



COUNCIL
-
123rd/124th Sessions
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SC0140E1a

Brussels, 11 August 2014.

MINUTES OF THE 123RD/124TH SESSIONS
OF THE CUSTOMS CO-OPERATION COUNCIL
(Brussels, 26 - 28 June 2014)

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MINUTES

OPENING OF THE SESSIONS

1. The 123rd/124th Sessions of the Council were held at WCO Headquarters in Brussels from 26 to 28 June 2014. 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 WCO Director of Tariff and Trade Affairs, Mr. Giuseppe Favale, who had sadly passed away in May 2014.
3. The Chairperson announced that Mr. Roberto Azevêdo, Director-General of the World Trade Organization (WTO), would address the Council in the course of its Sessions.

1. ADOPTION OF THE AGENDA

4. The Agenda set out in Doc. SC0132 was adopted unchanged.

2. APPROVAL OF THE MINUTES OF THE 121ST/122ND SESSIONS OF THE COUNCIL

5. The Minutes of the 121st/122nd Sessions of the Council, contained in Doc. SC0131, were approved.

3. COMMENTS BY THE CHAIRPERSON OF THE COUNCIL

6. The CHAIRPERSON said that although important matters were addressed at the Council Sessions each year, occasionally there was a particularly significant year in the life of the Organization, when issues dealt with by the Council would have an impact on the work of the WCO and of Customs administrations for many years thereafter. The 2002 Council Sessions, for example, had marked a move towards greater emphasis on security issues in the wake of the events of 9/11, leading to the development of the SAFE Framework of Standards and the AEO programme, as well as the establishment of the Private Sector Consultative Group. In fact, over the years the impact of that directional shift had been felt in almost all of the Organization's work programmes.
7. She believed that 2014 could prove to be an equally significant year. The WTO Bali Agreement had the potential to bring about a directional shift in the WCO's work which would have an impact on all of the Organization's programmes. With this in mind, she urged delegates to participate especially actively in the Council's discussions on trade-related matters, including the Organization's response to the WTO Agreement on Trade Facilitation and the Customs relationship with the private sector, in order to set the direction for the years ahead.

4. REPORT OF THE SECRETARY GENERAL

8. After welcoming all delegates, the SECRETARY GENERAL invited them to join him in expressing their condolences to the family and colleagues of WCO Director of Tariff and Trade Affairs Mr. Giuseppe Favale, who had passed away in May 2014. He indicated that the Deputy Secretary General, Mr. Sergio Mujica, had assumed responsibility for the day-to-day business of the Tariff and Trade Affairs Directorate pending the appointment of a successor to Mr. Favale.
9. The Secretary General then delivered his annual oral report to the Council, beginning with an up-to-date profile of the WCO, which had 179 Members. Where the status of the major Conventions was concerned, he noted that in the previous 12 months there had been two accessions to the HS Convention, with one more accession expected during the Council Sessions. The RKC had gained three Contracting Parties over that period, with two more accessions expected during the Sessions. He thanked Members for their support in acceding to, and implementing these two flagship Conventions and other important WCO tools.
10. The Secretariat currently consisted of 165 staff of 54 different nationalities. This figure included 38 Technical Attachés generously made available by Members at their own expense, and the Organization could not operate without their contribution. The Secretary General also expressed his gratitude to Members that had seconded Technical Attachés to WCO regional structures such as the RILOs, ROCBs and RTCs. The Secretariat also included seven Professional Associates funded by Japan, who were gaining valuable experience as well as an insight into the Organization.
11. Turning to financial and budgetary matters, 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. The 2013/2014 budget had initially been expected to report a deficit, but thanks to prudent management and oversight a balanced budget was now anticipated. For the forthcoming financial year a modest increase in Members' contributions, of 1.5 %, was being requested on the recommendation of the Finance Committee. There would be a 2 % increase in general operating expenditure, with staff salary increases having a significant impact in this respect. In view of the challenging situation in Member countries, the Finance Committee had withheld certain salary increases recommended under the relevant international salary adjustment mechanism, but the ILO Administrative Tribunal had recently ruled in favour of the staff in this matter; as a result, the Organization was now obliged to grant the salary increases withheld in 2012 and 2013. A 0.3 % decrease recommended for 2014 under the same salary adjustment mechanism had been implemented.
12. The Secretary General expressed his gratitude for the voluntary financial contributions generously provided to the Organization, which enabled it to carry out its technical assistance and capacity building missions. He also expressed his appreciation of Members' active support in providing national experts to participate in WCO technical assistance and capacity building missions around the world, and in supporting WCO regional structures.
13. Moving on to WCO activities, the Secretary General said that the Annual Report which had now been circulated to delegates was intended to raise the profile of the WCO and describe key WCO activities. The Report also contained a wealth of interesting information and statistics about Customs administrations, including details

of the tax revenue raised by Customs and the organizational models employed in different countries.

14. He indicated that, in 2013/2014, there had been six regional meetings of Directors General, and he had been able to attend each one. Such meetings helped to identify needs, priorities and future directions, and this regional input was essential to the development of the WCO's agenda.
15. The Secretary General 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. He noted also that the WCO had been mentioned in a number of international communiqués and declarations. Meetings with international policymakers were continuing - for example, he had arranged a meeting with the Secretaries General of ICAO and IMO to look at ways of ensuring security whilst at the same time facilitating trade and transport. He had also participated in the London Wildlife Conference, attended by many Heads of State. In addition, his agenda had been filled with meetings with TFA-related organizations, and with the signing of Memoranda of Understanding (MOUs) to ensure a coordinated approach to the implementation of the TFA.
16. The Secretary General expressed his appreciation of Members' active participation in the various conferences organized by the WCO in the previous 12 months, including the Women in Leadership Conference, the PICARD Conference held in Russia and the Technology and Innovation Forum held in Argentina. The WCO had also organized a major Origin Conference, as well as a Joint Conference with ICAO on Air Cargo Security, held in Bahrain. The second Global AEO Conference, held in Madrid, had provided an opportunity to promote mutual recognition, and in fact several mutual recognition agreements would be concluded during the Council Sessions. Most recently, the WCO IT Conference and Exhibition had been held in Brisbane in May 2014, and one of the topics discussed had been how to use information technology to assist with the implementation of the TFA.
17. The Secretary General recalled that the WCO's strategy and vision were upheld by four pillars : trade facilitation and security, supported by the Economic Competitiveness Package (ECP); fair and efficient revenue collection, supported by the Revenue Package; protection of society, supported by the Compliance and Enforcement Package (CEP); and institutional and human resources development, supported by the Organizational Development Package (ODP).
18. Beginning with the ECP, he referred to the important issue of global value chains, where production processes were fragmented and outsourced not only in terms of production but also in terms of distribution. Goods labelled as having been made in a particular country may simply have been assembled in that country, using imported inputs from many different countries. This was why efficient border procedures were so vital to the achievement of economic competitiveness, and therefore the issue of global value chains was a key element of the ECP.
19. The Secretary General then turned to the WTO TFA, remarking that the WCO was mentioned in various parts of the Agreement - evidence that WCO tools and WCO support for TFA capacity building were clearly seen by the WTO as being indispensable. In December 2013, the Policy Commission had adopted the Dublin Resolution, which set out a series of measures that the WCO would take in order to assist with the efficient implementation of the TFA. The Secretary General said that he had met with the WTO Director-General, who had assured him that the WTO regarded

the WCO as an essential partner in implementing the Agreement, and that he wished to use WCO tools and avail of the Organization's wealth of expertise.

20. The Secretary General then detailed the practical steps which had been taken by the WCO since the adoption of the Dublin Resolution, including : the provision of needs assessment tools and participation in needs assessment missions; the preparation of the TFA Implementation Guidance tool which had been placed on the WCO's public Website; the training of experts, which had already commenced, it being noted that as the TFA was largely based on WCO tools, the WCO was in the best position to provide training; and the establishment of a WCO Working Group on the TFA, which had held its first meeting in March 2014. In parallel with these measures, he had continued to meet with trade ministers and agencies to promote the role of Customs and the role of the WCO in relation to the TFA, and very recently he had organized a WCO trade information session for Ambassadors and trade experts at the WTO.
21. The Secretary General explained that, based on this interaction with WTO Members, he wished to propose a new WCO programme to raise the visibility of Customs with regard to the TFA. The aim of the Mercator Programme (named after the Flemish cartographer who had created the global map projection that enabled traders to set off across the oceans) was to assist governments worldwide to implement the TFA expeditiously and in a harmonized manner by using core WCO instruments and tools. He wanted to use the WCO capacity building model for this purpose, adapting it to the TFA and introducing a new donor funding mechanism.
22. He concluded his remarks about the TFA by urging Member Customs administrations to establish contact with their national Trade Ministries in order to explain the TFA and the role of Customs and the WCO, and participate actively in their National Trade Facilitation Committees.
23. Returning to the subject of the Economic Competitiveness Package, the Secretary General explained the relationship between the ECP and the TFA, pointing out that while there was significant overlap, the ECP was broader in scope than the TFA, given that it contained all the necessary ingredients for trade facilitation, security and compliance. The ECP was important not only at the global level, but also in terms of regional integration, encompassing as it did not only the Revised Kyoto Convention (RKC) and SAFE Framework of Standards, but also Globally Networked Customs (GNC), the Data Model, the Time Release Study (TRS), transit instruments and the Customs-Business partnership.
24. Before moving on to the Revenue Package, the Secretary General spoke of the importance of tax-related information exchange, both Customs-to-Customs and Customs-to-Tax, remarking on the significance of GNC for the Customs-to-Customs pillar. This topic would be discussed at the forthcoming WCO Revenue Conference, but more Members' experiences were needed in this area.
25. The Secretary General said that the design of the Revenue Package had been changed, making it more accessible to Members in the areas of classification, valuation and origin. The Package also incorporated a diagnostic tool on how to implement the various tools, as well as sections related to post-clearance audit and revenue gap analysis.
26. Regarding classification, he said that, as advance classification rulings were provided for in the TFA, progress was required in this respect. In the area of valuation, how best to coordinate with the tax authorities on transfer pricing issues was a major

challenge, as was the use of inspection services. Where Origin was concerned, although the rules were the product of trade negotiations, it was Customs that had to implement them, and for this purpose Customs needed to know how to use certification and verification. He also spoke about the revenue gap, and informed the Council that the Policy Commission was recommending the conversion of the WCO Working Group on Commercial Fraud into a Working Group on Revenue Compliance and Fraud which would support the Revenue Package.

