed date for mandatory transition to ACE was the end of 2016. This year, the focus was on the Partner Government Agency (PGA) Message Set, which consolidated the data needs of United States Government agencies so that Trade filers only had to supply their information once. This feature provided enormous cost savings to both the Government and the private sector, and was integral to the realization of a true Single Window to Trade.
133. Thirdly, the delegate drew attention to one of CBP's signature trade transformation initiatives, namely the Centers of Excellence and Expertise. These Centers had demonstrated that bi-directional education between the public and private sectors was critical to sustaining the national economy. The Centers were virtual organizations that brought all of CBP's trade expertise to bear upon a single industry. At the 10 Centers currently open for business, CBP had forged an unprecedented relationship with industry experts and major trade associations.

134. The Delegate of the United States concluded his intervention by suggesting that Customs administrations in the 21st Century had a new role, namely to use their unique authorities not only to secure the global supply chain, but also to ensure the economic competitiveness of their nations. Countries wanted, and needed, a healthy, growing trade environment that ensured economic competitiveness, and Trade was Customs' partner in achieving this objective. It was time to move beyond AEO, in order to forge strong partnerships with the trade community which would help create global standards. It was essential that economic competitiveness and secure trade be the standard for Customs in the 21st Century, and the time to pursue global standards for Customs-Trade partnerships was now. There was an incredible opportunity to usher forth a new era of prosperity and security, if Customs worked together with the private sector and sought to understand the participants in the global supply chain. He committed the United States to assisting the WCO in developing these standards over the coming year, and asked for the support of the Chairperson, of other administrations, and most importantly of Trade partners, to accomplish what his Administration believed could be one of the WCO's most significant achievements.
135. The Delegate of ARGENTINA said that where the ECP was concerned, the ROCB for the Americas was in a position to assist the Secretariat with the development of the regional ECP strategy; she suggested that a good way forward would be to include the subject in the next regional planning meeting, which traditionally took place before the donor meeting in January.
136. In conclusion, the Council :
- acknowledged and welcomed the ongoing work in terms of the development of the ECP Toolkit which would also support the implementation of any future WTO Trade Facilitation Agreement;
 - invited the Permanent Technical Committee to review and improve the ECP and WTO Trade Facilitation Toolkits;
 - noted the importance of having Performance Indicators for this work;
 - urged WCO Members which were not Contracting Parties to the Revised Kyoto Convention (RKC) to conclude their examination of the RKC with a view to accession as soon as possible;
 - encouraged the existing RKC Contracting Parties to apply the provisions of the RKC as foreseen in the Convention;
 - strongly endorsed the promotion of the important role of the WCO in implementing a future Trade Facilitation Agreement and agreed that, after its conclusion, the arrangements for moving this work forward should be clearly defined;
 - expressed interest regarding how the WCO could exploit the existing heightened political discourse at international level about transparency to promote exchange of information.

(g) Regional economic integration - Role of Customs administrations

137. The DEPUTY SECRETARY GENERAL said that international trade was always a fundamental part of countries' growth and development strategies. In order to boost intra- and inter-regional trade, countries looked for associations with other countries, and for regional integration. Customs always played a key role in this process, especially in the implementation phase, and this was why WCO Members were looking for recommendations and methodological support in this area. There were various policy options where regional economic integration was concerned. Firstly, countries might choose to promote regional integration on their own initiative, by unilaterally establishing certain border measures to facilitate trade or transit through their territory, for example. Secondly, they could take collective action to promote regional economic integration through international fora such as APEC or ASEM. Thirdly, countries could take collective actions in accordance with binding rules under bilateral or regional frameworks; this was the case of Free Trade Agreements (FTAs) and Regional Trade Agreements (RTAs), as well as transit or corridor agreements and Customs mutual administrative assistance agreements. Given that almost all WCO Members had taken up one or more of these policy options, this was not a theoretical discussion but a very practical one.
138. Looking at FTAs and RTAs in more detail, the Deputy Secretary General pointed out that there were various levels of integration depending on the type of agreement employed. Under an FTA, members reduced or eliminated tariffs between them, but maintained their independent external tariffs. Some FTAs also included the harmonization of certain standards, and in this case the agreement was known as an "FTA plus". A higher level of integration could be achieved through a Customs Union, where members not only eliminated tariffs among themselves, but also established a common external tariff with non-members. The next stage en route to regional economic integration was a Common Market, which was similar to a Customs Union but included, in addition, free movement inside the territory of production factors such as labour and capital. Beyond that came : Economic Union, where economic policies such as macroeconomic and regulatory policies had been harmonized; Monetary Union, where members established a single currency in the territory; and Fiscal Union, where members also established a common fiscal policy.
139. According to the WTO, in the past decade 140 RTAs had been reported; at the same time, 17 Customs Unions had been established and notified to the WTO, and extensive progress could be observed in this area.
140. The Deputy Secretary General said the challenge was that RTAs affected Customs in different ways, depending on the type of agreement involved. However, certain elements were transversal to all RTAs, and this made it possible to analyse the various issues related to Customs, regardless of the type of agreement used. These issues included aspects of border and control facilities, revenue management and institutional arrangements. Against that background, the first step was to identify Members' priorities, which might include trade facilitation under FTAs and RTAs, the role of Customs at various stages of integration, and the role of Customs under international transit or corridor agreements.
141. In conclusion, the Council :
- welcomed the inclusion of this topic on the Agenda, which was clearly of great interest to Members, notwithstanding their diverse views;

- asked the Secretariat to disseminate a survey to WCO Members during the intersession in order to identify needs in terms of regional economic integration, and report the outcomes of this survey, together with the outcomes of the PICARD Conference to be held in September 2013 and other research, to the next session of the Policy Commission in December 2013.

(h) Revenue Package Action Plan - Phase II

142. The SECRETARY GENERAL recalled that following the global financial crisis in 2009 and the resulting reduction in trade volumes and, therefore, Customs revenue, the Revenue Package had been launched to ensure that revenue was collected in an efficient and fair manner. The Revenue Package consisted of three elements, namely the Harmonized System, Customs Valuation and Origin. Phase I of the Package, implemented in 2009, had included an HS-related diagnostic tool, material on how to control Customs value, in particular through the use of a valuation database, new guidelines for post-clearance audit, and guidelines on the verification of preferential rules of origin.
143. In keeping with the need to innovate constantly, the Secretariat was now adding further material to the Revenue Package, in Phase II of the Action Plan. In the field of Valuation, the Package would include a Valuation-related diagnostic tool, and there would be a study on transfer pricing insofar as it affected Customs valuation. There would be a similar diagnostic tool for Origin, as well as a study of the typology of irregularities in the field of Origin, with a view to the future development of Origin-related risk management. Transversally, under Phase II, the Secretariat would be looking at the use of inspection companies for Customs work, and how to assist Members that wished to terminate these contracts.
144. The Secretary General added that although the emphasis in the Revenue Package had been on the collection of Customs duties, in many cases Customs administrations also dealt with the collection of other revenue such as excise duties, consumption tax and VAT. Therefore, the Secretariat would be looking at how to identify and analyse the revenue gap in these areas.
145. Finally, the Secretary General said that a number of suggestions and requests had emerged from the Policy Commission's discussions on this subject, including for example that the WCO could act as a repository for information on revenue risk data, and that there should be more sharing of information and best practices with regard to revenue collection. In the latter connection, he announced that a Global Conference on the Revenue Package would be organized in 2013/2014.
146. At the invitation of the Chairperson, the Council endorsed the Action Plan for Phase II of the Revenue Package and invited the Secretary General to take account of the points made in the Policy Commission discussions, which had included some interesting suggestions on areas for research and future work.

(i) **Strategic review of the Harmonized System**

147. The SECRETARY GENERAL said that in recent years, granularity (or specificity) had been increased for some products in response to requests by WCO Members or international organizations. This had raised the fundamental question of whether, for certain strategic goods, even more granularity could provide some advantages such as enabling better risk assessment, targeting and admissibility decisions in areas such as the environment, security, and health and safety. With regard to the possibility of reviewing the Harmonized System in response to these requirements, there were three possible options, namely : (1) maintenance of the status quo, (2) expanded use and promotion of the HS in its existing form, and (3) reform of the HS, entailing the amendment of the HS Convention, in particular to increase the number of nomenclature digits as a means of increasing the specificity of the HS commodity classification. The reform envisaged under Option (3) could fundamentally change the original intent of the HS, which was to classify goods according to categories determined largely by the requirements of Customs tariffs.
148. A second question was whether the current length of the HS review cycle (five years) could be shortened in order to update the nomenclature more frequently for commodity areas characterized by rapid technological change.
149. The Policy Commission had discussed these matters at its December 2012 session, and had decided that the Vice-Chairs should canvas Members for their views at their regional meetings. When the Vice-Chairs reported their findings at the June 2013 Policy Commission session, it was clear that there was a consensus within the membership in favour of a prudent approach, i.e. Option 2. Regarding the second question of whether the HS review cycle should be shortened, both the regions and the Policy Commission had also recommended a prudent approach.
150. The Secretary General pointed out that, in addition to the Harmonized System, there were many coding systems used to determine the classification, identification and end-use of goods. With this in mind, the Policy Commission had recommended that the Secretariat examine other coding systems and how they could support Customs operations, especially with regard to risk management in the areas of health and safety, and security. The Secretariat would present an in-depth study on this subject to the Policy Commission at its December 2013 session.
151. The Delegate of RWANDA said that, in many countries, a great deal of work had been done in order to develop new codes for risk management and valuation. He asked whether the intention was to develop additional HS codes to replace those introduced by countries, or whether the existing national codes would be harmonized. His second point related to the time needed to implement the new version of the Harmonized System on completion of each HS review cycle. Rwanda had already implemented HS 2012, but publishing the new version required an enormous amount of work, and the task would be made much easier, and could be accomplished much more quickly, if the changes could be made available in an electronic version.
152. The Delegate of ARGENTINA asked whether there was any information available as to how many administrations were using the other coding systems to which the Secretary General had referred. She also wondered whether these coding systems were effectively in competition with the Harmonized System, and whether consideration was being given to the possibility of incorporating them in the Harmonized System.

153. In response to the intervention by the Delegate of Rwanda, the SECRETARY GENERAL said that where the possibility of shortening the current five-year review cycle was concerned, his consultations with Members in the various regions had revealed how difficult it was for many of them to implement the new versions of the Harmonized System, especially in the context of regional integration negotiations which were based on the Harmonized System. Shortening the cycle would further exacerbate these problems, and would also cause difficulties for the Secretariat. It was for these reasons that Members had decided to adopt a prudent approach where the duration of the review cycle was concerned. He added that an electronic, pdf version was always made available for new versions of the HS; any specific problems encountered in this respect should be referred to his Office.
154. Turning to the point raised by the Delegate of Argentina, the Secretary General said that the Harmonized System was the coding system used by all WCO Members, and by many outside the WCO, for tariff classification matters. At the same time, there were many other coding systems used to control the movement of, and trade in, specific goods, such as hazardous wastes for example. There were also a number of coding systems used to identify, rather than classify, products, and the Secretariat was studying the question of whether it would be beneficial for Customs administrations to use these identifying codes alongside, not instead of, the HS codes. The Secretariat would present a study on this matter to the Policy Commission in December 2013.
155. In conclusion, the Council took note of the Secretariat document on this subject and concluded that there was consensus for a cautious and prudent approach in respect of the HS, namely Option 2. The Secretariat, which had offered to provide additional information on other coding systems and how they could help Customs operations in connection with the HS, was invited to deepen its work on coding systems and report back to the Policy Commission as planned.

(j) Joint discussions with Private Sector Consultative Group

156. The CHAIRPERSON reminded delegates that the Private Sector Consultative Group (PSCG) had not only taken part in the Policy Commission discussions but had also held a two-day meeting in the margins of the Policy Commission session.
157. She pointed out that during the Policy Commission session, in addition to a document produced by the PSCG as an Annex to the WCO Orientation Package for Decision Makers, the following two questions had been identified : “What does Customs want from the trade and what does the trade want from Customs ?” and “What are the priority actions the WCO can take to promote effective Customs and private sector engagement ?”.
158. On their side, the representatives of the PSCG had replied by identifying four priority areas in terms of what the trade wanted from Customs. They were :
- Binding rulings regarding classification and Customs value.
 - Voluntary disclosure without penalties.
 - Co-ordinated Border Management (Single Window).
 - Resolution of conflicts between Customs valuation and transfer pricing.

159. The Chairperson summed up the reaction of Customs representatives by quoting “help us to help you”, the expression coined by the Delegate of Morocco, and more specifically through :
- sharing of intelligence/information;
 - supply chain mapping;
 - improved voluntary compliance;
 - access to the voice of SMEs and micro businesses;
 - stamping out bad behaviour in both large and small cases.
160. The Chairperson also reported that the Policy Commission had delivered the following key messages : quality data is essential for efficient clearance; compliance is required before facilitation can be provided; mutual assistance should be enhanced; data quality needs to be improved through knowing one’s customers, agents and intermediaries; the mutual benefits identified need to be examined not only at national level but also in the WCO; and the WCO should develop an instrument or a toolkit to support the creation of mechanisms for best practice for Customs/private sector engagement.
161. The Chairperson then invited the PSCG Chairperson, Ms. Carol West, to comment on the work of the Group and on the Policy Commission’s deliberations.
162. The CHAIRPERSON OF THE PSCG said that the past week had been valuable in terms of lessons learned, stressing the comprehensive convergence of ideas, noted for the first time since the PSCG’s establishment in 2006, between Customs and traders in terms of priority objectives and identifying mutual benefits with respect to those objectives.
163. She informed delegates that the PSCG had been actively engaged in the work on the data quality issue and the two questions raised by the Chairperson in paragraph 157 above, both within the Group and in the Policy Commission. For those delegates unfamiliar with the PSCG and its work, she pointed out that the PSCG was made up of 30 associations and companies representing all elements of the supply chain across all regions of the world.
164. She felt that the agreement noted on a number of issues during the Policy Commission session was down to a significant change in Customs’ attitude towards the trade, in terms of support for economic competitiveness and the desire to promote national prosperity. For its part, the trade had also changed, especially in terms of its desire to comply more fully with regulations.
165. By way of example, the Chairperson of the PSCG referred to the issue of data quality, with Customs and the trade sharing a mutual interest in its security and relevance. She recalled that, in keeping with the commitment it had made within the SAFE Working Group, the PSCG would support and participate in the work of the ad hoc expert group to be set up shortly. She added that a proposal to improve data quality would be made for December 2013, in advance of the next session of the Policy Commission.

166. She fully supported creating a mechanism to promote engagement between Customs and the private sector. Given its knowledge of the supply chain and the representativeness of PSCG membership, she undertook, for the next session of the Policy Commission, to make proposals to help form a clearer picture of supply chain mapping.
167. The Chairperson of the PSCG concluded by welcoming the convergence of ideas noted on the issue of pre-shipment inspection (PSI), independently of the discussions to be held in this respect when examining the Revenue Package.
168. The VICE-CHAIRPERSON OF THE PSCG, Mr. Bill Taylor, then took the floor to recall the representativeness and diversity of the PSCG as well as its unanimous commitment to cooperation with Customs, particularly regarding data quality and compliance which were vital for efficient Customs clearance and for providing facilitation.
169. He stressed the importance of the representativeness of the Group, underscoring the particular attention paid to SMEs and micro businesses on account of their key role in the supply chain of both developed and emerging countries.
170. The Vice-Chairperson of the PSCG concluded by thanking : the Chairperson for engaging the Group's participants in the Policy Commission discussions; the Director, Capacity Building, for allowing the PSCG to prepare the Annex to the WCO Orientation Package for Decision Makers; and the Secretary General for referencing, in his report to the Council, the importance of Customs-to-Business cooperation initiatives.
171. The CHAIRPERSON thanked Ms. West and Mr. Taylor for their presentation.
172. In the absence of any comments by delegates, the Chairperson concluded the discussions by stating that the Council, like the Policy Commission :
- welcomed the strengthened engagement between the PSCG and the WCO's different working groups;
 - noted it was important that discussions on identified mutual benefits take place not only at national level but also at WCO level;
 - endorsed the proposal that the WCO should develop an instrument or toolkit to support the creation of mechanisms for best practice for Customs/private sector engagement.

(k) Strategic Plan for the years 2013/2014 to 2015/2016

173. The DEPUTY SECRETARY GENERAL explained that the WCO Strategic Plan was a high-level policy instrument, which therefore did not include detailed information about all of the Organization's activities. It did, however, guide all of the WCO's programmes, projects and activities. The Strategic Plan was pursued through a multi-step process, and in accordance with the concept of continuous improvement. The new planning cycle was one of the most important changes introduced in order to enhance the WCO Strategic Plan. It allowed contributions to the Plan to be made by all the relevant WCO bodies in a timely manner (December Policy Commission session, Management Team at its January Away Day, Audit Committee in February, Finance Committee in April, June Policy Commission and Council sessions).

174. The Mission and Values Statements formed the basis of the Plan, indicating what the WCO was and what it believed; the Vision Statement and the Customs in the 21st Century document set out what the Organization wanted to achieve. The seven Strategic Goals consisted of four key areas or “pillars”, for each of which a Package had been developed, and three supporting, transversal goals. Appended to the Strategic Plan was an operational plan which showed how the Secretariat would work to implement the Plan in 2013/2014, in terms of Tactical Activities, Performance Indicators and financial implications.
175. The Deputy Secretary General then explained the decisions taken in respect of the Plan during the 2012/2013 planning cycle. Thus, in December 2012, the Policy Commission had : expressed support for the new planning cycle and for the structure of the Plan; approved a new Mission Statement; and instructed the Secretariat to review the Vision Statement, propose some priorities for activities, and review the Performance Indicators to include timelines and qualitative as well as quantitative indicators. These matters had been taken up at the Management Team Away Day, where senior managers had reviewed and discussed the environmental scan, drafted a new Vision Statement and reviewed the Performance Indicators to be presented to the Audit Committee.
176. The Deputy Secretary General then presented the new Mission Statement which had been approved by the Policy Commission in December 2012, and the proposed new Vision Statement which the Policy Commission had endorsed a few days previously.
177. Returning to his description of the planning process, the Deputy Secretary General explained that the Audit Committee had revised the Strategic Plan, with specific reference to the monitoring and reporting mechanisms, and especially the key Performance Indicators. Based on the instructions received from the December Policy Commission, the Secretariat had developed Performance Indicators that were relevant, challenging and specific, were qualitative as well as quantitative where appropriate, proposed a deliverable, and included a clear target.
178. Finally, the Finance Committee had reviewed the financial implications of the Strategic Plan. The Secretariat had costed the Plan using a methodology approved by the Finance Committee in 2012. The Finance Committee had agreed that the allocations presented were a suitable reflection of the current reality, and had taken note of the high-level costing of the Strategic Plan.
179. The CHAIRPERSON drew the Council’s attention to the fact that the Strategic Plan now before it differed from the previous Plan in a number of important respects. In particular the Mission Statement and Vision Statement were new, and the multi-year nature of the Strategic Plan, supported by an annual Tactical Plan, was an innovation. A significant amount of work had gone into the development of the new Plan, and the Chairperson commended the Secretariat for its efforts.
180. The Delegate of NORWAY said that the Secretariat had listened very carefully to Members’ views, and had made great strides with the Strategic Plan over a period of just a few years. His personal view was that the Customs in the 21st Century document established some years previously should be regarded as the Organization’s Strategic Plan, and this could be an idea to be explored further if a decision was taken to convert the present Strategic Plan into a one-year action plan. For the time being, however, he complimented the Secretariat on the Strategic Plan and the planning process, and recommended that the Council endorse them.

181. In conclusion, the Council :

- adopted the three-year Strategic Plan, with its new structure and the revised Mission and Vision Statements, as well as the annual Tactical Plan, including the Performance Indicators. The Strategic Plan is reproduced at Annex IV hereto;
- invited the Secretariat to take note of the views expressed regarding further developments of the Plan and the planning cycle;
- asked that the action points and outcomes of the Policy Commission and Council be incorporated in the annual Tactical Plan, and that whenever a report on implementation was called for, it should take the form of a single integrated report using the Performance Indicators.

(I) Composition of the Finance Committee

182. The CHAIRPERSON recalled that at the June 2012 Council Sessions, the question of whether to review the composition of the Finance Committee had been raised. The Finance Committee had considered the matter in October 2012. It had then been discussed by the Policy Commission in December 2012, but no consensus had been reached. It had therefore been agreed that the Vice-Chairpersons would table discussions on the matter at their regional meetings and report back to the Policy Commission.

183. At the Policy Commission's June 2013 session, the six regional Vice-Chairpersons had reported on the views of their respective regions, and following a wide-ranging discussion the Policy Commission had concluded that a working group should be established to examine the composition of the Finance Committee, along the lines of the group which had been set up to examine the composition of the Policy Commission.

184. At the invitation of the Chairperson, the Council agreed that a working group would be established to examine the composition of the Finance Committee. It would be composed of three representatives from each region, one of whom would be the Vice-Chairperson who would put forward the collective views of the region. The Secretariat would draft Terms of Reference for the group, for approval by the Policy Commission in December 2013. The group would meet early in 2014, and its recommendations would be examined at the June 2014 sessions.

185. On the related matter of attendance at Finance Committee sessions, the Council agreed that the Finance Committee Chairperson should include information about attendance at the Committee's meetings in his/her reports to the Council.

(m) Audit Committee Report

186. The Delegate of ECUADOR, in his capacity as Chairperson of the Audit Committee, said that he had presented his report on the Seventh Meeting of the Audit Committee to the Policy Commission. In particular, the Audit Committee had reviewed the Performance Indicators in the Strategic Plan for the tactical activities, and had recommended that for the next planning cycle, Performance Indicators be included for the Strategic Goals also. The Committee had also put forward a draft WCO Data Protection and Information Security Policy, which the Council was now being invited to adopt, and had presented the outcomes of the Audits on the positioning of the WCO and the governance of principles of donor funding. For 2013/2014, the Audit Committee had asked the Secretariat to draw up a Communications Policy, a revised risk matrix and Guidelines for donor funding.
187. The Audit Committee Chairperson added that Ecuador had now completed its term as a member of the Audit Committee, and the Committee had unanimously agreed to nominate Luxembourg as its next Chairperson.
188. At the invitation of the Council Chairperson, the Council adopted :
- the Report of the Audit Committee, reproduced in Doc. SP0448;
 - the WCO Data Protection and Information Security Policy, appended to Doc. SP0448;
 - the revised Audit Charter, appended to Doc. SP0448.
189. The Council also noted that the Audit Committee had unanimously agreed to nominate Luxembourg as its next Chair.
190. On behalf of the Council, the CHAIRPERSON thanked Mr. Mario Pinto, the Deputy Director General of Customs of Ecuador, for his work in steering the Audit Committee during his term of office.

(n) Alternates for Policy Commission members

191. The CHAIRPERSON said that in 2012, as a result of some concerns she had had concerning attendance at Policy Commission sessions, she had put forward the idea that there should perhaps be alternates for members of the Policy Commission as a means of ensuring proper representation on the Commission. Consultations in the regions had revealed a lack of support for this proposal, although it had been useful in focusing attention on the fact that Members who accepted a seat on the Policy Commission were expected to attend its meetings.
192. She said that the Policy Commission had concluded that this initiative was not needed at present, but reserved the right to return to it in the future if attendance at the Policy Commission became a matter of concern.
193. The Council took note.

(o) Accession of Palestine to the WCO

194. The CHAIRPERSON informed the Council that at the Policy Commission session, the Delegate of Morocco, in his capacity as Vice-Chairperson for the North of Africa, Near and Middle East Region, had addressed the question of the accession of Palestine to the WCO, in the context of Palestine's accession to UNESCO which had changed the situation. On that basis, the Members of the North of Africa, Near and Middle East Region wished to see the debate move forward. The Delegate had pointed out to the Commission that Palestine now had the status of observer member of the United Nations, and his Region believed that it was time to discuss the accession of Palestine to the WCO in a more meaningful way.
195. The Secretary General had informed the Policy Commission that the Secretariat was following the Council decision of 2009 (allowing Palestinian Customs to benefit from capacity building programmes), and that it had been monitoring the issue closely, including the developments in other international organizations. He was of the view that Palestine should adopt a general approach to international organizations, as this would allow the WCO, as a technical organization, to reach a decision more easily.
196. The Policy Commission had taken note of the request by the Vice-Chairperson for the North of Africa, Near and Middle East Region that the issue of the accession of Palestine be discussed, as well as of the response given by the Secretariat.
197. The Delegate of MOROCCO indicated that at its regional meeting, held two days previously in the margins of the Council Sessions, the North of Africa, Near and Middle East Region had taken note of the Policy Commission's conclusions; while understanding the Secretariat's position, the Region considered that the link made between Palestine's accession to the WCO and its accession to other international organizations was perhaps inappropriate. The Region had concluded, following its discussions on this matter, that the necessary steps would be taken by Palestinian Customs, with the support of the Region and of the Arab League, with a view to introducing an official request for accession before the June 2014 Council Sessions.
198. The Delegate of TURKEY said that, in his Administration's view, accession would ease and expedite technical assistance and capacity building activities directed at Palestinian Customs. In turn, it would be much easier for Palestinian Customs officials to follow the initiatives and developments with regard to WCO tools. In that way, Palestinian Customs would be able to utilize their instruments in a more beneficial manner. Besides this, the coverage of the WCO would expand further thanks to the accession of Palestine. Turkey already had well-established commercial and economic relations with the Palestinian National Authority, and these relations had steadily gained ground since the signing of the Free Trade Agreement in 2004. Turkey expected to continue and increase its partnership with Palestinian Customs in the context of the WCO as well. Being a part of the WCO would necessarily enhance Palestinian Customs in various aspects. The delegate stated his Administration's open and full support for the membership of Palestine in the WCO.
199. The Council took note.

(p) Emerging issues

200. The CHAIRPERSON said that the Delegate of New Zealand had invited the Policy Commission to consider a mechanism for Members to explore emerging issues together. Specifically, the mechanism would include the writing of joint papers by Members which were interested in a particular issue, and the presentation of those papers for discussion in the Policy Commission. Her Administration, in conjunction with any interested Members, could develop a paper proposing such a mechanism, for consideration by the Policy Commission in December 2013.
201. The Policy Commission had taken the view that anything that enhanced the engagement of Members was worth considering, and had thanked New Zealand for offering to develop a proposal for presentation at the next Policy Commission session in December.
202. The Council took note.

(q) Governance

203. The CHAIRPERSON said that the Delegate of Norway had raised a governance question that he had been considering for some time, namely whether there was a need to look for a mechanism to ensure that candidates for Director posts at the WCO Secretariat possessed the requisite Customs business knowledge. He had emphasized that this would be a purely abstract discussion on a governance issue, and was not intended as a reflection on the Directors currently in post.
204. As the Policy Commission was not entirely sure what the current procedures and processes were, the Secretariat was asked to prepare a factual paper on this subject, for consideration at the Policy Commission's next session. The Policy Commission should then be in a position to decide whether to pursue the matter, notably by inviting the Vice-Chairpersons to hold regional consultations on this subject in the first half of 2014.
205. The Council took note.

(r) Status of the Syrian Arab Republic

206. The CHAIRPERSON said that the Secretary General had advised the Policy Commission that the Syrian Arab Republic was about to become inactive because it had not paid its statutory contributions for two years. She added that this was a common occurrence, and at times the number of inactive Members might be well into double figures. Inactive Members were still Members of the WCO, but were eligible only for reduced services until such time as they regularized their situation. What was unusual in this case was that the Syrian Arab Republic had contacted the Secretariat, indicating that it had tried to pay its contribution but the current sanctions were proving an obstacle. There was a Council Decision stating that the Council could decide not to invoke inactive Member status if it considered that the Member concerned had advanced a valid reason for the non-payment of its contribution.
207. The Policy Commission had been informed by the Secretariat that the European Council Decision providing for sanctions against the Syrian Arab Republic contained an exception for the payment of contributions to international organizations.