27. Turning to the Compliance and Enforcement Package (CEP), the Secretary General said that the WCO needed to continually upgrade the tools that made up the first part of the Package, as well as the risk indicators in the Risk Management Compendium. He explained that the WCO had many technological infrastructures, including the CEN and its suite of applications, technology networks such as IPM, and other technology which provided the basic infrastructure for enforcement activities. Customs-to-Customs partnership was important but Customs-to-Business was also crucial, as was partnership with other regulatory and law enforcement agencies. The WCO coordinated many international enforcement operations, which also served a useful purpose in terms of capacity building and identifying gaps.
28. Many of the technical programmes which formed part of the CEP were being exhibited by Secretariat staff in the margins of the Sessions. These included : nCEN, which dealt with national seizures; the Cargo Targeting System (CTS), which received manifest information from shipping lines; and IPM, which addressed IPR issues and had now been developed as a mobile application. The Illicit Trade Report, which gave an insight into the latest trends, was also being made available to each Member.
29. The Secretary General then turned his attention to the last of the four Packages, the Organizational Development Package (ODP), initiated because Customs needed institution building - strong people and strong institutions were necessary in order to implement standards (including the TFA) and to ensure that Customs adequately fulfilled its role. For the implementation of the TFA, he suggested that Customs needed to do more outreach and more advocacy on the donor engagement side. In this connection, the WCO had launched the Project Map Database for use by donors wishing to share information. In terms of mobilizing experts, he explained that the WCO developed and updated the pool of experts on a local basis. Six expert workshops held in the past year had resulted in the accreditation of 27 experts, and this progress was expected to continue.
30. An important organizational development issue for some developing-country Members was how to reclaim ownership of core Customs functions that had been outsourced to private sector service providers. This was a major challenge for the West and Central Africa Region, where 20 out of 23 Members used inspection services, and the Directors General in the Region had adopted a Declaration, known as the Niamey Declaration, on this subject. It was interesting to note that the WTO TFA limited the use of inspection services. In March 2014, he had convened a Conference of all relevant international and regional organizations in order to arrive at a common approach to this issue, and after the Conference a press release had been issued. There was, of course, a place for outsourcing, notably when it came to the technologies that were being used increasingly by Customs; the issue in these instances was how to ensure better contract management.
31. The Secretary General concluded his presentation by referred to upcoming events scheduled for the second half of 2014, including the Revenue Conference which

would be followed by the Knowledge Academy and, in September 2014, the PICARD Conference.

32. The Delegate of AUSTRALIA complimented the WCO and its Secretary General on the very strong emphasis that the Organization was placing on trade, insofar as it was linked not only to wellbeing and prosperity, but also to community protection and national security. He announced that a single Australian Border Force responsible for immigration, Customs, border protection and maritime security, would come into being on 1 July 2015, and the Australian Government had decided that trade, and in particular trusted trade, was to be placed at the centre of these new arrangements. His Administration would be seeking to learn from many others that already had experience of trusted trader arrangements, and particularly those modelled on the WCO AEO framework, in order to put in place arrangements that were facilitative of trade and commerce, but also underpinned and supported the national security and community protection objectives. His Administration was working closely with many trusted counterparts in order to make up for its lack of progress as a national jurisdiction in recent years, and was currently in exploratory discussions with colleagues in many jurisdictions around the world, with a view to ultimately establishing mutually recognized trusted trader agreements and arrangements.
33. The Delegate of Australia also announced that as Australia was to chair the 2014 G20 Summit, taking place in Brisbane later in the year, his Administration would be working to place as much emphasis as possible on the agreed outcomes of the G20 Summit on trade facilitation. His Administration looked forward to working not just with G20 partners but also with other partners, to ensure that these outcomes were achieved in Brisbane.
34. The Delegate of the UNITED ARAB EMIRATES (UAE) thanked the WCO for giving the UAE the opportunity to be the pilot administration for the IPM mobile application, in the context of the UAE's "smart government" initiative under which all government services in the country would be available as mobile applications. The aim was to offer the best possible tool to fight counterfeiting and piracy. Having joined IPM in 2012, the UAE had been very keen to expand the number of IPM users and benefit from the information contained in this tool. In April 2014 the UAE, in cooperation with the WCO, had organized an IPM mobile application workshop, bringing together 65 participants (Customs officers, right holders, observers and media representatives). The launch had been a great success, with the number of registered IPM users increasing by more than 250 %. The private sector and the Customs Administration had made a commitment to establish a think tank in the UAE, composed of relevant stakeholders, to come up with innovative ideas on improving the efficiency of IPM and to further combat counterfeiting and piracy. His Administration wanted to encourage other WCO Members to use this amazing tool, and encourage the private sector to join the scheme in order to increase the number of products covered.
35. The Delegate of ARGENTINA said that her Administration hosted the Region's ROCB and played a role in several committees and commissions, and in that capacity it was committed to working with regional Customs administrations on their modernization initiatives. Her Administration had placed the ROCB at the Secretariat's disposal for the implementation of the Mercator Programme and the ECP, with a view to facilitating cooperation and communication and ensuring that a cohesive and coherent message was conveyed to the various countries of the Region. She highlighted the importance of cohesive information and proposed that the Secretariat use the ROCB as a link to promote video conferences in which the staff of the Secretariat would give presentations on the main conclusions of WCO Committee and

Working Party meetings. Turning to IPM, she stated that her Administration had successfully adopted a similar mechanism.

36. On the subject of the CEP, she referred to a risk management programme adopted in the Region, which included capacity building activities and operational activities coordinated by the RILOs. The two RILOs coordinated with each other in this work, and her Administration would like to see the same degree of coordination between the different Directorates in the Secretariat. It would also like to see, in Secretariat documents, some indication that the RILOs should work to improve their contribution and develop a sense of ownership.
37. The Delegate of GEORGIA highlighted the importance of the practical implementation of the four WCO Packages, including the ECP which had the RKC as its core component. He referred to his Administration's intention, within the framework of the EU-Georgia comprehensive Free Trade Agreement, to accede to the RKC. He also acknowledged the importance of WCO standards and best practices in the context of trade facilitation and the implementation of the WTO TFA. In 2014 Georgia had hosted the WCO Europe Region's Heads of Customs Conference in Tbilisi, and he expressed his Administration's commitment to the continuing development of the issues raised during the Conference.
38. The Delegate of HONG KONG, CHINA began by expressing his appreciation of the efforts of both the regional Vice-Chair (Australia) and the Secretary General to provide support and motivation at the regional level. His Administration believed that facilitation and enforcement went hand-in-hand, and that correctly-dosed enforcement efforts helped to identify suitable targets to benefit from facilitation and determine the extent of the facilitation that the Administration could afford to provide.
39. The Administration had taken an active role in the area of drugs enforcement, advocating a very dynamic regional Customs anti-drug strategy which, rather than adding to the current suite of tools and instruments, provided a sharper focus and a widened perspective. His Administration believed that the best way to encourage greater usage of tools and instruments was to produce concrete results. Hong Kong, China Customs would deliver a presentation about this regional strategy to the Enforcement Committee, its ultimate aim being to have the strategy plugged into the CEP as a core element. Hong Kong, China Customs was also very keen to contribute towards the WCO's work in combating the illegal wildlife trade. It wished to offer its experience in the areas of risk management and target profiling, follow-up actions with source and destination countries, and outreach efforts with the private sector, particularly the logistics industry, in order to deal with this ever-worsening global problem. Hong Kong, China advocated a bottom-up approach, and would work with the RILO, ROCBs and individual partners in the Region to provide some concrete and positive input in this regard.
40. The Delegate of INDIA pointed out that all Customs administrations were on the cusp of significant changes following the adoption of the TFA. Her Administration was engaging with the national Ministry of Commerce, and expected to play a prominent role in the TFA process. Customs was facing a challenging task, and the leadership of the WCO would be significant in this regard.
41. The Delegate of the RUSSIAN FEDERATION said that the adoption of the TFA meant a new agenda for the WCO, and his Administration appreciated the Organization's efforts in this regard, including in particular the preparation of the Implementation Guidance and the establishment of the TFA Working Group. His

Administration was working on improving the national trade and investment climate, and had a roadmap to improve the Customs Administration, set by government decree. The roadmap specified clear standards and objectives for the facilitation of trade. There were also some projects underway in terms of establishing secure trade lines between countries, based on information exchange between their respective Customs administrations. Cooperation with business was vital, and he was pleased to learn that the WCO was setting standards where this was concerned. The Private Sector Consultative Group was a good example, and similar initiatives should be implemented in all WCO Member countries.

42. The Delegate of MALAYSIA indicated that her Administration recognized the significance of communication (this being the WCO's theme for 2014), and had launched communication initiatives with international organizations, other national government agencies, other Customs administrations and the business sector. This had resulted in increased awareness of the positive role played by Customs in the trading environment and the challenges facing Customs in terms of ensuring compliance, as well as leading to active participation by the private sector and national government agencies in policy decisions regarding Customs legislation and procedures.
43. Her Administration believed that collective efforts by all Customs administrations were crucial to ensure the smooth implementation of the TFA, and that WCO tools such as the RKC and ECP would provide a strong foundation in this regard. Malaysia's experience in implementing measures with a view to RKC compliance had a profound impact on its implementation of the TFA, as the principles enshrined in the RKC provided the foundation for efficient and modernized Customs management. Her Administration was in the process of amending its Customs acts, based on elements of the TFA and the RKC, and believed that Members that had already acceded to the RKC might be able to provide capacity building and technical assistance to other Members and should be encouraged to do so, especially at the regional level. The Malaysian Administration had been very active in supporting WCO capacity building through its RTC, and the delegate reaffirmed her Administration's commitment to WCO capacity building activities, especially in relation to the TFA.
44. The Delegate of the EUROPEAN UNION welcomed the emphasis placed on the implementation of the TFA, and the proposed Mercator Programme in particular, noting that the TFA was a prime example of an emerging issue for the WCO, and an opportunity not to be missed. The WCO had the relevant instruments, tools and capacity building experience, and the WTO needed to recognize that, in practice, the implementation of the TFA would depend on Customs. This implied that WTO Members should recognize from the outset that Customs had to be actively involved in National Trade Facilitation Committees, and also in the WTO Trade Facilitation Committee. He suggested that as the Director-General of the WTO was due to deliver a keynote speech later in the Sessions, the Council should seize that opportunity to ask him to take a position on the matter and convey a clear message to the WTO membership. He concluded by announcing that the EU had earmarked some 400 million euro from the European Development Fund to support trade-related capacity building, and especially the implementation of the TFA, over the next five years.
45. The Delegate of GERMANY said that his Administration believed the priorities set out in the Strategic Plan for the future of the WCO were well balanced. The TFA should be implemented using the process outlined in the Mercator Programme, and this would be the key WCO project in the near future. Information exchange and the

creation of a solid legal basis in each country were fundamental aspects of the TFA, and the German Administration would do its best to support the WCO's activities in these respects. On another matter, he said that during a recent visit to the Western European RILO he had been very impressed by the work being done there and in the other RILOs around the world. He also took the opportunity to pay tribute to the hard-working and highly-motivated staff of the Secretariat.