208. The Chairperson said that the Policy Commission had discussed the matter and had asked the Secretariat to pursue certain aspects of it, and in particular to ascertain whether there was any evidence of an attempt by the Syrian Arab Republic to make payment. Since the Policy Commission session she had discussed the matter further with the Secretariat and with Policy Commission colleagues, including in particular the Vice-Chairperson for the North of Africa, Near and Middle East Region. Her recommendation to Council was that this should be regarded as a routine technical matter, with the Syrian Arab Republic receiving the same treatment as all the other Members that had not paid their contributions down the years, and this view was shared by the Region concerned.
209. The Delegate of MOROCCO, in his capacity as Vice-Chairperson for the North of Africa, Near and Middle East Region, confirmed that his Region regarded this as a purely technical matter which should not have any political connotations attached to it, and considered that the WCO rules governing inactive status should simply be applied in the usual manner.
210. It was so decided.

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211. Before concluding the Council's examination of this Agenda item, the CHAIRPERSON remarked that this year she had endeavoured to integrate the policy and technical matters more closely together.
212. The Council adopted as a whole the Reports on the Policy Commission's 68th and 69th Sessions.

6. TECHNICAL MATTERS

(a) Tariff and Trade Affairs

Introduction

213. The DIRECTOR, TARIFF AND TRADE AFFAIRS, introduced the work of the Directorate which was responsible for the three critical areas for establishing duty liability, namely nomenclature, valuation and origin. The Directorate played a key role in assisting Members in applying the relevant international standards, e.g. the Harmonized System Convention and the WTO Valuation Agreement. A summary was provided of the activities of the three Committees relevant to this work.
214. The Director summarized the work undertaken by the Directorate under the Revenue Package programme and highlighted the fact that undervaluation continued to be a major challenge for many Members. The Secretariat had provided technical assistance to Members in relation to the new Revenue Package tools launched at the Council Sessions in June 2012. Further requests for assistance and information could be made to the Secretariat, which would also welcome offers from Members to collaborate and share their experience in respect of the activities to be undertaken under Phase II of the Revenue Package Action Plan.

(i) Rules of Origin

215. The DIRECTOR, TARIFF AND TRADE AFFAIRS, informed the Council that the Technical Committee on Rules of Origin (TCRO) had held its 31st Session on 22 January 2013. The TCRO had re-elected Mr. Liu (China) as Chairperson and elected Ms. Gugu Dlamini-Zwane (Swaziland) as Vice-Chairperson.
216. The Secretariat had presented a status report on the work relating to the Origin Action Plan. The Comparative Study compared European and North American Free Trade Agreement (NAFTA) rules of origin. Asian rules of origin would shortly be incorporated and published. The Study was a very useful tool when negotiating new agreements, as well as when applying and using existing agreements.
217. Since the 2011 Council Sessions, the Secretariat's work in the area of origin had focused on the Revenue Package, the development of new modules of the Comparative Study and the update of the Database of Preferential Trade Agreements.
218. At the meeting of the WTO Committee on Rules of Origin (CRO) held in Geneva on 7 June 2012, it had been decided to ask the TCRO for technical advice concerning the transposition of the consolidated text of the harmonized Non-Preferential Rules of Origin to recent versions of the HS. The Secretariat and the TCRO had therefore again been involved in work relating to the Non-Preferential Rules of Origin.
219. The WCO Secretariat had drafted a document for the TCRO examining the complex cases for the 2002 and 2007 transpositions and suggesting simplifications to these rules. After discussion, the TCRO had decided to take note of the document and had agreed that it be sent to the CRO as a WCO Secretariat recommendation and technical advice.
220. The Secretariat also planned to carry out regional capacity building activities on the Revenue Package, especially in relation to verification of origin.

221. The Director added that the Secretariat had conducted a number of missions related to technical assistance and capacity building programmes, including an accreditation event for accreditation of trainers in Origin matters (Asia/Pacific); a joint workshop with the WTO in Brunei Darussalam; regional seminars for Asia/Pacific and East and Southern Africa; and national missions, including in Chile and Sri Lanka. The Secretariat had also participated in workshops in Korea, Colombia and Qatar.
222. The CHAIRPERSON OF THE TCRO, Mr. Liu, thanked the Director for his report, with which he fully concurred.
223. On behalf of Ms. Dlamini-Zwane and himself, he expressed their deepest appreciation to Member administrations for having elected them as Chairperson and Vice-Chairperson for 2013, and for the confidence and support placed in him by electing and re-electing him as Chairperson of the TCRO for six consecutive years. He also thanked his home administration for its support during this period, and the WCO Secretariat for its support for the work of the TCRO.
224. He reported that, during the past year, the TCRO had continued to be dynamic, efficient and responsive to stakeholders' needs in the area of rules of origin, in taking the lead on how Customs administrations should position themselves in face of the challenges posed by globalization and the proliferation of Regional Trade Agreements (RTAs).
225. Topical and practical origin issues had been dealt with either at the formal session or at an informal workshop, which had proved to be of considerable interest to Members as shown by the good attendance. Mr. Liu stressed the need to continue to develop interesting frontline topics for the next sessions and added that Members' suggestions were welcome. He said that the utilization rate of RTAs might be an appropriate topic as at least 354 RTAs had been implemented around the world and Customs always played a major role in the implementation of those agreements.
226. Mr. Liu indicated that the Secretariat had done a good job in implementing the WCO Action Plan on Preferential Rules of Origin, and congratulated the Secretariat on the Origin Database and the Comparative Study of Preferential Rules of Origin. He strongly encouraged Members to make full use of the existing WCO tools and instruments which helped Members get to grips with rules of origin.
227. Finally, he stressed that many of the topical issues were dealt with in close partnership with the private sector through the International Chamber of Commerce (ICC). The presence of both the WCO Secretariat and the TCRO Chairperson at the World Chambers Congress through its last three sessions over the past six years, engaging in discussions with world origin experts and business leaders on cutting-edge origin issues, served as good evidence of the WCO's commitment to the maintenance and development of the Customs-Business partnership, which represented one of the top strategic goals of the Council.
228. The Delegate of CHINA expressed appreciation for the work of the Secretariat and the achievements of the TCRO during the past years under the chairmanship of Mr. Liu.
229. The Delegate of SRI LANKA thanked the WCO Secretariat for the organization of a national seminar on rules of origin that had been conducted in May 2013.

230. Invited by the Chairperson, the Council :
- took note of the ongoing efforts in the negotiations for the Harmonization of the Non-Preferential Rules of Origin; and
 - took note of the work carried out by the WCO Secretariat in relation to the WCO Action Plan on Preferential Rules of Origin.

(ii) Valuation

231. The DIRECTOR, TARIFF AND TRADE AFFAIRS, summarized the work of the Technical Committee on Customs Valuation at its 35th and 36th Sessions, held during the past year. The Technical Committee had concluded its work on a new instrument based on a question submitted by Brazil on third party royalties and licence fees. Work had also continued on other technical matters, such as the examination of the relationship between Customs valuation and transfer pricing.
232. The Director advised that, at its 36th Session, the Technical Committee had re-elected Mr. Ouafik Aoufi (Morocco) as Chairperson and elected Ms. Yuliya Gulis (United States) and Mr. M. Ravindrakumar (Sri Lanka) as Vice-Chairpersons for a one-year period. He mentioned that the Chairperson of the Technical Committee had responded to a letter from the Chairperson of the WTO Committee on Customs Valuation regarding concerns expressed by the International Chamber of Commerce in relation to alleged misuse of valuation databases as a reference price mechanism.
233. The Secretariat had conducted a number of national and regional missions on Customs valuation and the Revenue Package, including workshops conducted jointly with the Organisation for Economic Co-operation and Development (OECD) and the World Trade Organization (WTO).
234. The CHAIRPERSON OF THE TECHNICAL COMMITTEE ON CUSTOMS VALUATION thanked the Secretariat for its support and delegates of the Technical Committee for re-electing him. He recommended that Members use the new Revenue Package tools to tackle the problem of undervaluation. He informed the Council that the Chairperson of the WTO Committee on Customs Valuation had attended the Technical Committee's most recent session and referred to the correspondence received concerning the alleged misuse of valuation databases. His response had clarified that such databases should only be used as a risk assessment tool and had offered the support of the Technical Committee. He invited the Council to take action as detailed in his written report.
235. In the discussion that followed, the Delegate of ITALY offered to share Italy's experiences in fighting undervaluation and to participate in the Global Revenue Conference planned for 2014. The Delegate of the EUROPEAN UNION offered to share a study currently being undertaken in the area of undervaluation, and commented that the Technical Committee on Customs Valuation should act as the main forum for technical valuation issues, including those covered by the Revenue Package, such as undervaluation and transfer pricing.
236. The Delegate of BENIN commented on a point raised by the WTO at the Technical Committee's 36th Session reminding WTO Members of the requirement to notify the WTO of their legislation which gave legal force to the WTO Valuation Agreement. It had been noted that many countries had not yet made this notification. The delegate commented that a reason for this might be that many developing

countries still faced challenges in implementing the provisions of the Agreement in practice. He also mentioned, in the context of the Niamey Declaration on the Provision of Inspection Services, that there was a need for Customs administrations to address issues of governance to ensure they were equipped to conduct Customs controls, without reliance on such support services.

237. The Delegate of MOROCCO stated that underinvoicing was a very important issue and that more progress needed to be made on this topic. He offered to share his country's experiences in this area and suggested that other administrations might also have expertise to share. He suggested that access to Members' valuation databases could be shared, perhaps under the coordination of the WCO, within the framework of the Globally Networked Customs initiative. He also suggested that mutual assistance arrangements could be made more binding to improve the efficiency of exchanging Customs valuation information; currently, this was optional for Members.
238. In response, the DIRECTOR, TARIFF AND TRADE AFFAIRS, agreed that the Global Revenue Conference would be a useful opportunity for Members to share expertise in areas such as undervaluation and illegal exportation of money which might be linked to undervaluation. A valuation database could be useful for targeting potential undervaluation, but he underlined that it must not be used as a reference price mechanism. He recommended that post-clearance audit functions should be strengthened to achieve greater compliance. Finally, he agreed that countries which were in the process of terminating the use of inspection companies should ensure that they had addressed capacity building needs.
239. The CHAIRPERSON OF THE TECHNICAL COMMITTEE ON CUSTOMS VALUATION said that there was a need for uniform implementation of the WTO Valuation Agreement but noted that, in reality, it was almost impossible - particularly for many developing countries - to implement fully in compliance with the Agreement. In regard to Customs valuation and transfer pricing, dialogue with the private sector was important and he suggested that a working group could be established.
240. With regard to transfer pricing and Customs valuation, the CHAIRPERSON mentioned that, at the Policy Commission's session, the Delegate of Australia had offered to share Australia's guidelines and policy on the topic which could be useful in furthering these discussions.
241. The SECRETARY GENERAL commented that the Secretariat was working with the OECD on the issue of the relationship between Customs valuation and transfer pricing and was currently organizing joint regional seminars which would raise awareness. The WCO would welcome receiving information on studies being conducted by Italy and the European Union, which could then be shared with Members. Regarding the suggestion relating to the comments made on the sharing of valuation database information at the international level, this would need to be considered further. He agreed that the obligation to notify the WTO of valuation legislation was important and added that the WCO was willing to provide assistance in this area. In the context of the Niamey Declaration, recently adopted by the West and Central Africa Region, he added that the WCO was in discussion with other agencies such as the International Monetary Fund, and that the Secretariat could provide support to Members which were in the process of terminating inspection contracts, via the development of strategic plans.

242. At the invitation of the Chairperson, the Council :
- approved the Reports of the 34th and 35th Sessions of the Technical Committee on Customs Valuation, set out, respectively, in Docs. VT0852E1c and VT0875E1c;
 - took note of the draft Report of the 36th Session of the Technical Committee on Customs Valuation, set out in Doc. VT0897E1b;
 - approved Advisory Opinion 4.15;
 - took note of other Valuation-related developments referred to in the Technical Committee Chairperson's written Report;
 - took note of the work currently being conducted by the Secretariat and the OECD in respect of Customs valuation and transfer pricing.

(iii) Nomenclature and Classification

243. In his presentation, the DIRECTOR, TARIFF AND TRADE AFFAIRS, informed the Council that the Harmonized System (HS) was used by more than 200 countries and economies as a basis for their Customs tariffs and for the collection of international trade statistics, covering more than 98 % of the merchandise in world trade.
244. He said that, with the accession of Costa Rica (July 2012), Bosnia and Herzegovina (August 2012), Mozambique (October 2012), Comoros (January 2013) and Guinea-Bissau (May 2013), the total number of Contracting Parties to the Harmonized System Convention had increased to 147. He invited the WCO Members that were not Contracting Parties to the Convention to contact the Secretariat for assistance with a view to acceding to the HS Convention.
245. The new version of the HS had become effective on 1 January 2012 and 102 Contracting Parties were now applying the 2012 version. Since it was very important that the business community apply the most recent version of the HS, the Director urged Contracting Parties to implement the HS 2012 as quickly as possible. The Secretariat was available to Members which might require assistance in this respect.
246. The HS Committee had held its 50th Session from 19 to 28 September 2012, and its 51st Session from 6 to 15 March 2013. Both sessions had been preceded by a meeting of the Working Party of the Committee.
247. At its 50th Session, the Committee had approved 26 classification decisions, 12 Explanatory Note amendments and 13 Classification Opinions and, at its 51st Session, it had approved 166 classification decisions, 7 Explanatory Note amendments and 21 Classification Opinions, with the support of the HS Review Sub-Committee and the Scientific Sub-Committee.
248. With regard to the election of officers, the HS Committee had re-elected Mr. J. Birkhoff (Netherlands) as its Chairperson for the 52nd and 53rd Sessions. Mr. S. Figueroa (Mexico) had been re-elected First Vice-Chairperson and Mr. R.P.D. Tharaka Seneviratna (Sri Lanka) had been elected Second Vice-Chairperson. The Committee had re-elected Mr. Tharaka Seneviratna (Sri Lanka) as Chairperson of the HS Review Sub-Committee and elected Ms. Gan Lu (China) as

Vice-Chairperson. Mr. S.-C. Kim (Republic of Korea) had been re-elected as Chairperson of the Working Party.

249. The Director also noted that some 12 national and 3 regional capacity building and technical assistance activities had been conducted in the area of the HS and related matters, with an emphasis on the modernization of Members' classification infrastructure.
250. With regard to the matters requiring the approval of the Council, the Director said that, at its 51st Session, the Committee had adopted an HS Article 16 Recommendation concerning the amendment of Article 8 of the HS Convention to speed up the HS Committee's decision-taking process.
251. The Secretariat was inviting the Council to adopt the Article 16 Recommendation.
252. The CHAIRPERSON OF THE HARMONIZED SYSTEM COMMITTEE, Mr. J. BIRKHOFF, informed the Council that, following the decisions taken by the HS Committee at its 50th and 51st Sessions, six reservations had been entered by HS Contracting Parties vis-à-vis the classification of certain products. One of these reservations would be dealt with directly by the HS Committee in accordance with Council Decision No. 298.
253. The remaining five reservations were being submitted to the Council for decision in accordance with the provisions of Article 8.2 of the HS Convention.
254. The Chairperson of the Harmonized System Committee also informed the Council that the HS Committee had continued its co-operation with other international organizations and the International Chamber of Commerce, to have their input for discussion, particularly in respect of changes in technology, security and environmental matters.
255. With regard to the review of the HS, he noted that several new amendments proposed by the Review Sub-Committee had already been provisionally adopted by the Committee at its 50th and 51st Sessions. The Review Sub-Committee would complete its work on the Fifth HS Review Cycle at its 46th Session in November 2013. The Committee would submit the draft HS Article 16 Recommendation regarding the HS 2017 to the Council in June 2014 for adoption.
256. Finally, the Chairperson of the Harmonized System Committee invited the Council to take note of the other information presented in his written report which had been circulated in advance of the Council Sessions.
257. With regard to the reservations entered following the 50th and 51st Sessions of the HS Committee, the following Contracting Parties requested, in accordance with Article 8.3 of the HS Convention, that the classification decisions specified below be referred back to the Committee for re-examination :
- UNITED STATES : Classification of "certain light-emitting diode (LED) lamps" in heading 85.43 (subheading 8543.70), by application of General Interpretative Rules 1 and 6;
 - RUSSIAN FEDERATION : Classification of "the product containing more than 99.2 % sodium sulphate" in heading 28.33 (subheading 2833.11), by application of General Interpretative Rules 1 and 6;

- RUSSIAN FEDERATION : Classification of “the product containing more than 98.5 % sodium sulphate” in heading 28.33 (subheading 2833.11), by application of General Interpretative Rules 1 and 6;
- JAPAN : Classification of “HP w2338h Monitor fitted with VGA and HDMI connectors” (Product 3) in heading 85.28 (subheading 8528.59), by application of General Interpretative Rules 1 and 6; and
- JAPAN : Classification of “certain light-emitting diode (LED) assemblies” in heading 94.05 (subheading 9405.40), by application of General Interpretative Rules 1 and 6.

258. The Delegate of INDIA thanked the Secretary General for submitting the question of the “classification of the product called “Dabur Hajmola” candy/tablets” to the HS Committee for re-examination at its 52nd Session. She said that matters of a technical nature concerning public health, medicines and medicaments should invariably be considered by organizations having expertise in the field and, in the present case, the WHO, in her opinion was the appropriate body in order to have a technical view. She also noted that such an approach would ensure the uniform application of the decisions taken by the Committee in matters related to health, medicines and medicaments.

259. In this connection, the CHAIRPERSON OF THE HARMONIZED SYSTEM COMMITTEE explained that those technical issues would be dealt with by the Committee at its 52nd Session.

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

- adopted an HS Article 16 Recommendation concerning the amendment of Article 8 of the HS Convention to speed up the HS Committee’s decision-taking process;
- referred the questions of the classification of the following products back to the Harmonized System Committee for re-examination :
 - “certain light-emitting diode (LED) lamps” in heading 85.43 (subheading 8543.70) (requested by the United States);
 - “the product containing more than 99.2 % sodium sulphate” in heading 28.33 (subheading 2833.11) (requested by the Russian Federation);
 - “the product containing more than 98.5 % sodium sulphate” in heading 28.33 (subheading 2833.11) (requested by the Russian Federation);
 - “HP w2338h Monitor fitted with VGA and HDMI connectors” (Product 3) in heading 85.28 (subheading 8528.59) (requested by Japan); and
 - “certain light-emitting diode (LED) assemblies” in heading 94.05 (subheading 9405.40) (requested by Japan);

- approved the Reports of the 50th and 51st Sessions of the Harmonized System Committee;
- took note of the various other HS-related developments which had taken place since the previous Council Sessions.

(b) Capacity Building

261. The DIRECTOR, CAPACITY BUILDING, opened this Item and stated that this year was a special milestone for the WCO, given that it was ten years since the Council had adopted the WCO Capacity Building Strategy. He reflected that Customs globally had moved a long way since then, particularly the movement from strategy to implementation. All Members should be proud of the capacity building achievements of the past ten years.
262. The Director then referred to the Fourth Session of the Capacity Building Committee (CBC) that had taken place from 25 to 27 February 2013, when more than 250 delegates had attended. The meeting had been chaired by Mr. Chris Henderson under the theme “The urgency to act : Moving from strategy to implementation”. He expressed the view that this tied in with the WCO capacity building model, which was to mobilize institutional reform and modernization; this and discussion about continuous improvement had been the focus of the meeting. Mr. Henderson had stepped down as Chairperson and the CBC had elected Mr. Ernani Checcucci of Brazil as the new Chairperson.
263. The Director then introduced the Organizational Development Package (ODP), which captured all of the WCO programmes and strategies related to capacity building. He explained that the ODP was divided into four sections :
- Strategic, Advisory Support;
 - Human Resource Development;
 - Integrity; and
 - Stakeholder Engagement.
264. The capacity building development cycle was described in the ODP. It consisted of three Phases : the diagnostic under Phase 1, which was followed by strategic planning under Phase 2 and progress evaluation under Phase 3. The enablers for successful capacity building, namely political will, people and partnerships known in the CBC as the “3 Ps”, were also built into the ODP.
265. The Director expanded on the topic of “political will” and stated that an example of work in this area was an enhancement to the Orientation Package for Decision-Makers, where a new Annex had been drafted by the Private Sector Consultative Group (PSCG). Other examples of work under this topic were organizational performance measurement tools being developed separately with the International Monetary Fund, the World Bank and the Inter-American Development Bank.
266. He then turned to the topic of “people”, informing the Council that the CBC had added a new module to the WCO Leadership and Management Development Programme entitled “Women in Customs Leadership”. He took the opportunity to thank

the Chairperson of the Council and the Director General of Argentine Customs for sharing their knowledge and experience with the CBC as senior Customs leaders and what they were doing to promote women into leadership positions. A conference and workshop on Women in Leadership would immediately follow the current Council Sessions and he encouraged participants to attend. He highlighted work undertaken to produce the “Framework of Principles and Practices for Customs Professionalism” which consisted of four parts, three of which had been completed : organizational design and job descriptions, recruitment, and comprehensive guidelines on national training.

267. Turning to the topic of “partnerships”, the Director gave as an example the new Chapter 10 in the WCO Capacity Building Development Compendium that dealt with guidelines to assist Members to build a business case aimed at obtaining donor funding for specific activities, as well as guidelines on how to organize a regional donor conference. He also informed the Council that, in addition to existing donor cooperative arrangements, new formal donor alliances had been formed with several banks and institutions. Over the past year, the WCO had reached agreements with new partners such as Norway and the United Kingdom, and with the World Bank, the Islamic Development Bank, the African Development Bank and the Inter-American Development Bank.
268. The CBC had also made enhancements to the WCO Diagnostic Framework, specifically under the section that dealt with Authorized Economic Operators. It had also endorsed a revised version of the “Phase 3 Columbus Programme Guidelines for Experts”. This was a tool that was central to capacity building work and covered everything that needed to be taken into account when carrying out capacity building activities. The Diagnostic Framework had been built over many years and it was important that this tool remained fresh and usable.
269. Referring to the Partnership in Customs Academic Research and Development (PICARD) cooperation, he expressed the view that the research agenda was the engine that drove innovation. The CBC had endorsed an updated framework entitled the “PICARD 2020 Strategy” and would now review the standards and terms of reference for the PICARD Programme. The next PICARD Conference was scheduled for 18 to 20 September 2013 in St. Petersburg, Russia. The Conference would be focused, inter alia, on the impact on Customs of the development of regional integration initiatives and the WCO Economic Competitiveness Package (ECP). Finally, in this connection he pointed out that the WCO had received the highest number of submissions for presenting papers compared to previous PICARD Conferences.
270. The Director reported on the meeting of the Regional Offices for Capacity Building (ROCBs) and Regional Training Centres (RTCs) held prior to the CBC that had been chaired by Ms. Andrea Paz. Many good ideas for improvement had been presented at the meeting, including how best to organize ROCBs and RTCs, ways to enhance the annual capacity building “Needs Assessment” and a new evaluation mechanism for regional training. The Director acknowledged the collective activities of the ROCBs and RTCs which totaled 75 events since the previous report to the Council.
271. Under the auspices of the Columbus Programme, the WCO had conducted 124 Phase 1 diagnostic missions. Under Phase 2 of the Programme, it had conducted 250 missions in the past year and had received 590 requests for the next year. Under Phase 3 of the Programme, the WCO had conducted 2 more progress evaluation missions, bringing the total to 5. In addition, 14 expert-accreditation workshops had

- been conducted across all six WCO regions that had brought the total number of experts to 393 worldwide. The Director expressed his sincere thanks to all Members for their continued support in this respect. He added that the electronic Web-based CLiKC! platform was a useful learning and development tool, which currently had approximately 8,000 registered Customs officers using it.
272. The Director then referred to a joint WCO-East African Community (EAC) project that had commenced a few years ago. The EAC was a Customs Union consisting of five countries. At a recent project steering committee meeting, it had been reported that the “AEO mutual recognition” component of the project that provided for a common facility and guidelines on AEOs had begun. Since the launch of the pilot project seven weeks previously, a Tanzanian trader reported that his company had saved USD 70,000 so far.
273. The Director invited the Directors General to use the CLiKC! platform to share their strategic plans and performance indicators. The WCO had already populated CLiKC! with open-source information, but urged Members that had a strategic plan or modernization plan or performance indicators that were not otherwise made public, to share them with Members through the CLiKC! platform.
274. The Director then turned to the topic of integrity. He paid tribute to the Integrity Sub-Committee (ISC) Chairperson, Mr. David Dolan, for his very active role both during the meetings and between meetings. He explained that the focus of the recent ISC meeting had been “Talking openly about corruption builds trust”. He then expanded on other integrity-related activities and mentioned a Memorandum of Understanding signed between the WCO and the United Nations Conference on Trade and Development (UNCTAD) to develop a performance management application within the ASYCUDA system, as well as a project working with the African Union Commission. He thanked Members for their input into the Integrity Newsletter and their support for the GAPIN project, which was designed to disrupt illegal trade in endangered species.
275. In concluding, the Director referred to a word often used by South African Statesman Nelson Mandela, “ubuntu”, which came from the Zulu and Xhosa languages of South Africa and when translated meant “I am, because you are”. The message behind the word was that by giving and sharing with each other, everybody gained in the process. He emphasized that even though many organizations were involved in “capacity building”, the Customs approach to capacity building was very special. The WCO role was one that coordinated, gave and received. He thanked Members for providing experts to the WCO when requested to do so. Indeed, Members often went a step further and liaised with their national development agencies to seek funding for Customs capacity building activities. This illustrated the spirit of the WCO community, which was about willingness to give mutual support to the world Customs community. The WCO was different compared to other technical assistance providers because it did not focus only on *ad hoc* training but preferred the model of sustainable capacity building with a result-based approach.
276. The CHAIRPERSON then invited the Chairperson of the Integrity Sub-Committee (ISC) to present his report.
277. The CHAIRPERSON OF THE INTEGRITY SUB-COMMITTEE, Mr. David Dolan, said that he was honoured to make his presentation to the Council as one of his last official duties prior to leaving his post as USCBP Attaché in Brussels. He thanked the

Director of Capacity Building and reiterated that integrity and capacity building were closely interlinked.