46. The Delegate of SUDAN said that his Administration was very interested in the Revenue Package. Sudan had benefitted from some of the WCO's many capacity building missions but would like a great deal more support, particularly in the fields of ICT and information exchange with the tax authorities, so that it could implement all of the WCO Conventions.
47. The Delegate of MOROCCO, in his capacity as Vice-Chairperson for the North of Africa, Near and Middle East Region, said that in a dynamic situation where a great deal of work was being done on many different fronts, it was difficult to understand exactly where things stood for each topic, and what was the current status of each package. He recommended that in the future the Secretary General could perhaps focus, in his report, on just one or two packages rather than giving a brief overview of all the work done. He said that the Policy Commission had noted that progress in certain key areas, namely valuation, origin and Globally Networked Customs, had not quite matched expectations, and these areas required more attention. He agreed with previous speakers that the TFA was a landmark Agreement for Customs, and welcomed the work done since the adoption of the Dublin Resolution. The WCO had demonstrated that it was an essential partner for the WTO, and had all the instruments and tools needed to be an active stakeholder. He hoped that a dialogue would be held with the WTO Director-General, so that Member administrations could explore the possibilities for Customs to make constructive contributions to the implementation of the TFA.
48. The Delegate of BENIN expressed his country's appreciation of the work done by the Organization, especially in the field of capacity building, and said it was an honour for Benin and its people that the President of Benin had been invited to deliver a speech at the Council Sessions. He conveyed to the Council Benin's sincere apologies that a last-minute occurrence had prevented the President from attending the Sessions, adding that the President recognized and appreciated the essential role that Customs played in the general economy of a country. The CHAIRPERSON asked the delegate to convey to the President the Council's assurances that it had looked forward to hearing his address, and hoped to have an opportunity to do so on a future occasion.
49. The Delegate of MEXICO wished to join the Secretary General and previous speakers in highlighting the importance of the TFA. The Implementation Guidance tool designed by the WCO was of great significance in this respect, as was the AEO programme. His Administration's experience with the AEO programme had demonstrated its validity, and he believed that its use would also enable other administrations to progress more quickly. He added that Mexico hoped to sign more Mutual Recognition Agreements with its main trade partners, as it recently had done with Korea.
50. The Delegate of the ISLAMIC REPUBLIC OF IRAN raised the question of the product identifiers and end-use codes frequently used by border agencies other than Customs for tracking dangerous and smuggled goods, and expressed concern that these codes might replace the HS codes. His Administration believed that the HS was

indispensable, and that all the relevant WCO Committees should look into this important matter. Furthermore, more contact with the international bodies that produced these codes would be useful, especially with regard to feasibility studies on the possibility of linking or merging the HS with these codes. Turning to other matters, he said that although his country was not a Member of the WTO, his Administration agreed with the provisions of the TFA and with the Dublin Resolution, bearing in mind the importance of the Customs' role in international trade and his country's geopolitical situation. In the latter connection, he informed Members that his Administration had recently issued a Circular on greater facilitation for the Customs transit of goods, and fully supported the development of a new tool on transit. The problem of guarantees was crucial where transit was concerned, and this aspect of the topic should be debated.

51. The Delegate of CHINA said that the conclusion of the TFA was a very important achievement for international trade, which presented both challenges and opportunities for Customs. The proposed new Mercator Programme was very inspiring, and her Administration looked forward to working closely with the WCO on its implementation. She emphasized that, alongside facilitation, enforcement was also a very important area of Customs work, and one in which administrations faced increasing challenges. China had been elected as the incoming Chair of the Enforcement Committee, and looked forward to working collectively with the Members to address those challenges.
52. The Delegate of BOLIVIA said that newer Customs administrations, such as her own, encountered problems in the areas of control and facilitation, and the importance of the TFA could not be overstated in this regard. Over time, her Administration had been able to improve in these crucial areas, but there was now a new challenge for the WCO and its Members, namely the integrity and transparency of Customs, and she looked to the Organization to provide leadership on these issues. Moreover, an emerging issue that warranted consideration was what could be achieved through the establishment of consultative groups in countries that were unaccustomed to Customs-business initiatives such as the AEO programme.
53. The Delegate of COSTA RICA said that his Administration, in cooperation with various national ministries, had already designed an agenda for dealing with the TFA and hoped to achieve significant results. Moreover, with regard to the implementation of AEO programmes, his Administration had already certified some traders and had very recently held discussions with Mexican Customs on plans for a Mutual Recognition Agreement. On another matter, he said that, in 2013, Costa Rica had passed a law on transfer pricing which was now being implemented in the country, and this had raised concerns among traders who feared that the law could have implications in the area of Customs valuation. His Administration wanted to know if other Customs administrations had experience of reconciling the conflicting aspects of taxation and valuation, as this would help to allay traders' fears and create more certainty and a better atmosphere for doing business in Costa Rica.
54. The Delegate of KENYA expressed his support for the comments made by the Delegate of Hong Kong, China regarding the illegal wildlife trade and how to combat it. His Administration advocated the exchange of information at the national, regional and global levels in order to address this serious threat, and pledged its support for the pursuit of active enforcement in close partnership with other administrations. Kenya had held some bilateral exchanges with Hong Kong, China and wished to leverage on the latter's success. Kenya had lost more than 300 elephants in 2012 alone - a blow to the country's national heritage, but also to its economy as wildlife was a cornerstone of Kenya's tourism industry. In 2013, with a new strategy and measures in place, his

Administration had managed to reduce the losses to 99, so its efforts were bearing fruit. Kenya now imposed very severe sanctions on traffickers of ivory and other illegal wildlife products, and was also profiling and documenting modes of concealment and trafficking trends. Turning to the TFA, the delegate said that Kenya had established a National Committee with Customs as the lead agency; Customs, working in consultation with other agencies, was using WCO tools and instruments to establish Kenya's TFA categorization and determine how to implement the Agreement effectively.

55. The Delegate of ZIMBABWE referred to the importance of recognizing the directional shift that had taken place, and seizing the opportunity presented by the TFA in order to avoid the marginalization of Customs. Capacity building and technical assistance would be required, and the coordination of cooperating partners or donors was critical in this respect. Under the second, "supportive" part of the Agreement, his Administration would be seeking greater coordination efforts by the WTO in terms of sourcing funding to facilitate capacity building in least-developed countries in particular. It was essential that the visibility of Customs be maintained in the area of trade facilitation.
56. The Delegate of CHILE wished to highlight his Administration's active participation in the TFA adoption process. Chilean Customs was now evaluating the different TFA implementation categories, and identifying those areas that required greater commitment from Chile's Government and Customs service. The TFA included a provision concerning Customs cooperation, and this was a fundamental pillar for his Administration; indeed Chile had signed a Customs cooperation agreement with Israel in 2013, was currently negotiating a similar agreement with Canada, and was about to sign one with the United States.
57. The Delegate of SWAZILAND wished to express his appreciation to the Members for selecting his country to chair the TFA Working Group. His Administration welcomed the WCO's focus on the TFA. As the latter was consistent with the agenda that WCO Members had been pursuing in their respective administrations, there should be no disruption in Customs' work priorities or programmes. His Administration appreciated the WCO assistance package that had been developed to support the implementation of the TFA and - as a young Revenue Administration - looked forward to benefiting from it.
58. The Observer for the WORLD BANK noted the focus that the Secretary General and previous speakers had placed on the TFA, and recalled that the World Bank had supported the WCO directly in various trade facilitation initiatives; indeed, there was currently a World Bank trade facilitation fund supporting the WCO's Sub-Saharan Africa programme to the tune of 3 million US dollars. That programme would close in September 2014, but the Observer was pleased to announce that there would be a new multi-donor trust fund, to be known as the trade facilitation support programme, for which donors had so far pledged 30 million US dollars, with another 20 to 30 million dollars expected. Applications for assistance under this programme could be made to World Bank offices around the world. Also, the World Bank had recently undergone major restructuring; from 1 July 2014 there would be a new group known as the Trade and Competitiveness Global Practice, bringing the Bank's various trade teams under one organizational umbrella. This would sharpen the Bank's focus on trade and Customs matters.
59. The Observer for the GLOBAL EXPRESS ASSOCIATION (GEA) agreed that the TFA would have a tremendous impact on Customs and on the WCO, predicting that

trade facilitation would be back at the centre of Customs modernization for many years to come. As an industry operating in 220 countries, GEA had acquired considerable knowledge and experience which it was willing to share with the WCO; also, it was currently collecting best practices observed in those countries, and would share the results with the WCO in order to assist with its work on the TFA. GEA was pleased to note that the RKC, one of the WCO's most important instruments, was currently being implemented in 92 countries. The TFA would complement, rather than replace the RKC, and the Observer hoped that the WCO and its Members would continue their efforts to implement this very important instrument.

60. The CHAIRPERSON invited the Secretary General to respond to these remarks, and noted that a great many speakers, before moving on to the specific points they wanted to raise, had complimented the Secretary General on his comprehensive report about the achievements of the previous year and the challenges that lay ahead, as well as congratulating him for the excellent work accomplished under his strong and expert leadership.
61. The SECRETARY GENERAL thanked delegates for their encouraging remarks about what had been achieved, which were a reward to the Secretariat for all its hard work. He was also pleased to note that delegates shared his views about the directional shift represented by the adoption of the WTO TFA, and that they agreed with the steps being taken by the WCO in response to this development.
62. He then addressed, in turn, the specific points raised during delegates' interventions.
63. He said that Australia's support for Customs and the WCO in the context of the G20 Summit was very much welcomed, adding that this kind of political dialogue was important, but was entirely dependent on Members' support. The UAE's support for technological innovation through the IPM mobile application was greatly appreciated also, and the WCO looked forward to collaborating with other Members on similar initiatives. Argentina was correct to place great emphasis on regional coordination, as the Regions were fundamental to the activities of the WCO and their regional entities were of vital importance.
64. The Secretary General said he had taken note of Georgia's update on the RKC, and was encouraged to learn that a number of Members were moving towards formal accession to this instrument. Hong Kong, China had referred to a new Asia/Pacific regional strategy in the field of compliance/enforcement, and this was highly significant as the WCO often used regional strategies as a model for global initiatives. India's point about engaging national Ministries of Commerce was important; all Members should increase such engagement, especially with respect to the TFA. The Russian Federation's adoption of a roadmap was a crucial measure for improving a country's competitiveness and raising the profile of Customs activities. The ECP and other WCO Packages could provide the basis for a national roadmap.
65. The Secretary General said he fully agreed with Malaysia about the importance of communication, and was pleased to learn that the WCO's tools were proving useful in that respect. He also welcomed the EU's support for the WCO's proposals to assist with the implementation of the TFA, and hoped that some of the EU funding set aside for TFA capacity building might be available to the WCO, given the important role of Customs in the implementation of the new Agreement.

66. Germany had commented on the WCO's well-balanced priorities and on the importance of the TFA, whilst also expressing its support for the work of the WCO RILOs. In the latter connection, the Secretary General suggested that inter-regional support could usefully be strengthened. Sudan's point on the importance of revenue collection was the reason why the WCO was organizing the Revenue Conference - and indeed the IT Conference, which provided an opportunity for Member administrations to have direct contact with service providers. The Secretariat would also be willing to explore, with Sudan Customs, what further assistance might be offered. Morocco's comment on how to ensure progress across the wide range of WCO programmes was very pertinent, and he would welcome suggestions on the best mechanism for "zooming in" on certain aspects - perhaps this could be explored with the support of the regional Vice-Chairs.
67. The Secretary General thanked Benin for the high-level political support shown to Customs and the WCO. Noting that both Mexico and Costa Rica had spoken of the conclusion of Mutual Recognition Agreements, he said that at this year's AEO Global Conference he had seen many indications of progress in this area, and he hoped the countries concerned would go on to sign many more Mutual Recognition Agreements. The Islamic Republic of Iran had raised a very important point on how to maintain the relevance of the Harmonized System. The WCO regarded the unique identification codes as being complementary to the HS, with the HS being more for tariff purposes and the codes more for identification purposes. He predicted that, in the future, Customs would make more use of identification codes for control purposes.
68. The Secretary General said he agreed with China that despite the undoubted importance of the TFA, it was also vital not to forget enforcement. Bolivia had spoken about integrity and transparency, and of course the TFA did address these issues as it involved simplified procedures backed by technology, thus avoiding unnecessary interfaces between Customs and trade. This aspect had been considered during the TFA negotiations. Kenya's plea for further cooperation for the protection of wildlife had been heard; cooperation at the regional and inter-regional levels might be helpful in this respect, and he hoped that, with the support of the Members, the WCO would be able to do more in this area, especially in the framework of the proposed Declaration on this subject. Zimbabwe had advocated donor coordination, and the Secretary General said he strongly agreed that implementation of the TFA would require a coordinated approach and more sharing of information. The coordination of donor funding usually took place at recipient country level, but the WCO made every effort to facilitate the process.
69. He noted that Chile had given several examples of its attachment to Customs cooperation, which of course was the key to both trade facilitation and enforcement. He also expressed his thanks to Swaziland for its support in chairing the Working Group on the Trade Facilitation Agreement. Welcoming the World Bank's announcement of a major new trust fund, he said Members had expressed the need for coordination, and he hoped for coordination with the World Bank for the delivery of this TFA support. He agreed with GEA that the TFA should go hand-in-hand with WCO tools, including in particular the RKC.
70. The Secretary General concluded his responses by referring to the very interesting point raised by Costa Rica with regard to concerns aroused by its new transfer pricing laws. The relationship between transfer pricing and Customs valuation would be discussed at the forthcoming Revenue Conference, and although the relationship between Customs and tax would usually be negotiated at the national

level, he agreed that more coordination was needed and said that the WCO would be happy to serve as a forum for sharing experiences in this important area.

71. The CHAIRPERSON concluded by thanking the Secretary General for his interesting and wide-ranging presentation about the achievements of the previous 12 months and the way forward for the future.

5. POLICY MATTERS

72. The CHAIRPERSON invited participants to consult the Reports of the Policy Commission's 70th and 71st Sessions (Docs. SP0466 and SP0487), which had taken place in December 2013 and June 2014 respectively. Although the 70th Session, in December 2013, had been concerned primarily with matters which were examined further at the 71st Session and were therefore reflected in Doc. SP0487, she drew the Council's attention to the fact that in December 2013 the Policy Commission had adopted the Dublin Resolution on the Conclusion of an Agreement on Trade Facilitation by the WTO.

73. The Council took note.

74. The CHAIRPERSON then invited participants to consult the Report of the Policy Commission's 71st Session (Doc. SP0487), 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. SP0487. 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 no discussion.

"A" ITEMS

(a) Progress report on SAFE 2015 Review and ongoing cooperation on aviation security

75. At the invitation of the Chairperson, the Council took note of :

- the progress made to date in respect of the SAFE 2015 Review;
- the ongoing work in respect of Authorized Economic Operators (AEOs), including the revised and updated AEO Compendium;
- the ongoing cooperation on aviation security, particularly with ICAO.

(b) Revenue Package Action Plan - Progress report

76. At the invitation of the Chairperson, the Council took note of the activities reported by the Secretariat in respect of the Revenue Package Action Plan.

(c) **Economic Competitiveness Package - Progress on implementation of Action Plan**

77. 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 and the schedule to revise the Action Plan.

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

"B" ITEMS

(d) **WTO Agreement on Trade Facilitation**

79. In his introduction to this item, the SECRETARY GENERAL recalled that in December 2013 the Policy Commission had adopted the Dublin Resolution, tasking him to engage immediately with the WTO. In his discussions with the WTO Director-General Roberto Azevêdo in January 2014, Mr. Azevêdo had agreed to attend the Council Sessions as the WCO was considered to be one of the WTO's key partners in TFA implementation.
80. The WCO had established a Working Group on the TFA (TFAWG) which had met for the first time in March 2014; the Terms of Reference for that Group were now being submitted to the Council for adoption.
81. The Secretary General then shared with the Council the discussions and conclusions reached at the June 2014 Policy Commission session (Doc. SP0487). Inter alia, the Policy Commission had :
- taken note of and welcomed the many activities conducted by the Secretariat in the area of the WTO ATF, and congratulated the Secretary General on the speed with which the WCO had responded to the adoption of the Agreement;
 - acknowledged the work of the newly established TFAWG open to all relevant stakeholders, approved (subject to minor amendments) the draft Terms of Reference for the TFAWG (Annex III to Doc. SP0487), and taken note of the Group's proposed Work Programme;
 - asked the Secretariat to explore, in consultation with the Finance Committee, options to respond to the requests for the use of Spanish for the Working Group;
 - taken note of the Action Paper on the Role of Customs in implementing the TFA, and urged Member administrations to highlight and promote - in all relevant fora - the importance of using WCO tools (including the recently developed Guidance for the implementation of the Agreement);

- endorsed the “WCO Programme - A Strategic Initiative to Support Trade Facilitation” (reproduced at Annex IV to Doc. SP0487), agreeing that it should be known as the “Mercator” Programme, and directed that this Programme should receive the appropriate prioritization in the WCO Strategic Plan and Operational Plan;
 - decided to invite the Director-General of the WTO to explicitly recommend to Trade Ministers that they include the national Customs authority in their Trade Facilitation Committees.
82. The Secretary General concluded that a clear message from the WTO Director-General in Geneva would provide the necessary support to the Mercator Programme within the Trade Ministries.
83. The CHAIRPERSON stressed that the Council was expected to send a clear message to Mr. Azevêdo during his address later in the Sessions.
84. The ensuing discussion generated overwhelming support for the Mercator Programme, for the TFAWG and for the need to ensure the prominent role of Customs in National Trade Facilitation Committees and in the WTO Trade Facilitation Committee in Geneva.
85. The Delegate of TURKEY emphasized the importance of the TFA for the multilateral trading system and for economic growth, and underlined that his country was prepared to provide technical assistance and capacity building to those Members needing assistance. He further shared his concern about the proliferation of regional free trade agreements and the risk of divergence of trade facilitation measures included therein.
86. The Delegate of the EUROPEAN UNION expressed full support for the Mercator Programme, for the adoption of the Terms of Reference and for the need to activate the Customs’ role in National Trade Facilitation Committees and in the WTO Trade Facilitation Committee in Geneva. He further expressed his hope that ratification of the Agreement would proceed quickly.
87. The Delegate of the RUSSIAN FEDERATION shared his country’s experience in developing a National Trade Facilitation Committee under the Ministry of Economic Development, where Customs was actively involved and was promoting the implementation of the TFA through the use of WCO instruments and tools. Russia was ready to translate relevant TFAWG and other TFA-related documents into the Russian language.
88. The Delegate of SRI LANKA reported that his country was rapidly getting involved in the implementation of the TFA and in establishing the National Trade Facilitation Committee, in which the Director General of Customs was the Chairperson. Special working groups and sub-groups had been established to oversee the implementation of the TFA Articles. Sri Lanka was in the process of notifying its Category A commitments to the WTO. It offered its national experts for the roll-out of the Mercator Programme. Similarly, the Delegate of INDIA offered her Administration’s Customs experts for national and regional training on the TFA.
89. The Delegate of UGANDA emphasized the importance of the RKC in preparing for TFA implementation, as it had been used for more than ten years as the basis for

drafting Customs legislation. He pointed out that, in addition to the current Contracting Parties, many other Members were implementing the RKC in practice.