278. The ISC had held its 12th Session from 28 February to 1 March 2013. Approximately 160 delegates had attended this meeting, held back to back with the Fourth Session of the CBC, which underscored the fact that integrity underpinned Customs reform and modernization. The agenda had included an update on the latest integrity activities with a special focus on the revision of the Integrity Development Guide recommended for adoption by the Council. A special item had been dedicated to the African Union and how its Customs administrations had implemented the Revised Arusha Declaration. Burkina Faso, Nigeria and Zambia had presented their achievements in promoting integrity in Customs. Cooperation with the African Union would continue in order to help the region assess the situation with regard to the implementation of the WCO's integrity tools.
279. As mentioned by the Director, the ISC had included a panel entitled "Talking openly about corruption builds trust", which had revealed that it was necessary to be innovative in the fight about corruption. In this connection, he thanked Morocco and Australia for their interesting presentations during the Policy Commission session on the measures they had taken to fight corruption. He also referred to the presentation made on "Informal trade practices and integrity", as well as the update on this topic by the WCO Research and Strategies Unit regarding a workshop organized in Lomé, Togo, as well as the successful "Informality, International Trade and Customs" Conference held on 3 and 4 June 2013 at WCO Headquarters. Finally, he stated that the ISC was a lively platform and he was proud to have been re-elected as its Chair.
280. Opening the discussion, the Delegate of CANADA informed the Council that Mr. Chris Henderson, the former CBC Chairperson had moved to a different position within the Canada Border Services Agency. Speaking on his behalf, the delegate stated that it had been an honour for Mr. Henderson to have chaired the CBC since the inaugural meeting in 2010. He was deeply appreciative of the support provided by the Secretariat and was pleased to pass the chairmanship into the capable hands of Mr. Checucci from Brazil. The delegate concluded her intervention with an assurance that Canada would continue to fully support the CBC.
281. A number of delegates congratulated the Director of Capacity Building and the Secretariat on their commitment and on the progress and efforts made over the last year. They also expressed appreciation for the results of the CBC and ISC.
282. The Delegate of ARGENTINA, who also spoke in her capacity as Head of the ROCB for the Americas/Caribbean Region, said that she was honoured to have been able to chair the most recent ROCBs/RTCs meeting, and thanked the WCO for having made possible the organization of various activities and events in the Spanish language, such as the Spanish Fellowship Programme, regional operations and various other activities in the region. She reported on several Argentine Customs initiatives, including South-South cooperation and assistance to the WCO by attending several regional meetings. She referred to the proposal under the previous audit report concerning regional centres and the planning meetings held in the region. The planning sessions had made it possible to improve communication and coordination at the operational level, which in turn had enabled Argentina to identify capacity building needs in the region. She added that Argentina welcomed the high level of coordination between the various Directorates in the WCO Secretariat following the needs' survey. The ROCB for the Americas/Caribbean was going to update its terms of reference.

She concluded with the information that a Memorandum of Understanding had been signed between her Administration and the WCO.

283. The Delegate of SPAIN indicated that Spanish Customs had had the opportunity to send some of its experts to attend a number of workshops, as well as experts to deliver capacity building and training activities in Latin American countries. This had been a very good experience for both parties and she wished this cooperation to continue. She confirmed Spain's continued willingness to work with the WCO and to make its resources available to WCO Members.
284. The Delegate of KOREA said that Korean Customs was in the process of consulting with donors to continue to provide financial support but also to find other types of support and new areas for support. He mentioned Korean Customs' participation at both the Asia/Pacific donor meeting in May 2012 and the Americas donor meeting in Washington in 2013. Korea considered that close donor cooperation led to better capacity building assistance and it would therefore continue to be active in future donor coordination meetings.
285. The Delegate of SOUTH AFRICA stated that capacity building was needed to ensure that Customs progress continued. The Capacity Building progress report showed depth and breadth, as well as the scope and achievements that would not have been possible without everyone's contribution. It also demonstrated that much remained to be done. Donor engagement was crucial and should remain a permanent item on the CBC agenda. The Project Map Database and updated chapter on donor engagement in the Capacity Building Development Compendium were very useful tools, and she invited Members to continue supporting the WCO in keeping these tools up to date. Finally, she urged the WCO to reflect on its objectives and ensure effective and efficient donor engagement in order to avoid duplication of effort and resources.
286. The Delegate of URUGUAY confirmed continued support to the WCO both as a Member and as Vice-Chair of the Americas/Caribbean Region. Under Phase 2 of the Columbus Programme, Uruguay would host a second integrity mission at the beginning of 2014 and a Leadership and Management Development workshop. He thanked Mr. Henderson for his stewardship of the CBC and congratulated the incoming Chair. He concluded his intervention with a paraphrased quote from Mother Teresa : "I know what you don't know, you know what I don't know, together we can probably do some great things".
287. The Delegate of JAPAN reiterated his Administration's support for WCO capacity building activities and informed the Council that Japan would make a voluntary contribution of 3.5 million euro to the Customs Cooperation Fund (CCF) for the next financial year. He emphasized the importance of capacity building activities based on a result-oriented management approach. Japan was of the view that the WCO could make efforts to improve its capacity building activities through objective evaluation of the effect of activities and further promotion and collaboration with the other donors, including multilateral development banks. Japan supported the WCO capacity building approach to trade facilitation and the contribution it made to global economic growth. He indicated that Japan supported the Economic Competitiveness Package (ECP) and reported that ECP regional workshops would be funded by the CCF Japan. Since Autumn 2010, under the ASEAN Highway Initiative, Japan had been promoting capacity building activities geared to the needs of each country. Japan had conducted a project that supported Members in Africa to construct a one-stop border post as one of its initiatives of trade facilitation. Furthermore, with regard to human resource capacity building, Japan sponsored the Scholarship Programme and the Career

Development Programme. He announced that the Career Development Programme, which was a Japanese initiative launched in 2009 and which gave young officers an opportunity to work at the WCO Secretariat for one year, would be extended for another year.

288. The Delegate of SOUTH SUDAN reminded the Council that South Sudan was one of the newest Members of the WCO. He referred to a needs assessment that had been carried out and to the support the Administration had received from the Japan International Cooperation Agency (JICA). He also thanked the Uganda Revenue Authority for providing training. South Sudan had prepared a capacity building schedule and he appealed to Members to treat the schedule as a priority.
289. The Delegate of CHINA thanked the Secretariat for the translation work undertaken to make the e-learning tools more widely available. He reported that China had held a Leadership and Management Development workshop in Guangzhou, and Shanghai Customs College had joined the International Network of Customs Universities (INCU). Shanghai would host several participants from the WCO Fellowship Programme. Finally, he announced that China planned to host an integrity seminar in October 2013 to share best practices on the issue.
290. The Delegate of LIBERIA referred to the tripartite agreement between Liberia, the Ghana Revenue Authority and the WCO, which had enabled officers from Liberia to go to Ghana and vice-versa. He also thanked the WCO for having chosen Liberia to be the first pilot country to test the new ASYCUDA system performance management module.
291. The Delegate of ARMENIA asked the Director of Capacity Building to what extent the WCO used accredited experts and what percentage of the accredited experts were actually being used.
292. The Delegate of BRAZIL reaffirmed Brazil's support and commitment for the work carried out by the Secretariat. He thanked the WCO for having organized an experts' accreditation workshop in Portuguese, which had been greatly appreciated by all CPLP countries. He concluded by saying that Brazil was honoured to be the new CBC Chair and encouraged Directors General present to attend the next session.
293. Responding to the various questions and comments, the DIRECTOR, CAPACITY BUILDING, thanked the participants for their input and expressed satisfaction with the goodwill and commitment to partnership with the WCO. He noted that the interventions seemed to focus on two themes : "partnerships" and "coordination".
294. On the issue of partnership, he indicated that the Capacity Building Directorate would continue looking for new partnerships. With regard to coordination, the WCO had been fortunate to have been able to organize three donor meetings in one year for the Americas, Asia/Pacific and East and Southern Africa Regions. It was planned to organize similar meetings in the other regions.
295. With reference to the request from South Sudan, he indicated that the WCO had received the "letter of intent" from South Sudan which was a prerequisite to start delivering capacity building support. He reported that some funding had been made available by Finland and the United Kingdom's Department for International Development (DFID), and that a diagnostic mission was being planned.

296. Responding to the Delegate of Armenia, the Director reiterated that 393 experts had been accredited in four categories :
- Diagnosticians;
 - Customs modernization advisors;
 - Technical and operational experts; and
 - Train the trainers.
297. The strategy used for accreditation was based on the needs expressed by Members each year, which allowed the WCO to look at key areas where support was requested. The use of experts was needs-driven, i.e. based on the type of requests received. There were two stages to becoming an expert. The first involved assessing the candidate's technical knowledge and understanding of the subject and WCO tools and instruments, as well as potential facilitator skills. Secondly, the candidate was assessed on his/her facilitator skills in-country by an already accredited expert. The WCO set high standards and the typical pass rate was about 35 % of those presenting themselves for accreditation.
298. The CHAIRPERSON thanked the Director of Capacity Building and the Chairperson of the ISC, and concluded that Capacity Building activities clearly remained of great interest to all Members. She encouraged the Members to follow the example of Australia and Morocco and share their experiences on integrity developments since that was a very important issue for all Members.
299. The Council :
- took note of the Report and the Executive Summary of the Fourth Session of the Capacity Building Committee;
 - took note of the Report of the 12th Session of the Integrity Sub-Committee (Doc. HI0057);
 - approved the revised version of the Integrity Development Guide reproduced in Annex II to Doc. HI0057;
 - encouraged WCO Members to send integrity case studies to the Secretariat so that they could be added to the Integrity Development Guide;
 - endorsed the Organizational Development Package and wished the Capacity Building Directorate every success in continuing to implement its various programmes.

(c) Compliance and Facilitation

Introduction

300. The DIRECTOR, COMPLIANCE AND FACILITATION, introduced the work which had been done by his Directorate and by the Committees it served, namely the Enforcement Committee and the Permanent Technical Committee (PTC).
301. He explained that the Compliance and Enforcement Sub-Directorate had focused its efforts on the high-risk areas for Customs enforcement as directed by the Policy Commission. Major initiatives had been undertaken in these areas in the past year, and new operations and projects had been endorsed by the Enforcement Committee.
302. In the area of Security, building on the success of the Strategic Trade Controls Enforcement Conference, held at WCO Headquarters in November 2012, the Enforcement Committee had endorsed the creation project on this topic, which was currently underway under the umbrella of the WCO Security Programme. The latter would also develop a Small Arms and Light Weapons project in the future. Programme Global Shield had continued successfully conducting its scheduled activities.
303. In the area of Drugs Enforcement, the Director drew delegates' attention to the successful results obtained by Operation SKYNET - a global initiative focused on drugs and chemical precursors via postal and express carrier channels - and Operation WESTERLIES, a joint enforcement operation against illicit trafficking in methamphetamine by air passengers. The Enforcement Committee had endorsed the proposal to conduct Operation WESTERLIES 2 in the near future.
304. As part of the Revenue Programme, a WCO guide against origin fraud had been produced and subsequently endorsed by the Enforcement Committee. Two important Operations had also been endorsed and would be carried out in 2013, namely Operation GRYPHON, focused on shipments of tobacco and tobacco products, and Operation CULLINAN, an initiative to support international activities against illicit trade in rough diamonds of particular interest for Kimberly Process Member countries. He also encouraged Members to complete the survey on the implementation of the WHO Protocol to Eliminate Illicit Trade in Tobacco Products.
305. In the area of Health and Safety and IPR, the Director said that successful regional operational activities had been conducted and the Enforcement Committee had expressed its support for future operational activities, recognizing the strategic role of IPM as the key tool in these activities. The WCO had chaired the Seventh Global Congress on Combating Counterfeiting and Piracy, held in Istanbul and attended by some 850 participants.
306. In the area of Environment, achievements of Project GAPIN II and its enforcement results during Operation HOPE had been recognized by the Enforcement Committee. A proposal to conduct Operation DEMETER III, targeting illegal waste shipments from Europe and other waste-producing regions/countries to the Asia/Pacific Region had been endorsed. With regard to illegal trade in timber, the Secretariat had been exploring opportunities for coordination of future operational activities to combat this phenomenon.
307. The Director explained that, in the area of Intelligence, Risk Management and the CEN Programme, progress had been made on the development of conveyance risk indicators. The WCO Cargo Targeting System had been developed and a pilot phase

- initiated. He added that the WCO Compliance and Enforcement Package (CEP) had been developed, and endorsed by the Enforcement Committee.
308. The Director then turned to the activities of the Procedures and Facilitation Sub-Directorate, stressing that in the past year it has been very busy progressing its instruments and tools and managing the many meetings and events under its responsibility. It was also collaborating very actively with various international organizations and providing technical assistance worldwide.
309. There had been significant progress on the Economic Competitiveness Package (ECP). An Action Plan had been approved by the Policy Commission in December 2012 and implementation was underway. He thanked the Members which had submitted their best practices which would be valuable to the rest of the membership. He also highlighted the regional workshops to be delivered in all six regions. Three had been carried out so far (Malawi, Brazil and Hong Kong China in May and June 2013), and another three were planned later in the year. The outputs from these events would serve to develop regional strategies for economic competitiveness and to give more direction in terms of needs for support to national efforts.
310. The Director then stressed the importance of ECP in terms of preparing Members for commitments stemming from a future Trade Facilitation Agreement, if concluded. In that respect, he mentioned that the Secretariat had developed the ECP and WTO Trade Facilitation Toolkits which clearly indicated and raised awareness of all the links between the WCO instruments and tools, on one hand, and the WTO trade facilitation measures, on the other.
311. The Director then outlined the progress made in the past year in respect of some of the high-priority files. Regarding the Revised Kyoto Convention, he mentioned the development of the RKC Toolkit for Quality Implementation Assessment to support WCO Members' efforts in the accession to, and implementation of, the RKC.
312. In the area of Coordinated Border Management (CBM), he stressed the Secretariat's engagement with other international organizations in a PTC discussion on exploring how cooperation at international level could improve collaboration at operational level. A very successful IT Conference on CBM had been held in May 2013 in Dubai, with over 1,000 participants. There had been speakers from Customs and other border agencies and the Dubai Communiqué had been issued to provide more political support to the CBM agenda worldwide.
313. Data quality, product identifiers and product end-use codes had become important priority areas which were now being explored in more detail. The Time Release Study, Single Window and Data Model were perceived as key instruments for trade facilitation, and the Secretariat was therefore continuing its efforts to assist Members with implementation. Dematerialization of documents and certificates was also seen as a key area.
314. Regarding Globally Networked Customs, two examples of proof-of-concept projects had been presented at the March 2013 PTC sessions : one from the European Union and United States on mutual recognition of AEOs and one from Serbia on a Balkan regional SEED project. The work on GNC had also an impact on the work on the Unique Consignment Reference (UCR) and Trader Identification Number (TIN) - both of which were perceived as key for Customs-to-Customs exchanges, in terms of trade facilitation and also tracking and tracing capabilities.