90. Full support for TFA implementation was expressed by the Delegate of ZIMBABWE who underlined the importance of the WCO's instruments and tools, as well as of technical assistance, for effective implementation of the TFA. The same message was conveyed by the Delegate of CHILE who gave his full support for the Mercator Programme.
91. The Delegate of MOROCCO said that the quick reaction of the WCO in issuing the Dublin Resolution was a clear sign of commitment and of the will to play a major role in the TFA implementation process. All the activities carried out since then confirmed the WCO's readiness to meet the challenge. The Customs needed to be involved at all levels of TFA implementation, including in National Trade Facilitation Committees. A clear message to the Trade Ministries in that respect was crucial.
92. The Delegate of CHINA fully supported the Mercator Programme and the adoption of the TFAWG Terms of Reference, while the Delegate of TRINIDAD AND TOBAGO provided an update on his country's efforts in supporting the TFA and establishing a National Trade Facilitation Committee which included Customs officials and the private sector.
93. The Delegate of NIGERIA stressed the importance of technical assistance and capacity building and supported the Secretariat's work on the TFA. He also urged the Secretary General to continue his engagement on RKC accession in West and Central Africa. Without adoption of the RKC, Members would face challenges in TFA implementation.
94. The Observer for the WORLD ORGANIZATION FOR ANIMAL HEALTH (OIE) explained its role as one of the three standard setting bodies for Sanitary and Phytosanitary (SPS) authorities, recognized under the WTO, and expressed the OIE's willingness to be part of the TFAWG.
95. The Observer for the LEAGUE OF ARAB STATES referred to the role of regional organizations in implementing regional trade agreements and Aid for Trade in supporting the TFA.
96. The CHAIRPERSON OF THE PRIVATE SECTOR CONSULTATIVE GROUP (PSCG) expressed her appreciation for the recognition of the private sector in the Terms of Reference of the TFAWG, as the private sector could help support Customs through its engagement with Trade Ministers.
97. The SECRETARY GENERAL thanked delegates for their overall support for the TFAWG and the Mercator Programme, and welcomed the expertise offered by a number of Members, thanking the Russian Federation in particular for the support in terms of translating the TFA-related documents. Regarding the high level of involvement of Customs in National Trade Facilitation Committees and the Trade Facilitation Committee in Geneva, he strongly encouraged this trend that had been shared by a number of delegates.
98. In relation to the role of the WCO's instruments and tools, the Secretary General indicated that the RKC and many other WCO instruments and tools went hand in hand with the TFA and he emphasized the advantage of using global standards to support regional agreements. In response to the intervention from the Chairperson of the

PSCG, he confirmed the power of the private sector to influence governments as a whole.

99. Finally, with respect to the WTO TFA, at the invitation of the Chairperson, the Council :

- endorsed all the TFA-related conclusions in the Report of the 71st Session of the Policy Commission (paragraph 19 of SP0487);
- took note of all the activities and congratulated the WCO and the Secretary General for the speed with which all the actions related to TFA implementation had been carried out after the Bali Ministerial Meeting;
- approved the Terms of Reference of the TFAWG, which are reproduced at Annex III to these Minutes;
- endorsed the “WCO Programme - A Strategic Initiative to Support Trade Facilitation”, known as the “Mercator” Programme, which is reproduced at Annex IV to these Minutes;
- gave full support in conveying a message to the WTO Director-General on the readiness of Customs and the WCO to meet the challenges of the TFA.

(e) Compliance and Enforcement Package - Action Plan

100. The DIRECTOR, COMPLIANCE AND FACILITATION, briefly introduced the Compliance and Enforcement Package (CEP) Action Plan and drew attention to the outcomes of the discussions held on this subject in the Policy Commission earlier in the week. He recalled that the CEP concept, adopted by the Council in June 2013, was designed to embrace the full range of compliance and enforcement-related WCO instruments and programmes, and aimed to address high-risk areas. Under this concept, the instruments and programmes were grouped into four main categories : Tools, Technology and infrastructure, Partnerships, and Projects and operations.

101. The Director explained that a draft Action Plan for financial year 2014/2015, to implement and further develop the CEP, had been endorsed by the Enforcement Committee in March 2014. The Action Plan consisted of 20 actions that would contribute to the accomplishment of the objectives of the CEP, with deadlines and responsible bodies being indicated where appropriate. The actions had been divided into the four main categories. Thus, there were five actions under Tools, aimed at raising awareness of the usefulness of WCO instruments and tools in support of effective enforcement practices; seven actions under Technology and infrastructure, for promoting technology and innovation as key drivers of modern Customs operational activities; four actions under Partnership, where the emphasis was on further enhancing partnerships at all levels through existing tools and mechanisms; and finally four individual, high-level activities under Projects and operations, to support the implementation of the CEP tools. A subset of more detailed operational activities endorsed by the Enforcement Committee was also included.

102. The Director added that the Action Plan would be reviewed on a yearly basis by the Enforcement Committee, which would also receive regular reports on the status of its implementation, with subsequent reports being made to the Policy Commission and Council. At the Policy Commission’s recent session, the Action Plan had received the full support of a number of delegates. Ideas for future improvements had also been

discussed, mainly in the areas of national experiences and best practices, increased coordination and cooperation, enhanced exchange of information, operational activities, the use of technology and collaboration with industry.

103. The Delegate of TURKEY said that, in recent years, certain trends had emerged which were shaping international trade. Today, goods were presented to consumers not only by global supply chains, but also by global value chains. This led to a fragmented production pattern that was spreading out to all regions of the globe. This was why Customs was seeing an increasing movement of goods all over the world, whether they be raw materials, intermediate products or final products. The movement of goods through Customs had to be speeded up to keep pace with increasingly swift production, but this had to be done in a manner which ensured that safety and security concerns were fully respected. Every country had various regulations regarding Customs enforcement, and international arrangements were being established with the aim of ensuring the proper conduct of Customs transactions. What was needed in this context was the dissemination of global, standardized and recommended procedures for Members to follow, and the CEP Action Plan would further assist the Customs community to establish appropriate enforcement procedures.
104. In conclusion, the Council endorsed the Action Plan for the Compliance and Enforcement Package, encouraged its effective implementation, and invited the Secretariat to take account of the suggestions made by the Policy Commission for the further enhancement of the Action Plan for financial year 2015/2016.

(f) Exchange of information

105. The DIRECTOR, COMPLIANCE AND FACILITATION, recalled that in December 2013 the Policy Commission had discussed the exchange of information and had mandated the Secretariat to continue discussions and further develop the work in this area, at different levels. He added that Article 12 of the new WTO TFA provided for the exchange of information for the purpose of verifying import or export declarations, in identified cases where there were reasonable grounds to doubt their truth or accuracy and after the requesting Member had conducted the appropriate verification, including the inspection of available documents. Another important recent development was the release by the OECD, in February 2014, of the Single Global Standard on Automatic Exchange of Financial Account Information. These developments had underlined and reinforced the need for a concerted response to promoting the exchange of information between Customs administrations, and between Customs and tax authorities.
106. The Director affirmed that the Customs-to-Customs exchange of information was functioning very well at the bilateral and plurilateral levels, using the wide range of WCO instruments and tools, including Globally Networked Customs (GNC) and its legal toolbox, which could be useful in terms of providing standard legal templates for a systematic approach to the exchange of information between Members, with provisions for privacy, confidentiality and acceptable usage of the information exchanged. Various Customs administrations were at different stages in the development of GNC Utility Blocks for the exchange of information, and proof-of-concept pilots were being conducted.
107. Returning to the issue of Article 12 of the WTO ATF, which provided for a multilateral approach to the exchange of information, albeit for limited purposes only, the Director indicated that in order to have a globally harmonized approach and to avoid fragmentation, one potential step to initiate the implementation of this Article

could, as suggested by the PTC, be the development of a tailor-made GNC Utility Block for the exchange of the stipulated information, by interested and willing Members. This should also prevent non-standardization and the development of a multiplicity of bilateral agreements on information exchange, which would naturally add cost and complexity.

108. Moving on to the exchange of information between Customs and tax authorities, the Director said that some Member administrations were currently exchanging information with their respective tax authorities on a case-by-case basis, while others had established an institutionalized mechanism for a regular exchange of information, by concluding appropriate legal/administrative arrangements. Based on inputs received from two Members, the Secretariat had identified certain broad features that should be considered when developing a model agreement/MOU for Customs-tax exchange of information, and the Director asked delegations to share more experiences in this domain.
109. The Director indicated that when this matter had been discussed at the recent Policy Commission session, a number of delegates had shared their experiences and displayed interest in promoting the exchange of information between Customs administrations, and between Customs and tax authorities. Concerning the exchange of information at multilateral level, delegates had felt that political drivers were crucial, and that GNC had an important role to play in this area. Data confidentiality and protection had been mentioned as one of the major challenges to the seamless exchange of information. The importance of cooperation with other agencies such as the postal authorities, as well as with business, had also been highlighted. Finally, in the area of Customs-tax information exchange, delegates had recognized the need for a legal framework for the regular exchange of information.
110. The Director concluded his presentation by pointing out that, in the current international context, Customs administrations were constantly faced with incremental challenges and responsibilities; therefore they had to ensure that they deployed their limited resources in high-risk areas, and without effective and efficient information exchange this could not be achieved.
111. The Delegate of the RUSSIAN FEDERATION said that all of the ideas mentioned in the Director's very interesting presentation were already being introduced into the day-to-day practice of Russian Customs. An MOU had been signed with the tax services and there was good cooperation and exchange of data between the two authorities, not only for joint audits and investigations, but also for the exchange of information with a view, for example, to the refund of VAT on exported goods. A new clause had been introduced into the Tax Code to allow the exchange of information to take place completely electronically, in a paperless environment. Risk profiling and selectivity criteria were currently the most important challenges, at least for the Russian tax and Customs authorities, which were working hard to elaborate criteria for selecting subjects for audits and investigations.
112. The Delegate of JAPAN drew attention to a very recent development in the exchange of information between Customs agencies, indicating that on the previous day the Heads of the Japanese and New Zealand Customs Administrations had agreed on the revision of their Customs Mutual Assistance (CMA) Agreement. This was the first Japanese CMA agreement to be revised since the amendment of Japan's legislation, two years previously, to enable recipient Customs agencies, under certain conditions, to utilize the information they received for the purposes of criminal proceedings. Japan Customs was fully aware of the importance of the exchange of

information between Customs agencies and was committed to proceeding further along these lines, by amending existing CMAs or entering into new ones.

113. The Delegate of the PHILIPPINES said that the sharing of information, particularly between Customs authorities, was of great interest to his Administration, and he believed that historically Customs had failed to take full advantage of this possibility. He very strongly supported a multilateral approach to information exchange, which in his view would save all those involved a great deal of time, effort and difficulty. The Philippines was fully committed to being as transparent as possible, and sharing as much information as possible with other Customs administrations and also with the general public. His Administration would follow developments with great interest, and looked forward to concrete measures that would enhance information sharing between Customs authorities, in terms of both speed and quantity.
114. The Delegate of ZAMBIA said that his Administration fully supported the exchange of information, adding that in the modern ICT environment GNC had great potential to act as a catalyst for attaining “quick wins” under the WTO TFA. He noted that for most Customs procedures, the same information was submitted duplicatively to different Customs administrations, so Zambia was very keen to work with neighbouring countries on aspects of the exchange of information. At the same time, his Administration was working on the exchange of information regarding domestic taxes, as well as on the development of a Single Window for the electronic exchange of information between national authorities.
115. The Delegate of CHILE joined previous speakers in thanking the Director for his report, and expressed his support for the exchange of information between tax and Customs authorities, especially in countries like Chile where these authorities were completely independent of each other. In this connection, he felt that it would be very helpful if the WCO could provide guidelines, or work on some form of model agreement between Customs and tax authorities, with a view to the exchange of information on complex issues such as transfer pricing.
116. The Delegate of KENYA said that, in his country, Customs and domestic tax operated hand-in-hand within a single Revenue Authority, with each branch being headed by a Commissioner. They conducted joint audits using the post-clearance audit (PCA) model, to avoid duplication and any perception of harassment of tax-payers and importers. Joint operations also extended to the investigation and enforcement branch, where necessary. Customs shared information and data on the top 100 importers and exporters with their domestic tax and inland revenue counterparts when profiling importers for audit. Multinationals were also dealt with jointly by the two units, to address the issues of transfer pricing, which had an impact on valuation, and corporate tax. Where the exchange of information within the region was concerned, Kenya Customs exchanged data with other Customs authorities on importers and exporters, for the purposes of risk profiling and risk assessment.
117. The Delegate of TURKEY recalled that, at its previous session, the Policy Commission had underlined the importance of the exchange of information on tax matters, and he was pleased to see the Organization moving forward in this area. He highlighted the importance of sharing information regarding imports as a means of preventing forgery and tax fraud, obtaining correct data regarding excise duties, and gathering crucial information on traded products. Regarding the exchange of information between Turkey’s Customs and Revenue Administrations, the delegate indicated that there was a protocol for the exchange of information on imports, which in some cases was operating in real time. Customs-to-Customs information exchange

was equally important, and Turkish Customs was collaborating with several countries through frameworks established bilaterally. He was confident that cooperation would bring positive outcomes in respect of facilitating legal trade and combating illicit actions.

118. The Delegate of INDIA said that Article 12 of the WTO TFA provided an opportunity to increase the exchange of information. India welcomed the Secretariat's initiative of bringing out, in the Policy Commission, the salient points for designing an MOU for the exchange of information between Customs and tax authorities, but considered that more needed to be done in the area of Customs-to-Customs exchange of information, especially when viewed in the context of the automatic exchange of information taking place on the income tax side. India was in the process of developing a template for the exchange of information between Customs and tax authorities at the national level. It was also important to encourage the development and use of GNC for the exchange of information among Members.
119. The Delegate of COSTA RICA said that, in his country, great efforts were made to facilitate the sharing of information between the Customs and tax authorities, which were separate entities but operated under the same Ministry. In Costa Rica there was no need for a special agreement to enable the two authorities to share information, so when a Customs officer needed information he simply requested it from the tax authority, and vice-versa. The Customs and tax authorities currently had different IT systems but would like to have just one system, as they believed that this would further facilitate information exchange although there was already a smooth flow of information. The Customs and tax authorities also conducted joint audits on specific topics.
120. The Delegate of the EUROPEAN UNION said that the EU was generally in favour of the international exchange of information to improve the implementation of risk management by Customs and other enforcement authorities, thereby also promoting trade facilitation. The EU also supported the idea of promoting better cooperation between Customs and tax authorities, taking account of the OECD Global Standards for Automatic Exchange of Information. In this regard, the EU considered that the exchange of information between Customs administrations needed to take advantage of the potential for standardization in a number of areas, and Article 12 of the WTO TFA provided an opportunity for the WCO to develop such a standard in relation to mutual administrative assistance to deal with fraud and irregularities. For specific exchanges of information in relation to the mutual recognition of AEOs, the mutual recognition of controls and the exchange of information in areas such as IPR enforcement, GNC was a tool which could usefully be developed to provide the necessary infrastructure. The Delegate ended by emphasizing that the exchange of information between Customs should not be allowed to become an obligation, and that it should be based on adequate international agreements and laws which included assurances regarding the protection of personal data and data confidentiality.
121. Responding to these remarks, the DIRECTOR, COMPLIANCE AND FACILITATION, said that the Secretariat had taken note of Members' great interest in this issue. He had been encouraged by the positive experiences and good practices described by various speakers, and urged them to send details to the Secretariat so that the latter could develop some concrete tools on the subject. Although standardization represented a major challenge in this connection, he agreed that GNC could play a key role as a platform for the development of information exchange.

122. In conclusion, the Council :

- took note of the recent developments concerning the WTO TFA with regard to Customs cooperation as well as the OECD Global Standards for Automatic Exchange of Information;
- noted the increasing importance of exchange of information between Customs and tax;
- took note of the importance of political impetus and standardization, for exchange of information at the multilateral level;
- noted the importance, for the exchange of information, of the standardization of data elements, and emphasized the role of the Data Model in this respect;
- encouraged the Secretary General to continue engaging the G20, OECD and WTO to leverage the work being done there, for the benefit of Customs.

(g) Customs-Business Partnership Guidance

123. The CHAIRPERSON informed the Council that the Policy Commission had held a good discussion about progress with the development of the Customs-Business Partnership Guidance which would consist of three parts - Guiding Principles, Practical Guide and Members' experiences.

124. The Delegate of NEW ZEALAND expressed her support for the work that the Secretariat had done in this area. The Guidance would provide opportunities for improving the work of Customs and enhancing its understanding of how supply chains were changing.

125. In conclusion, the Council :

- welcomed the draft Customs-Business Partnership Guidance;
- requested the Secretariat to enrich and amend the draft, based on the comments and suggested amendments put forward by the Policy Commission, and to present the revised Guidance to the Policy Commission in December 2014;
- agreed that the Guidance should be further developed through a tiered approach, to include a more advanced pillar for Members that already had well-developed partnerships with trade;
- called upon Members to share examples of their national practice to enable the Secretariat to complete the Guidance.

(h) Future of Private Sector Consultative Group (PSCG)

126. The CHAIRPERSON said that, during the Policy Commission session, there had been extensive discussion on the Secretariat's proposal for revised Terms of Reference (TOR) for the PSCG (Doc. SP0479) and alternative TOR proposed by the PSCG itself. The discussion was reflected in paragraphs 31 to 37 of the Policy Commission Report (Doc. SP0487).

127. The SECRETARY GENERAL said that the PSCG had been established in 2005 to contribute to a new WCO instrument, the SAFE Framework of Standards, which entailed placing security and facilitation in a balanced manner and determining how business could engage.
128. Nine years had passed and there had been suggestions recently from WCO Members that now would be a good time to clarify the contribution that the private sector was able to make to the WCO and Customs-Business partnerships, including by revising the PSCG's TOR. The intention should be to promote diverse and regionally representative engagement with the private sector. Accordingly, after consultations with WCO Members through the regional meetings, and also with the PSCG itself, the Secretariat had devised draft new TOR for the PSCG that included the membership process, rotation period, purpose and scope, key deliverables, means of operation, and resources required. The Secretariat proposed there be a one-year transition period and the new TOR should take effect in June 2015.
129. The Secretary General said that the Chair of the PSCG had put forward an alternative text. After extensive discussions, the Policy Commission had endorsed the notion that it was opportune to review and renew the PSCG's TOR, particularly in light of the WTO TFA. In view of the differing TOR drafts, it decided to initiate a drafting process to further develop the draft TOR which would include the WCO Secretariat, the PSCG and regional representatives. The Policy Commission had given the instruction that there should be diversity, active engagement, relevance, rotation and effectiveness.
130. The drafting group would be tasked to come up with new draft TOR for presentation at the Policy Commission session in December 2014, for further discussion and possible adoption at the Council Sessions in June 2015.
131. The CHAIRPERSON said that as the drafting group would operate between Policy Commission sessions, now was the best time for the Council to provide any guidance beyond what the Policy Commission had already provided. She then gave the floor to the Chairperson of the PSCG.
132. The CHAIRPERSON OF THE PSCG began by expressing PSCG support for the Customs-Business Guidance.
133. She welcomed the opportunity to review and renew the PSCG and said there were several things the PSCG would suggest for inclusion, e.g. who is a part of the PSCG; how it works; and the substance of the PSCG. The PSCG wanted to work towards a shared agenda with the WCO and its committees and its Members, to create a better strategic alignment. The engagement regarding the SAFE Framework had been successful. The PSCG's vision consisted of three aspects : inform, advise, and support the WCO going forward.
134. In addition to the traditional focus on the SAFE Framework, the PSCG would like to also focus on three priorities. First, "value chain mapping", where the PSCG had carried out work based on industry sectors. Second, the "triangle of influence," where businesses could leverage support with ministers regarding the importance of Customs. The third priority related to the TFA : the PSCG had its own communiqué issued in December 2013 that supported the WCO's role in TFA implementation. The PSCG had previously done some work with the WCO Capacity Building Directorate related to the Annex to the Orientation Package, with an emphasis on four pillars :

transparency, predictability, efficiency and engagement. The PSCG had taken the TFA Articles and linked them to those four pillars.

135. In terms of PSCG interaction with the WCO Members, she suggested pursuing collaboration, cooperation, partnership, and a new term suggested by the PSCG, “co-creation.” She thanked the members of the PSCG for their investment and goodwill, the WCO Secretary General and the Secretariat for their commitment to private sector engagement, and the Chairperson for her leadership. She was looking forward to the work ahead.
136. The Delegate of INDIA welcomed the Policy Commission’s decision to revisit the contribution, composition and functioning of the PSCG, and considered that it would be preferable to have trade bodies or associations rather than individual companies in the PSCG to bring forward the views of small and medium sized enterprises (SMEs), including micro enterprises (MSMEs).
137. The Delegate of CANADA congratulated the Secretary General and the WCO for moving in a new direction with the TFA implementation, considering that this was an opportune time to look at the way the WCO involved the private sector. She thanked the PSCG for bringing value to the WCO and providing advice and guidance. She looked forward to continued engagement.
138. The Delegate of the UNITED STATES reinforced some key WCO initiatives and connected these with ongoing efforts in his Administration to enhance predictability, prosperity and partnership for stakeholders in the government and private sector. As his predecessors had previously noted, US CBP had embarked on wide-ranging trade transformation initiatives, which were in line with the WCO Economic Competitiveness Package, including efforts to complete the US CBP Automated Commercial Environment, the US Single Window, by December 2016. Through the pursuit of modern automation methods, this milestone supported predictability to achieve the highest level of customer-focused service in trade facilitation. Predictability was promoted when the maximum level of transparency was applied in their actions and relationships in the global supply chain. He applauded the ongoing work of the WCO and its Members as they updated the WCO guidance on Single Window, as a key means of sharing experiences. He welcomed the opportunity to learn from others about the implementation of their Single Window and encouraged Members to offer their lessons learned to the WCO for inclusion in the updated Single Window Compendium.
139. He then noted another key WCO instrument, the SAFE Framework of Standards. The developments that had been deeply rooted in the international Customs community through the implementation of SAFE continued to advance the complementary goals of trade security and facilitation. The extent to which these measures could be successfully integrated increased the prosperity that could be attained by each WCO Member during implementation. Prosperity came, over time, with planning and discipline. For example, since the time of CBP’s 2012 announcement of Centers of Excellence and Expertise as part of CBP trade transformation initiatives, CBP now had over 200 voluntary participants in the Centers, which collectively processed approximately 10 % of US entry lines annually. According to a survey CBP undertook with industry last year, companies involved in the Centers had seen a reduction in their processing time. This was an example of governmental realignment designed to enhance economic prosperity for many stakeholders. This and CBP’s Single Window projects carried a great deal of complexity and risk, yet could yield great benefits.