315. Security and facilitation of the postal supply chain was becoming more important on the list of priorities. The WCO was working more closely with the UPU in exploring the possibilities of advance data submission. The reconstituted WCO/UPU Contact Committee would discuss this topic at its first meeting in mid-November 2013.
316. On the occasion of the 200th Session of the PTC in March 2013, the WCO had organized a panel discussion on the future role of the PTC. It had been felt that it was the right time to review what the PTC had accomplished in the past 60 years as the parent committee of the WCO's current comprehensive committee structure. It was important to see how it could improve its work to make it more responsive to the world today. The Director expressed his satisfaction with the very fruitful discussion and the many good ideas that had been shared regarding the way forward. As a result, a Correspondence Group had been established to prepare a proposal on the work programme and methodology which would be discussed at the next PTC session, and further reported to the Policy Commission in December 2013.
317. Finally, the Director mentioned the main PTC outputs in the past year : the Recommendation Concerning Customs Formalities in Connection with the Temporary Admission of Container Security Devices which had been produced by the technical working group and adopted by the PTC in March 2013; the revised Terms of Reference for the WCO/UPU Contact Committee to allow reconstitution every four years to match the UPU Congress cycle; the Guidelines for Advance Passenger Information; and the Kyoto ICT Guidelines on Information Technologies. In closing, he thanked the Members and especially the support from the Brussels-based Attachés for the close cooperation in achieving the Organization's strategic goals adopted by the Council.

(i) Facilitation/Procedures

318. The CHAIRPERSON OF THE PERMANENT TECHNICAL COMMITTEE, Mr. Francois ABOUZI (Togo), added to some of the points raised by the Director. He stressed the importance of discussions held under the Panel on the Future of the PTC at the PTC's 199th/200th Sessions in March 2013. The objective of this Panel had been to explore what the PTC could do to be more dynamic, relevant and responsive to the current environment, very different from its role when the PTC had first been established.
319. In advance of the discussions that would take place on this topic at the next PTC session, he invited the Members to actively contribute to the work of the Correspondence Group or to send their suggestions to the Secretariat. He also suggested that each Administration consider carefully the profile of delegates to attend PTC meetings.
320. He concluded by stressing the key outputs of the PTC for which the Council was invited to give its approval, particularly the CCC Recommendation Concerning Customs Formalities in Connection with the Temporary Admission of Container Security Devices.

(ii) Compliance/Enforcement

321. At the request of the Chairperson, the DIRECTOR, COMPLIANCE AND FACILITATION, introduced the Compliance and Enforcement Package (CEP), explaining that the Package had been developed as a concept that reflected the WCO's approach in providing assistance to Members in their compliance and enforcement activities and provided a succinct compilation of the broad range of compliance and enforcement tools available from the WCO.
322. The main objectives of the CEP were to increase the visibility, communication, use and implementation of all WCO enforcement and compliance tools among Members. Another important objective was to identify potential gaps in existing tools and, where necessary, develop new tools and instruments within the CEP to bridge those gaps.
323. The Director then presented the CEP Toolkit which had been grouped in four main categories : tools, technology and infrastructure, partnerships, and operations. He demonstrated how all the components linked together in order to assist Members in implementing effective and efficient compliance and enforcement practices.
324. In terms of the way forward, input had been received from the Policy Commission and would be incorporated into the future development of the Package, and the CEP Toolkit would be uploaded onto the WCO Web site for its easy access. The CEP would remain a living document to be continuously updated with newly developed materials and projects and the WCO would promote it, along with the other Packages, in the course of its capacity building activities.
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325. Opening the discussion, the Delegate of the UNITED STATES said that his Administration was honoured to serve as the Chair of the Enforcement Committee and thanked WCO Members for their active participation during its 32nd Session. He explained that, for the past ten years, the United States had had two agencies with Customs functions, namely Immigration and Customs Enforcement (ICE) and Customs and Border Protection (CBP). Speaking on behalf of US ICE, he took the opportunity to recognize the vital role played by its sister agency US CBP in the development of the WCO Cargo Targeting System. He further acknowledged the dedication, cooperation, and efforts made by US CBP Attaché, Mr. David Dolan, who would soon be leaving Brussels after many years of valuable service. The Delegate then referred to illicit trafficking of cultural property, and expressed his Administration's support for ARCHEO, which was a CENcomm-based application that enabled experts in the field of cultural heritage protection to share best practices, exchange training materials, engage in discussion on specific topics, and facilitate expert assistance. ARCHEO had been presented by RILO Western Europe and endorsed by the Enforcement Committee in March 2013. He then stressed the need for a collaborative effort with domestic and foreign law enforcement partners, as well as with museums and universities, to achieve success in identifying, seizing and repatriating stolen or looted cultural antiquities.

326. The Delegate of ARGENTINA drew the attention of the Council to the regional best practice in the Americas that had been developed in the Regional Planning Meeting with the support of relevant regional entities (the Vice-Chair, the ROCB, the RTCs, CCLEC and COMALEP). This practice had also been reported by the Deputy Secretary General at the most recent Regional Conference in Panama. In the Americas, a mechanism had been designed to enhance the enforcement role of Customs through delivery of workshops followed by RILO operations whose results were input into the CEN platform. Since October 2012, one workshop had been held in Argentina, followed by Operation ROUTES OF SOUTH AMERICA, and another workshop held in Brazil in March 2013 and followed by RILO Operation DRAGON.
327. The Delegate of HONG KONG, CHINA expressed his appreciation for the Enforcement Committee and Permanent Technical Committee's excellent work, and expressed full support for the Compliance and Enforcement Package. He highlighted current challenges faced by his Administration with regard to illicit activities, in particular in the areas of trafficking in narcotics, hazardous waste, strategic commodities and endangered species. In facing these challenges, his Administration had been actively making use of WCO tools and instruments and had developed a dynamic and structured strategy against drug trafficking, which had been presented to the Enforcement Committee. He offered to share this experience to be integrated into the CEP as an innovative practice.
328. The Delegate of MEXICO expressed his full support to the regional activities mentioned by Argentina, including the regional workshops which had proved to be very useful in terms of prioritizing the needs of the region.
329. The Delegate of CHINA commended the achievements of the Enforcement Committee and Permanent Technical Committee and referred to the success of Operation SKYNET, which had been launched by China Customs in coordination with the WCO Secretariat in 2012. After the conclusion of the Operation, a follow-up questionnaire had been prepared and circulated to participating Members. The collected responses had emphasized the need for strengthening exchange of information and intelligence, the need to explore ways in which the functionalities of CENcomm could be enhanced, and the importance of providing capacity building to frontline officers to enhance their detection capabilities. He concluded by inviting Members to participate in Operation DEMETER III, proposed by China Customs as a collaborative effort to target illegal waste shipments from Europe and other waste-producing regions/countries to the Asia/Pacific Region.
330. The Observer for the GLOBAL EXPRESS ASSOCIATION (GEA) commended the continued leadership and commitment that the WCO, the Secretary General and the Director and his team were placing on cooperation with ICAO on the subject of air cargo security. GEA stressed that this topic needed to be kept very high on the agenda. Regarding the review of the PTC, he emphasized the importance of the Customs-Trade partnership. In the context of the year of innovation, he also thanked the United States for its remarks under an earlier Agenda item on its approach to Customs-Trade partnership (see paragraphs 127 to 134 above), hoping the WCO could take that approach forward. He urged the WCO to stay ahead with the developments with regard to the Air Cargo Advance Screening (ACAS) programmes at the critical stage of moving from a pilot phase to a regulatory environment.
331. The DIRECTOR, COMPLIANCE AND FACILITATION, thanked the delegates for their positive responses and strong support. He congratulated Argentina on its achievements and active involvement in WCO activities. He also thanked the Delegate

of Hong Kong, China for the offer to share his Administration's innovative practices in the area of drug enforcement and said that the Secretariat would explore ways to incorporate them into the CEP. He agreed with the Delegate of China with regard to the crucial importance of strengthening exchange of information and intelligence. Finally, he thanked the GEA, for its continued support and assured that the WCO remained committed to continue working in close cooperation with business to achieve common goals.

332. With respect to enforcement matters, at the invitation of the Chairperson, the Council :
- approved the Report of the 31st Session of the Enforcement Committee;
 - took note of the draft Report of the Enforcement Committee's 32nd Session, which would be submitted to that Committee for final approval at its next session;
 - took note of the various enforcement-related developments mentioned in the written report of the Chairperson of the Enforcement Committee.
333. With regard to facilitation matters, at the invitation of the Chairperson, the Council :
- approved the Report of the 197th/198th Sessions of the Permanent Technical Committee (PTC);
 - approved the Report of the 199th/200th Sessions of the PTC;
 - took note of the various PTC-related developments mentioned in the written report of the PTC Chairperson, including the future role of the PTC and the Chairperson's specific request for Members to send the right profile of delegates to that discussion and to submit proposals as the future of the PTC was a very important discussion;
 - adopted the CCC Recommendation Concerning Customs Formalities in Connection with the Temporary Admission of Container Security Devices;
 - adopted the revised Terms of Reference of the WCO/UPU Contact Committee;
 - endorsed the Interactive API Guidelines 2013; and
 - endorsed the updated ICT Guidelines.
334. With respect to the Compliance and Enforcement Package, the Council :
- welcomed and endorsed the Package;
 - requested the Secretariat to take into account the comments and suggestions made in the Policy Commission and Council for the future development of the Compliance and Enforcement Package;
 - requested the Secretariat to conduct an analysis of the usage of the various Packages by monitoring accesses through the Web site and to present the results to the Policy Commission in June 2014.

7. BUDGETARY AND FINANCIAL MATTERS

335. The CHAIRPERSON OF THE FINANCE COMMITTEE, Mr. Brendan O'Hearn (United States), indicated that the Finance Committee had held its 93rd Session on 29 and 30 October 2012 and its 94th Session from 8 to 11 April 2013. He thanked the Secretary General and his team for the keen fiscal management executed by the Secretariat over the past year.
336. He informed the Council about members' attendance at Finance Committee sessions, as instructed by the Policy Commission, reporting that 15 of the 17 Finance Committee members had been present at the October 2012 session and that 14 of the 17 members had attended the April 2013 session.
337. He then addressed the various action points being recommended by the Finance Committee for the Council's approval. The budget deficit for financial year 2011/2012 (375,508.69 euro) should be incorporated in the accumulated financial result and, on 30 June 2012, the latter should be established as being 8,123,772.32 euro. The Secretary General should be acquitted of his financial responsibilities for financial year 2011/2012. A 0 % increase in the general operating expenses for 2013/2014 should be approved. When making this recommendation, the members of the Finance Committee had recognized the global economic challenges which many Members were presently facing. The updated scale of contributions, which would reflect a 0 % increase in overall contributions for financial year 2013/2014, and the WCO Secretariat staffing table for 2013/2014 showing the budgeted posts should also be approved. The proposed capital expenditure budget (778,000 euro) for financial year 2013/2014, primarily to modernize the WCO's Information Technology, was to be approved, as was the high-level costing of the Strategic Plan. Finally, he was seeking approval of the revised daily subsistence and kilometric allowances with effect from 1 January 2013 and adoption of the changes to the WCO Staff Manual as proposed.
338. He then focused on the planned comprehensive review of the WCO Financial Rules which the Secretariat had been instructed to carry out, indicating that the Finance Committee had already started looking at the Guidelines for the WCO's finances, bearing in mind some additional elements and switching in principle to a three-year budget planning process in line with the three-year Strategic Plan. The Finance Committee had supported this approach in theory, but had stressed that a comprehensive review of the WCO Financial Rules, including the Guidelines for the WCO's finances, would be undertaken to ensure that all texts were in keeping with current and best practice.
339. He updated the Council on two pending proposals relating to WCO staff emoluments for 2012 and 2013. The OECD-based Co-ordinating Committee on Remuneration (CCR), which the Finance Committee had reaffirmed as being the WCO benchmark for remuneration matters, had proposed a 2.2 % increase in remuneration with effect from 1 January 2012 and a 1.2 % increase with effect from 1 January 2013. Although the Finance Committee had recognized that the CCR had served the WCO well for many years since first being used in 1981, the Chairperson of the Finance Committee recalled that last year's Council had approved a 1.1 % increase instead of the 2.2 % recommended by the CCR. At the Council's request, the Finance Committee had revisited the remaining balance and, while expressing great appreciation for the high-quality work being carried out by WCO staff, had reaffirmed, by consensus, its recommendation for a 1.1 % increase, given the current difficult economic and financial climate faced by many Members. Based on that outcome, a WCO staff member had

lodged an appeal with the Administrative Tribunal of the International Labour Organization (ILOAT) in Geneva and, as a result, the Finance Committee had taken the position to hold on any further action or recommendations, including the CCR remuneration proposal with effect from January 2013 (a proposed 1.2 % increase), until the outcome of the ILOAT ruling, expected in October or November 2013, was known.