140. New approaches to doing business not only brought prosperity, but also strengthened partnership and strategic alliances. This year, CBP was pleased to see that the WCO membership had taken a large step towards strengthening partnership between government agencies and business entities. Two great examples were the WCO Guidelines on Customs-Business Partnership and the Coordinated Border Management Compendium. Once finalized and put into practice, these measures would enhance partnership approaches in the global trading community, as they could be readily integrated into everyday means of doing business. CBP had learned many lessons from its regular, recurring engagement with the private sector and, together, Customs and trade had influenced changes in the global supply chain.
141. The Delegate of the United States committed CBP's engagement and sharing of experiences regarding partnership, predictability and prosperity with other Members through the various working committees of the WCO. Finally, he extended the appreciation of CBP to the WCO Secretariat for actively bringing these issues to the forefront. The past year of productivity by the WCO and its Members set the stage for a very active new year ahead. CBP especially looked forward to marking the 10th Anniversary of the SAFE Framework together.
142. The CHAIRPERSON then gave the floor to the SECRETARY GENERAL, who expressed his appreciation to the PSCG Chairperson for her comments and willingness to review the PSCG TOR. He also thanked the delegates for their helpful comments. The Secretariat would produce new draft TOR and provide it to the Vice-Chairs so that the Regions could consult. The Vice-Chairs could perhaps appoint one Member from the Region who could provide a coordinated regional view. The Secretariat would also provide the new draft TOR to the PSCG. Through virtual working methods, it would be possible to arrive at unified draft TOR for consideration at the next Policy Commission session in December 2014.
143. The Chairperson concluded that the Council endorsed the conclusions reflected in paragraphs 31 to 37 of the Policy Commission Report (Doc. SP0487). She reiterated the expectation that the work would be completed between now and the next Policy Commission session and thus come immediately into effect in June 2015.

(i) Revenue Package - Structure to support implementation

144. The DEPUTY SECRETARY GENERAL said that revenue collection was a core task for all Customs administrations, but in particular for developing countries where Customs duties represented a very important portion of total government incomes. In response to the global financial crisis and declining revenue returns, the WCO Council had approved a Resolution in 2009 requesting the Secretariat to address this important issue. This had led to the creation of the Revenue Package - the first of the four WCO strategic packages. The first phase of the Revenue Package Action Plan had been completed in 2012, and the Secretariat was now implementing the second phase of the Plan, which had been approved by the Council a year previously. In this context, an important issue had been raised by delegates at the December 2013 Policy Commission session, who had remarked that all WCO strategic packages except the Revenue Package had a clear reporting mechanism linked to a specific working group or committee. The Policy Commission had therefore been tasked with preparing a proposal to address this issue.
145. He said that the Secretariat considered that, for the time being, it was not recommendable to create an entirely new working group or committee, especially as a new working group on trade facilitation had just been established. Therefore, a more

practical approach would be to adapt an existing WCO body to cover the wide range of cross-cutting topics included in the Revenue Package. In its opinion, the best choice for this purpose was the existing Working Group on Commercial Fraud, because there was a clear link between compliance-focused revenue control and fraud. In fact, this Working Group was already responsible for many compliance-related issues, such as post-clearance audit.

146. In practical terms, this would require a review of the Terms of Reference of the Working Group on Commercial Fraud, in order to open its membership to all WCO Members (in the current Working Group, participation was restricted to five Members from each WCO Region), and expand its mandate to cover all Revenue Package-related topics. Finally, in order to reflect the coverage of the redefined Working Group, it was proposed that the current name of this Working Group be changed to “Working Group on Revenue Compliance and Fraud”.
147. The Deputy Secretary General explained that the Policy Commission had reviewed this proposal, and had decided to recommend that the Council approve the proposed Terms of Reference for the redefined Working Group on Revenue Compliance and Fraud. It had also instructed the Enforcement Committee to consider the issue of responsibility for non-revenue-related topics currently managed by the Working Group on Commercial Fraud, such as environmental crime and health and safety issues.
148. The Delegate of INDIA recalled that, during the December 2013 Policy Commission session, India had highlighted the importance of the Revenue Package Action Plan, and had pointed out that at present this matter was being dealt with by the Technical Committee on Customs Valuation even though, in reality, it extended beyond valuation to many other areas. India appreciated and supported the Policy Commission’s recommendation that this situation be remedied by redefining the responsibilities of the Working Group on Commercial Fraud and renaming it accordingly. India believed that conferring this additional task on the Working Group would not prevent it from attending to the other, very important areas of commercial fraud for which it was currently responsible, including in particular consumer protection, health and safety, and environmental crime.
149. In response to a request for clarification by the Delegate of Morocco, the DEPUTY SECRETARY GENERAL confirmed that the proposal did not involve creating a sub-group dealing with revenue compliance and fraud within the existing Working Group on Commercial Fraud; rather, the latter would be renamed as the Working Group on Revenue Compliance and Fraud, and its responsibilities would be redefined accordingly.
150. The Observer for the GLOBAL EXPRESS ASSOCIATION (GEA) said that his Association noted that the Working Group on Revenue Compliance and Fraud would deal with all matters related to the WCO Revenue Package, which was focused on effective and efficient revenue collection. The private sector played a very important role in effective and efficient revenue collection, as private sector operatives had the task of paying the revenues and, in most cases, also calculated them in order to make sure that their accounting systems were operating properly. There were also elements of self-assessment and account-based controls. With that in mind, he wondered whether the WCO Secretariat and membership had considered allowing the private sector to participate in the work of this Group. He noted that the Working Group would be focusing on fraud issues only, but believed that efficient revenue collection was not a matter of fraud prevention alone.

151. In response, the CHAIRPERSON pointed out that while the private sector might have revenue collection accounting systems, it was the tax-payers and consumers who actually paid the revenue. She also noted that the draft Terms of Reference of the Working Group on Revenue Compliance and Fraud did provide for the possibility of inviting observers to participate.
152. The Delegate of ITALY said that her Administration paid particular attention to the issue of revenue collection. Italy supported the proposal to convert the Working Group on Commercial Fraud into the Working Group on Revenue Compliance and Fraud, and looked forward to participating actively in its work.
153. The DEPUTY SECRETARY GENERAL thanked delegates for expressing their support for this proposal, gave an assurance that the implementation of the Revenue Package Action Plan would be prioritized by the Working Group, and assured the private sector that they would be offered a role in the Working Group's discussions.
154. In conclusion, the Council :
- endorsed the proposal that the Working Group on Commercial Fraud be redefined as the Working Group on Revenue Compliance and Fraud, and that it oversee the future development and implementation of the Revenue Package;
 - approved the Terms of Reference of the redefined Working Group, which are reproduced at Annex V to the Report on the Policy Commission's 71st Session (Doc. SP0487).

(j) Preshipment inspection/destination inspection

155. The DIRECTOR, CAPACITY BUILDING, said that the use of inspection services was not a new issue for the WCO and highlighted its connection to a number of important themes, including Customs reform and modernization and capacity building. Having received a number of requests from Members in West and Central Africa for capacity building support in relation to inspection services, the Secretariat had decided to conduct a detailed survey in order to gain a better understanding of the dynamics of the situation. The survey, conducted in 2013, had revealed that 20 of the 23 Member countries in the Region had inspection service agreements in place, covering not only the traditional, revenue-related tasks associated with preshipment inspection, but also, in certain cases, other activities such as risk management support and scanning support. In many of the countries concerned, Customs had not been involved in the negotiation of these contracts, and some Directors General were not even aware of the full terms and conditions as they did not have access to a copy of the contract signed - an astonishing situation, considering that these contracts covered core Customs functions.
156. The survey had led to a meeting with the Members in the West and Central Africa Region, held in Niger, following which the Directors General of the Region had adopted a strong declaration, known as the Niamey Declaration, on the issue of inspection services. The Declaration asked the WCO to conduct a number of activities, and with this in view the Secretariat, in March 2014, had brought together a number of bodies (African Development Bank, African Union, IMF, West African Economic and Monetary Union, World Bank, WTO) to establish a common policy position on inspection services and discuss how the international community could support Customs administrations and countries that wished to exit these contracts.

157. The Director outlined the policy positions arrived at by these bodies, including in particular that contracting out to the private sector core functions that were integral to Customs should not be viewed as a long-term solution, but rather as a short-term measure suitable for post-conflict situations, for example. Secondly, where these contracts were being negotiated, the Customs administration should participate in the negotiations. Thirdly, such contracts should include very clear provisions on the transfer of know-how and technology to the Customs administration, and should include clear performance measures. Fourthly, Customs administrations should take ownership of their Customs reform and should have a plan of how to take over responsibility for the work being done by inspection companies, with the relevant international bodies and agencies working together more effectively to support countries that were serious about exiting inspection company agreements.
158. The Director noted that this issue had been taken up in the new WTO Trade Facilitation Agreement, which discouraged the use of inspection companies. He added that, in addition to meeting with the Members concerned, and with the relevant agencies and bodies, the Secretariat had been working on the ground with individual countries that wished to exit contracts. Thus, the Secretariat was working with Niger Customs and the Cotecna inspection company to prepare a contract exit plan for Niger, and was working with Benin Customs on a similar project. The aim was to package the knowledge and experience gained and make it available to other administrations that had resolved to take back ownership of the core Customs functions. In this connection, the Director emphasized that the focus was firmly on the recovery of core Customs functions, it being acknowledged that the work done for Customs by private sector companies in areas such as information technology and data storage, for example, was highly appreciated.
159. The Director concluded by seeking the Council's support for the work being done by the Secretariat in this field, on the instructions of the Capacity Building Committee, and said he hoped to have some success stories to report at the next sessions.
160. The Delegate of the PHILIPPINES said that he had noted with interest the views expressed on the use of private inspection companies. Historically, the experiences of the Philippines had been different from those described in relation to the West and Central African countries. His Administration's use of private inspection was a response to serious compliance problems and short-term resource constraints, and he believed that the situation was somewhat more nuanced than had been suggested by the Director, Capacity Building. His Administration would be happy to explain its views on this matter in more detail in a different forum, as it was currently looking at this matter - albeit in a very different context and in a more limited form.
161. In conclusion, the Council :
- noted the current situation and the challenges related to inspection service contracts, in particular in the West and Central Africa Region;
 - noted the new WTO provisions on inspection services concluded under the Bali Agreement on Trade Facilitation;
 - noted the new types of services provided by inspection companies and the potential new challenges and impacts;
 - noted the activities already undertaken by the Secretariat and the progress made with regard to inspection companies;

- endorsed the recommendations of the Capacity Building Committee in this respect; and
- encouraged the Secretariat to continue with this very important work.