340. The Chairperson of the Finance Committee then turned to the WCO Publications Policy and the fact that, despite being under discussion for several years, a decision had not been reached regarding a modified Policy. In the past, Members and the Organization had been unable to agree on a compensation mechanism concerning those publications that were produced and sold by Members, many of them in languages other than the WCO's official languages of English and French. Last year, the Finance Committee and the Council had agreed to maintain the status quo, namely continuing to apply the current Publications Policy until the start of the next HS cycle in 2017. The current Policy did actually include a compensation mechanism; however, it was not being applied by the majority of Members producing and distributing WCO publications. The Policy was consequently acknowledged as not working, despite the Secretariat's best efforts to apply it. Due to the active marketing approach taken by the outsourced publications management company at the Secretariat, sales of WCO publications were turning a marginal profit for the Organization. Recognizing that the recent consensus had been to work towards a new policy incorporating a "free to Members" principle, the Chairperson of the Finance Committee asked for guidance from the Council as how it would like the Finance Committee to proceed. There appeared to be two broad options : one was to maintain the current policy and ask the Secretariat to continue its efforts to conclude bilateral agreements with Members producing WCO publications, while the second was to formulate a new Publications Policy comprising an alternative to a compensation mechanism that respected the WCO's intellectual property and protected against potential loss of income.
341. The CHAIRPERSON thanked Mr. O'Hearn for his comprehensive report. She invited the Council to take note of the financial audit report and underscored the recent developments with regard to the Publications Policy. In the light of the consensus arrived at within the Finance Committee, she called for new discussions on the development of a Publications strategy to cover the period after 2017.
342. The Delegate of GERMANY congratulated the Chairperson of the Finance Committee on his report and thanked the Secretariat for its financial and fiscal discipline and for its highly professional work offering long-term benefits to the WCO. He also acknowledged the current constraints with respect to budget negotiations. Turning to Members' contributions, he understood the broad consensus for a temporary freeze, but did not want to see a situation of not increasing contributions continue in the future. He recommended that some increase be implemented from the next fiscal year onwards, even if it were only 1 %. He encouraged financial efforts in support of capacity building, mentioning as one example the fight against cross-border wildlife crime in Africa. Increasing the budget to counter these crimes would be very good use of taxpayers' money, both now and for generations to come. As far as the discussion on WCO staff remuneration was concerned, he supported awaiting the outcome of the ILOAT proceedings and welcomed the fact that the Secretariat had made financial provisions to that end. He was in favour of the CCR recommendations continuing to serve as the WCO's guiding benchmark in the future.
343. The Delegate of BRAZIL agreed with Germany's comments, supporting the suggestion that the recommendations made by the CCR with regard to staff salaries be followed. Referring to last year's discussion on how to move away from these

recommendations and to maintain this position legally, he underlined his country's assessment that leaving the CCR would create uncertainty regarding how the ILOAT might rule concerning an appeal and also uncertainty in terms of the impact on the Organization's budget management. The ILOAT's decision was expected in October or November 2013. Brazil strongly recommended following the CCR recommendations for the next financial year or else starting to work on a sustainable alternative in the longer term. With regard to the Publications Policy, he reiterated his country's position that publications developed by the WCO and relating to standards and best practices should be implemented as fully as possible on the ground by Customs and the private sector, and should therefore be offered free of charge. A charge should be levied for other tools, such as IPM and similar services, and this would generate new streams of revenue for the WCO.

344. The CHAIRPERSON OF THE FINANCE COMMITTEE replied that since the recommendations made by the Think Tank on Members' Contributions a few years ago to increase contributions, due consideration had been given to the issue of any potential annual increases. This approach was followed every year and no long-standing freeze was planned. He confirmed that, in the Finance Committee's opinion, the CCR recommendations would continue to serve as a benchmark for the WCO. With regard to any legally binding nature of this benchmark, the Finance Committee had determined the benchmark was not legally binding on the WCO. The Finance Committee was awaiting the ILOAT's ruling and would give it due consideration in order to develop sustainable recommendations on the way forward.

345. The HEAD OF ADMINISTRATION AND PERSONNEL confirmed that a Think Tank on Members' Contributions had been set up in the past after many years of frozen contributions. Due to the fact that after 12 years of frozen contributions a very low base for calculation of contributions had been reached, the Think Tank had recommended an annual increase of 3 % at the time. However, this recommendation had been followed only once, with subsequent increases amounting to 1.5 %, 1.0 %, 0 % and 0.5 %. Over the same period, inflation in Belgium had stood at approximately 13 %. As the majority of the Secretariat's spending took place in Belgium and most of this spending was on items at the higher end of the annual inflation calculation basket of utilities, such as electricity, gas, water and other relevant consumables to run the Secretariat, the WCO was struggling to meet the financial implications of budget increases below the annual inflation rate. Members should take this into consideration in the overall context.

346. In the area of WCO publications and referring to translations thereof, he explained that only one Member was currently complying with the Publications Policy in practice. Italy alone had concluded a contract with the WCO on the production of WCO publications in Italian. The WCO had never asked any Member to pay a fee. On the contrary, the WCO paid a fee to the Member in exchange for exclusive rights to market the WCO publication in that particular language version. Accordingly, the Member would receive a contribution towards the translation costs.

347. He confirmed that the WCO had been using the CCR recommendations as a benchmark for the past 31 years. He also confirmed that the Finance Committee had asked the Secretariat to make provision in the accounts should the ILOAT rule against the WCO's current decision in respect of remuneration. At the end of June 2013, a provision of 171,729 euro would be made to cover the remaining 1.1 % (January 2012) and 1.2 % (January 2013) salary costs. The Terminal Allowance (TA) adjustment payable in the event of the ILOAT overruling the WCO decision would be in the region

of 260,000 euro and would be paid from the TA investment portfolio and not from the WCO budget. The total provision amounted to approximately 430,000 euro.

348. The Head of Administration and Personnel also pointed out that if the Secretariat were to introduce a “free to all” policy in respect of publications based on sales figures for the 2007 Harmonized System (HS) cycle, recognizing that HS-related sales accounted for the majority of publications sold, a 5.4 % adjustment to Members’ contributions would be required to compensate for the cost of free publications. If a “free to Members only” policy were to be introduced, a 2.9 % adjustment would be required. An adjustment of approximately 9 % would be required to cover the cost of a “free to all” policy based on sales figures for the 2012 HS cycle.

349. The CHAIRPERSON brought the discussion to a close by indicating that changing the WCO Publications Policy would entail significant costs for the WCO. She thanked Mr. O’Hearn for his skilful chairing of the last two sessions of the Finance Committee and for the time and effort he had invested in his chairmanship.

350. In conclusion, the Council :

- approved the proposal that the budget deficit for financial year 2011/2012 (375,508.69 euro) be incorporated and that the accumulated result on 30 June 2012 be established as being 8,123,772.32 euro;
- took note of the report of the financial Auditor on the accounts for financial year 2011/2012 and the comments and recommendations of the Finance Committee relating to that report;
- acquitted the Secretary General of his financial responsibilities for financial year 2011/2012;
- approved a 0 % increase in the general operating expenses for 2013/2014;
- approved a scale of contributions which reflected a 0 % increase in overall contributions for financial year 2013/2014;
- approved the staffing table for 2013/2014 showing the budgeted posts, as agreed;
- approved the proposed capital expenditure of 778,000 euro for financial year 2013/2014;
- adopted Decision No. 335, concerning the budgetary and financial provisions for 2013/2014 reproduced in Annex V hereto, including the scale of Members’ contributions for financial year 2013/2014 which had been circulated during the Sessions;
- approved the high-level costing of the Strategic Plan as agreed;
- approved the revised daily subsistence and kilometric allowances with effect from 1 January 2013;
- adopted the changes to the WCO Staff Manual as proposed;

- approved as a whole the Reports on the Finance Committee's 93^d and 94th Sessions, i.e. Docs. SF0327 and SF0348.

8. ELECTIONS

(a) Appointment of a Secretary General

351. The CHAIRPERSON announced that there was only one application for the post of Secretary General, namely that of the current Secretary General Kunio MIKURIYA whose candidature had been put forward by Japan.
352. Mr. Mikuriya was appointed Secretary General by acclamation for a second five-year term of office to begin on 1 January 2014.
353. Mr. MIKURIYA recalled that, five years previously, he had promised to improve the governance of the Organization, aiming to be more transparent, inclusive and outreaching. He had committed to serve all Members and to develop the capacity of all Customs administrations through advocacy, developing tools and sharing best practices. He had also pledged to reform and modernize the Organization to be a centre of excellence for knowledge, expertise and professionalism in Customs.
354. He believed that considerable progress had been made in that direction and that was a testament to the collaborative work with Members and the strength of the support offered by the Secretariat and partners. The newly adopted Strategic Plan, defined by its lucid vision and direction, bore the fruits of that achievement.
355. Mr. Mikuriya said that the past five years had passed so quickly that it only seemed like yesterday that he had first assumed office. It had been an enjoyable journey with the members of the global Customs family, and he thanked everyone for making it so.
356. It was a real honour to be able to continue as Secretary General for another five years, another five years in which he was happy to continue this journey with all of the Customs community as, together, work would continue to enhance the role and place of Customs in response to the ever-changing nature of the world.
357. Finally, Mr. Mikuriya expressed the hope that this course of action would make it possible to advance further, whilst keeping the Organization relevant and indispensable in support of Customs.
358. The six VICE-CHAIRS then offered congratulations to Mr. Mikuriya on his reappointment.
359. On behalf of the 23 Customs administrations in the West and Central Africa Region, the Delegate of NIGERIA sincerely congratulated Mr. Mikuriya on his reappointment, and commended him for his energy, his commitment and most of all his adaptability, which was very evident when he found himself in an unfamiliar environment, taking part in traditional rites and ceremonies during his visits to the region. The Members in the region were tremendously impressed with his work on their behalf and were confident of his continuing support. They looked forward to welcoming him to their region during his next term of office.

360. The Delegate of MAURITIUS said that the 24 Members in the East and Southern Africa Region enthusiastically, whole-heartedly and warmly welcomed Mr. Mikuriya's reappointment. His energy, professionalism and commitment to his role were truly exemplary, and the region looked forward to welcoming him on future visits during the next five years.
361. The Delegate of MOROCCO, in his capacity as Vice-Chairperson for the North of Africa, Near and Middle East Region, also congratulated Mr. Mikuriya on his reappointment and thanked him warmly for his sustained efforts to raise the profile of the WCO and to assist Customs administrations, in particular through capacity building and by drawing government leaders' attention to Customs' concerns. He also commended the Secretary General for his unfailing energy in harnessing the efforts of all Members for the benefit of the Customs community as a whole. Mr. Mikuriya was approachable, always ready to listen, and unflagging in his efforts on behalf of the Organization, and the Members in the North of Africa, Near and Middle East Region would like to welcome him to their region more frequently in the future if this was possible. The past five years had been marked by great achievements, and he had no doubt that the next five would be equally fruitful for Customs administrations and for the WCO.
362. The Delegate of AUSTRALIA, as Vice-Chairperson for the Asia/Pacific Region, commended Mr. Mikuriya for his commitment and dedication to the role of Secretary General, and said that the region was committed to supporting him throughout his next term of office. He looked forward to seeing Mr. Mikuriya at the region's next Heads of Customs meeting, in 2014. He thanked Mr. Mikuriya for all the work he was doing on behalf of the WCO and its Member administrations, and congratulated him warmly on his reappointment.
363. On behalf of the Europe Region, the Delegate of NORWAY congratulated Mr. Mikuriya on his reappointment. Mr. Mikuriya's many excellent qualities had been mentioned by previous speakers and were well-known to all Members, and he could rely upon the full support of the Europe Region for the next five years.
364. The Delegate of URUGUAY, as Vice-Chairperson for the Americas/Caribbean region, said that Mr. Mikuriya's hard work, his presence and his intelligence were recognized by all, and this was reflected in the Council's appreciation of him. The Members in the Americas/Caribbean Region had always received Mr. Mikuriya's support, and had been able to make progress in all fields as a result. Mr. Mikuriya could rely on the region to support his efforts on behalf of the Customs community, and the region looked forward to his future visits - in particular, perhaps, for the football World Cup in Brazil in 2014.
365. The CHAIRPERSON noted that, for his next term of office, the Secretary General had been assigned a number of new tasks by the Policy Commission and the Council. She was confident that Mr. Mikuriya - one of the hardest-working people she had ever met - would rise to this challenge, and she offered him her hearty congratulations on his reappointment.

(b) Elections

366. It was proposed that Ms. J. FEEHILY (Ireland) be re-elected Chairperson of the Council for 2013/2014, that being the express wish of the Council. This required a derogation from Rule 8 of the Council's Rules of Procedure as Ms. Feehily had already served as Chairperson for two consecutive terms.
367. The Council approved the above proposal, by acclamation.
368. Ms. FEEHILY expressed her gratitude for the confidence placed in her through this re-election.
369. The CHAIRPERSON announced that following consultations between the Members in the various regions, it was proposed that the Delegates of Australia, Azerbaijan, Malawi, Morocco, Nigeria and Uruguay be elected Vice-Chairs for 2013/2014. In the case of Morocco and Nigeria, this required a derogation from Rule 8 of the Council's Rules of Procedure since both these Members had already served as Vice-Chair for more than two consecutive terms.
370. The Council agreed to the above proposals which were approved by acclamation.
371. 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, Bahrain, Benin, Canada, Ghana, Hong Kong (China), Japan, Kenya, Mexico, Poland, Russian Federation, Saudi Arabia, Slovakia, South Africa, Spain, Turkey, United Kingdom and United States. It was noted that they would serve alongside a number of delegates elected to the Policy Commission one year previously, namely Brazil, China, European Union, India, Italy and New Zealand.
372. Following consultations between the Members in the various regions, it was proposed that the following be elected to serve on the Finance Committee for 2013/2014 : Argentina, Canada, European Union, France, Gambia, Germany, Italy, Japan, Korea (Republic of), Netherlands, Pakistan, Saudi Arabia, Sweden, Uganda, Ukraine, United Kingdom and United States.
373. It was proposed that Mr. B. O'Hearn (United States) be re-elected Chairperson of the Finance Committee for 2013/2014 and that Mr. W. Williamson (United Kingdom) be re-elected Vice-Chairperson for that period.
374. Following consultations between the Members in the various regions, it was proposed that the following Members be elected to serve on the Audit Committee : Australia, Chile, Gabon, Jordan, Lesotho, Luxembourg, Malaysia, Poland, Togo, Tunisia, Uruguay and Zimbabwe.
375. It was proposed that Mr. A. Bellot (Luxembourg) serve as Audit Committee Chairperson in 2013/2014 and that the Delegate of Australia serve as Vice-Chairperson for that period.
376. All these proposals were approved by acclamation.

9. OTHER BUSINESS

(a) WCO award for the combating of counterfeiting and piracy

377. The SECRETARY GENERAL recalled that each year, at the Council Sessions, the WCO recognized a Customs administration which had shown particular commitment to combating counterfeiting and piracy. A range of criteria were used to determine the recipient of the award and, this year, in the light of initiatives taken, the quantity and type of articles seized and the identification of new methods of concealment, the award went to the Angolan Customs Administration.
378. During Operation VICE-GRIPS 2, coordinated by the WCO and carried out in July 2012, Angolan Customs had detected in excess of 33 million counterfeit pharmaceutical products concealed in stereo speakers. These had included anti-malaria products, antibiotics and anti-parasitics, none of which contained any active ingredients. In Operation BIYELA, conducted in April 2013, Angolan Customs had discovered a further 7 million illicit pharmaceutical products. These results had been underpinned by the use of IPM (Interface Public-Members) and other risk management tools, with the Customs Enforcement Network (CEN) being used to communicate with other administrations. Partnership with the private sector and with other Ministries had also been of key importance.
379. The Secretary General recalled that the IPR award had been introduced at a time eight years previously when there had been a pressing need to raise awareness of IPR protection both for Customs administrations and for policy-makers. The aim had been to highlight the scourge of counterfeit and pirated goods, particularly where human health and safety were threatened.
380. Since then, it had become clear that Customs administrations and policy-makers had responded to these threats, as evidenced by the many Operations now conducted by the Members with WCO coordination, including VICE-GRIPS, EASTERN GATE, BIYELA, in all of which spectacular results had been achieved. The introduction of IPM had also strengthened the combating of IPR crimes.
381. That being the case, the Organization was now looking at other ways of recognizing the achievements of Customs administrations across the broad range of enforcement areas, and this would therefore be the last time that this specifically IPR award was presented. The WCO would, of course, work in many other ways to continue to raise the profile of the role of Customs in IPR protection.

(b) Accession to WCO instruments, signing of Memoranda of Understanding and other Agreements

(i) Revised Kyoto Convention

382. In the course of the Sessions during the ceremony to mark the 40th Anniversary of the Kyoto Convention, the Delegates of CAPE VERDE, COTE D'IVOIRE and YEMEN deposited their country's instrument of accession to the Revised Kyoto Convention (RKC), bringing the number of Contracting Parties to 89 (see paragraphs 105 to 108 above).

(ii) Regional Training Centre

383. The Delegate of MAURITIUS signed a Memorandum of Understanding (MOU) with the Secretary General for the establishment of a multilingual WCO Regional Training Centre (RTC) in Port Louis, which would be officially inaugurated later in the year.

(iii) Memoranda of Understanding with other international organizations

384. The SECRETARY GENERAL signed an MOU with Mr. Pascal Youbi-Lagha, Commissioner of the ECONOMIC AND MONETARY COMMUNITY OF CENTRAL AFRICAN STATES (CEMAC). This MOU constituted a basis for enhanced cooperation between the two Organizations.

(c) Smart and Secure Trade Lanes (SSTL) Pilot Project

385. In the course of the Sessions, a ceremony was held to mark the extension of the EU-China Smart and Secure Trade Lanes (SSTL) Pilot Project to include Hong Kong, China and Spain.

386. The CHAIRPERSON said that the Project was a positive example of Globally Networked Customs (GNC) in action and was one of the most interesting innovations in recent years.

387. The EUROPEAN COMMISSION'S DIRECTOR GENERAL OF TAXATION AND CUSTOMS UNION (TAXUD) welcomed Hong Kong to the EU-China SSTL Pilot Project, as well as the ports of Barcelona and Valencia in Spain. SSTL was an important Project not only for the European Union and the People's Republic of China, but also for the WCO. The SSTL Pilot had been launched in 2006 and had since become a flagship project of EU-China Customs cooperation. Being unique in its kind world-wide, SSTL had been created to strengthen the end-to-end supply chain security and to test specific security recommendations of the WCO SAFE Framework of Standards for specific EU-China maritime trade lanes. Customs controls were performed upon export, based on joint risk rules to allow better targeting of dangerous traffic whilst providing facilitation for secure and safe consignments, in particular through faster Customs clearance.

388. SSTL was also highly valuable for the future development of the SAFE Framework and the development of global standards under GNC. It was a solid and constructive cooperation platform based on reliable contacts, regular work streams and operating procedures to address strategically important safety and security issues. The extension took place at an important time, during the preparation for the broadening of the scope of the Pilot Project. Therefore, active participation of

Hong Kong in the SSTL Pilot Project would be an important step forward, particularly in view of Hong Kong's role as a global trading and transshipment hub. The Port of Hong Kong was one of the busiest ports in the world in the three categories of shipping movements, cargo handled and passengers carried.

389. From Spain, the ports of Barcelona and Valencia would be included in the Project as both ports had great contemporary commercial importance. The Port of Barcelona had a 2000-year history and was one of the most important ports in the Mediterranean, while the Port of Valencia was the largest seaport in Spain and in the Mediterranean Sea basin. The extension of the Pilot Project would also have a positive impact on risk management cooperation. Risk management exercises would be expanded to include IPR, waste materials and other strategically important products in the joint risk rules.
390. In closing, the Director General once again welcomed the three new ports to the SSTL Pilot Project and their participation in contributing to the efforts to expand the volume and the complexity of the trade lanes covered.
391. The VICE-MINISTER OF CHINA CUSTOMS also said that China and the EU had launched the SSTL Pilot Project - the first pilot programme across the Asia and Europe continents - in 2006 to implement the SAFE Framework. The Pilot Project meticulously fulfilled the core elements of the SAFE, the new concepts and approaches to supply chain security, mutual recognition of Customs control, AEO mutual recognition and the Unique Consignment Reference that were advocated by the WCO.
392. Initially, the Pilot had had three participating ports, one in China and two in the EU, namely in the Netherlands and the United Kingdom. Now 13 ports in 9 countries and a number of regions in China were active under SSTL. For the EU, the Netherlands, the United Kingdom, Belgium, France, Germany, Italy, Poland and Spain were involved. The number of pilot trade lanes had also grown from 3 to 39. The China-EU SSTL had become a model of practice of the SAFE, which on the one hand proved the SAFE's guidance on the security and facilitation of the global supply chain, and on the other hand enriched and improved the SAFE itself. At the transition from the second to the third stage, it had been decided that the China-EU SSTL was to have new members. Finally, the Vice-Minister of China Customs also welcomed the participation of the three new ports in the SSTL Pilot Project.
393. Following these speeches, the CHAIRPERSON invited the Commissioner of Hong Kong, China Customs and the Director General of Spanish Customs to join the Director General from the European Commission and the Vice-Minister of China Customs for the formal exchange of letters among the parties.
394. The COMMISSIONER OF HONG KONG, CHINA CUSTOMS stressed that the occasion not only formalized Hong Kong's participation in the SSTL but also highlighted how much progress China and the EU had made since the launch of the pilot in 2006. China and the EU were Hong Kong's first and second largest trading partners, with the total value of bilateral trade amounting to some 370 billion and 64 billion euro respectively in 2012. Moreover, Hong Kong was also a key conduit for trade between the EU and China, the world's largest exporter. Strengthening the ties with China and the EU through participating in the SSTL not only created synergy to the Project but also helped strengthen cooperation on the trade facilitation fronts, thereby bringing greater benefits to the logistics industry through enhanced security and facilitative measures.

395. Hong Kong Customs had been keeping track of the development of the Project and had taken active steps to prepare for joining it. Apart from studying the measures adopted by participating administrations for handling SSTL shipments, it had also started promoting the Project among its AEOs and other local enterprises. The response had been positive and encouraging. Through Hong Kong's participation in the SSTL, it hoped to expand the scope of SSTL by contributing as a logistics hub with optimal transshipment capability. With concerted efforts, it hoped to strive for more achievements in upholding international supply chain security and facilitating legitimate trade.
396. The DIRECTOR GENERAL OF SPANISH CUSTOMS considered that the SSTL Pilot Project constituted a unique instrument set up by the People's Republic of China and the EU to test specific safety and security related recommendations of the WCO SAFE Framework of Standards. Spain shared the view that the Project was a milestone in the cooperation between the EU and China. The extension of the Project to a third phase was the best indicator of the importance that both parties had given to the Project, and also of the good results that had been achieved so far. The basis of the Project, namely the performance of Customs controls based on joint risk rules together with the provision of facilitation for those consignments that were safe and secure, represented a step forward in order to tackle the traffic in dangerous goods.
397. For that reason, Spain was joining the Project with two ports - Barcelona and Valencia -, both of great commercial importance. Both had a strategic position and a long history of cooperation with China. The port of Barcelona played a very important role in the distribution within Europe of trade coming from Asia. It was undoubtedly a unique port on account of its specialization in added-value traffic. China was the first commercial partner of the Port of Barcelona for container traffic. The port of Valencia was also a leading port in container traffic, being the number one port in the Mediterranean and number five in the European top ranking. By participating in the Project, Spain hoped to enhance cooperation with China and with the other EU Member States. Greater cooperation would lead closer to the objective : the achievement of smart and secure maritime trade lanes.

(d) WCO photographic competition

398. Thirty-six Member administrations had submitted entries for this year's photographic competition. All Heads of Delegation had been invited to vote for their favourite photograph, and 75 votes had been cast.
399. The SECRETARY GENERAL announced that the winning entry was the Thai Administration's photograph entitled "Customs officers amidst a fast-changing world". The picture showed two Customs officers inspecting goods in a cargo warehouse, in the middle of fast-paced logistics activities. It illustrated the challenge the Customs community faces to keep up with a fast-moving trade environment.

(e) Upcoming events

400. The SECRETARY GENERAL drew attention to the following WCO events that would be held in the course of the next financial year :

- Women in Leadership Conference at WCO Headquarters on 1 July 2013.
- PICARD Conference in Saint Petersburg from 18 to 20 September 2013.
- Technology and Innovation Forum in Buenos Aires from 12 to 14 November 2013.
- Second Global AEO Conference in Madrid from 28 to 30 April 2014.
- IT Conference and Exhibition in Australia in May 2014.

He encouraged Member administrations to take part in these important events.

401. The Delegate of ARGENTINA showed a brief video on Argentina and invited all Members to attend the Technology and Innovation Forum in her country in November 2013.

402. The Delegate of AUSTRALIA said that the Australian Customs Administration would be hosting the IT Conference and Exhibition in May 2014 at a venue to be announced shortly. This followed on from the very successful Conference held in Dubai in 2013. The theme for the 2014 event would be "Information Technology as a catalyst for economic competitiveness".

403. The Delegate of SPAIN said that her Administration looked forward to welcoming delegates to the Second Global AEO Conference, to be held in Madrid at the end of April 2014. Spain had already certified more than 500 companies (including exporters and logistics operators) as AEOs and it considered AEO certification to be an important element of the implementation of the SAFE Framework of Standards. The Spanish Administration would do its utmost to provide a forum where participants could discuss how to promote efficient and reliable international trade. The delegate thanked Korea, the host of the First Global AEO Conference, for offering its valuable experience to assist the Spanish Administration with the organization of the Second Conference.

404. The Delegate of BENIN announced that his country would host the Fifth Meeting of the African Union Sub-Committee of Directors General of Customs in the first half of September 2013 and was ready to welcome all participants. He recalled that the African Union was working to establish a free trade area for the African continent and that Customs administrations had a key role to play in that context.

405. The Delegate of AUSTRIA informed delegates that his country would host the Tenth Meeting of ASEM Directors General and Commissioners of Customs in Vienna in October 2013.

406. The Delegate of KOREA invited delegates to the Third International Origin Conference to be held in Seoul on 5 November 2013. That Conference would provide an opportunity to share experience on free trade areas (FTAs), rules of origin and harmonized Customs procedures to facilitate trade and support businesses in FTAs. The participants would include experts from Customs administrations and the private

sector, representatives from the WCO and WTO, and Heads of Customs from FTA Contracting Parties.

**10. DATE AND PLACE OF NEXT SESSIONS AND
CALENDAR OF MEETINGS FOR 2013/2014**

407. The 123rd/124th Sessions of the Council would be held in Brussels from 26 to 28 June 2014, preceded by the 71st Session of the Policy Commission from 23 to 25 June 2014.
408. With regard to the 70th Session of the Policy Commission, the CHAIRPERSON said that, during the Policy Commission session earlier in the week, she had extended an offer for the 70th Session to be held in Dublin from 9 to 11 December 2013. The Council agreed that the 70th Session of the Policy Commission would take place in Dublin from 9 to 11 December 2013.
409. Subject to a number of amendments to the draft that had been circulated, the Council approved the Calendar of meetings for 2013/2014, which is reproduced at Annex VIII hereto.

CLOSURE OF THE SESSIONS

410. The SECRETARY GENERAL thanked delegates for their active participation and interaction throughout the Council Sessions.
411. He expressed his gratitude to the six Vice-Chairs for their assistance over the past year, emphasizing that the Vice-Chairs played a key role in ensuring and maintaining the connection between the Secretariat and the membership as a whole. He paid particular tribute to the two Vice-Chairs who had completed their terms of office and were now stepping down, namely the Delegates of Mauritius and Norway.
412. Mauritius, though a small island State, had put a great deal of effort - under the leadership of Mr. Sudhamo Lal and Mr. James Lenaghan - into achieving further progress in the East and Southern Africa Region, particularly in respect of capacity building and the regional structures. This had culminated in the signing, at the present Sessions, of the Memorandum of Understanding for a multilingual Regional Training Centre in Mauritius itself.
413. Norway, under the leadership of Mr. Bjørn Røse, had skillfully managed the largest of the WCO regions. Among its achievements over the past two years had been the securing of financing for the ROCB in Baku. In addition, Mr. Røse had been a source of innovative ideas and sound advice over the two years.
414. The Secretary General then welcomed the two new Vice-Chairs, Malawi and Azerbaijan, and said that he looked forward to working with them during the coming year.
415. Turning to the Secretariat, the Secretary General said that the Deputy Director in the Tariff and Trade Affairs Directorate, Mr. Craig Clark, would shortly complete his term of office and be returning to the United States. Mr. Clark had proven a reliable and safe pair of hands for the work of the Tariff and Trade Affairs Directorate,

particularly in the very complex area of the Harmonized System. The Secretary General wished Mr. Clark and his family all the best for the future.

416. In closing the Sessions, the CHAIRPERSON thanked the Secretariat for its assistance. She acknowledged that all Customs administrations faced huge challenges for the coming year, in terms of volume of work, less resources and high risks to be addressed; she wished them well in meeting those challenges.

J. FEEHILY,
Chairperson.

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