(k) Emerging issues - Topics for study and subsequent examination at December 2014 Policy Commission session

162. The CHAIRPERSON said that, following a discussion held the previous year, the Policy Commission had agreed that there should be a Member-driven mechanism for the development, between Council Sessions, of research papers to assist with the analysis and discussion of emerging issues. Members had been canvassed for suitable topics via their regional Vice-Chairs. Out of three topics suggested, the Policy Commission had selected as being most suitable for development : “The impact of e-commerce on revenue collection”. The Customs Administration of New Zealand had been invited to take the lead on this study, working with the Secretariat’s Research Unit to develop the necessary papers for consideration at the December 2014 Policy Commission session. She emphasized that this was a pilot, and expressed the hope that this innovative and exciting initiative would prove useful to the membership.
163. The Delegate of NEW ZEALAND confirmed that her Administration would be very pleased to lead this initiative.
164. At the invitation of the Chairperson, the Council agreed that the topic of “The impact of e-commerce on revenue collection” should be developed for discussion under the leadership of New Zealand, working with the Secretariat.

(l) Combating illegal wildlife trade - Council Declaration

165. The DIRECTOR, COMPLIANCE AND FACILITATION, introduced a video entitled “Wildlife Crime is Serious”, produced by the wildlife trade monitoring network TRAFFIC, the Environmental Investigation Agency (EIA) and the World Wide Fund for Nature (WWF), which demonstrated that wildlife crime was a threat not only to the environment, but also to national and international security and to the sustainable development of countries and regions. The video also highlighted the importance of effective enforcement and stronger penalties.
166. The CHAIRPERSON indicated that, at its recent session, the Policy Commission had examined, and recommended to the Council for adoption subject to a few minor amendments, a draft Declaration on the Illegal Wildlife Trade which would demonstrate the global Customs community’s commitment to combating this crime effectively.
167. The Delegate of the UNITED STATES said that his Administration fully supported the adoption of the draft Declaration, which should ensure that this critical issue remained a top compliance and enforcement priority for the WCO and its 179 Members. The ten logical and important steps itemized in the Declaration included the need to cooperate and share information on an inter-agency basis, internationally, and with intergovernmental organizations and private sector partners, and to engage in meaningful risk management, training and operational activities, as well as combating - with a zero tolerance policy - the corruption that led to the endangerment and extinction of species. He added that the adoption of this Declaration by the WCO should not be an end in itself, but just the first of many steps. In order to support the Declaration, the WCO should continue to enhance and expand its programme of work to further raise awareness, capacity and operational knowledge

among WCO Members. Existing efforts such as Operation GAPIN focused on the very critical Africa/Asia trade routes, but there were other threat areas where more could be done. The United States would be happy to support any WCO wildlife operations and activities that might be proposed in the future.

168. The Delegate of MOROCCO said that the Members in his Region fully endorsed the draft Declaration, which supported and complemented the Marrakesh Declaration with its 10-point Action Plan to fight the illicit trade in wildlife. He urged Members not only to adopt the draft Declaration, but also to collectively commit to redoubling their efforts to achieve tangible results in the short term. The survival of ecosystems and of species threatened with extinction depended on this. As far as possible, Members should incorporate this new dimension in all future cooperation and mutual assistance agreements between Customs administrations. Tougher penalties should also be introduced. The WCO's objectives for 2015 should reflect a stronger commitment to achieving results that were commensurate with the challenges faced.
169. The Delegate of PORTUGAL said that the Portuguese Government had recently set up an inter-agency network to facilitate cooperation and the exchange of information, both nationally and internationally, about the species covered by the CITES Convention. This programme included initiatives that allowed Customs to control waste, and many aspects of Portugal's legislation were being redrafted so that Customs could enforce penalties on this illegal trade. Portuguese Customs would be willing to collaborate with the WCO on wildlife enforcement initiatives as and when required.
170. In the course of their interventions on a range of enforcement-related matters under Agenda item 6 (a) (i), several other delegates expressed their support for the draft Declaration on the Illegal Wildlife Trade.
171. In conclusion, the Council :
- adopted the Council Declaration on the Illegal Wildlife Trade, which is reproduced at Annex V to these Minutes;
 - urged Members to strive to achieve tangible results in this area; and
 - noted that a link to the "Wildlife Crime is Serious" video, in which a number of delegates had expressed an interest, would be placed on the WCO Website.

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

172. The DEPUTY SECRETARY GENERAL presented the WCO Strategic Plan, represented by a Greek temple with the WCO Mission and Values at the base, the WCO Vision (including the Customs for the 21st Century policy document) at the top, and the seven Strategic Goals in-between. He recalled that the Strategic Plan was complemented by an Annual Operational Plan which included tactical activities, performance indicators and financial implications. As the current Strategic Plan, covering a three-year period from July 2013 to June 2016, had been approved by the Council one year previously, the main focus for the current financial year had been the development of a new Operational Plan for the period from July 2014 to June 2015.
173. The process of developing the Operational Plan started each year at the December Policy Commission session, with a presentation of a very first draft of the Plan. Later, the feedback and comments received from the Commission were

discussed and included in the Plan during the Management Team Away Day in January. Then in February the Audit Committee reviewed the monitoring mechanisms, including performance indicators, and in April the Finance Committee analysed the financial implications. Finally, the Plan came back to the Policy Commission and Council for - hopefully - approval. This cycle ensured that all relevant WCO bodies had the opportunity to review the Plan and make contributions in a timely manner.

174. The Deputy Secretary General added that even though the Strategic Plan was approved for a three-year period, it remained a living document which needed to be adapted when a major event emerged, as had been the case of the recent approval of the WTO Agreement on Trade Facilitation (TFA) which would have a deep impact on Customs and the WCO. This was why it had been decided to include WCO activities to support the implementation of the TFA, not only at operational level but also at strategic level, with the inclusion of a new Strategic Activity in the Strategic Plan.
175. He added that the Policy Commission had reviewed the updated Strategic Plan and the new Annual Operational Plan, and had decided to recommend them to the Council for adoption. The Policy Commission had also tasked the Secretariat to include a new Tactical Activity on the very recently launched Mercator Programme, and to enhance the performance indicators related to the implementation of the TFA. These two improvements would be duly reflected in the final version of the Plan, to be appended to the Council Minutes and made available on the WCO Website.
176. The Delegate of ARGENTINA expressed her Administration's support for the work done on the new strategic planning cycle.
177. The Delegate of MOROCCO congratulated the Deputy Secretary General on the results achieved, and welcomed the fact that the Organization had a pertinent Strategic Plan that incorporated performance indicators. It was encouraging to note that, in many areas, the work accomplished in fact exceeded the objectives set. He expressed his support for the decision to reorient the Plan slightly following the adoption of the TFA, and was pleased that this new priority would be more clearly reflected in the performance indicators.
178. In conclusion, the Council adopted the updated Strategic Plan as well as the Operational Plan for 2014/2015, as set out at Annex VI to these Minutes.

(n) Composition of Finance Committee - Recommendations of Working Group

179. The CHAIRPERSON recalled that, one year previously, the Council had decided to set up a Working Group to examine the composition of the Finance Committee. The Working Group, chaired by the Delegate of Malawi, had produced a set of recommendations for consideration by the Policy Commission, of which the essential element was an increase in the size of the Finance Committee from 17 to 19 members, with the additional seats going to the Americas/Caribbean Region and the Asia/Pacific Region. The Working Group had also recommended converting into a rule the existing expectation that the two Members contributing the most to the WCO budget should hold a seat on the Finance Committee, and had agreed that Regions which had only one seat on the Committee should be permitted to send an alternate to a meeting if their designated member was unable to attend. These recommendations had been unanimously agreed by the members of the Working Group.
180. The Chairperson explained that to give effect to these proposed changes, the Working Group had prepared a draft Council Decision amending Rule 28 of the

Council's Rules of Procedure. She added that, in a paper on Governance issues that she had circulated for discussion by the Policy Commission under a different Agenda item, she had made two proposals regarding the functioning of the Finance Committee which were outside the terms of reference of the Working Group, but needed to be taken up in conjunction with the Group's recommendations because, if accepted, they would also entail the amendment of that same Rule 28. She had proposed to the Policy Commission firstly that an existing provision which effectively allowed the Finance Committee to meet in the absence of a quorum be abolished, and secondly that a limit be placed on the number of years that a delegate could serve as Chairperson or Vice-Chairperson of the Finance Committee.

181. The Chairperson informed the Council that the Policy Commission had endorsed the Working Group's recommendations regarding the composition of the Finance Committee and the two governance-related proposals she had made with regard to the Finance Committee, it being noted that the Policy Commission's recommendation for the maximum period of office for a Finance Committee Chair or Vice-Chair would be four years. These recommendations and proposals were reflected in the draft Council Decision on the amendment of Rule 28 of the Council's Rules of Procedure that was now before the Council for adoption.
182. In the absence of any objections, the Council formally adopted, with immediate effect, Council Decision No. 340 amending Rule 28 of the Council's Rules of Procedure, which is reproduced at Annex VII to these Minutes.
183. On behalf of the Council, the CHAIRPERSON thanked Malawi's Commissioner of Customs and Excise Ms. Agnes Katsonga-Phiri, Vice-Chair for East and Southern Africa, for her excellent leadership as Chairperson of the Working Group on the composition of the Finance Committee.

(o) Audit Committee Report

184. The CHAIRPERSON said that the Chairperson of the Audit Committee had presented an oral report to the Policy Commission on the Eighth Meeting of the Audit Committee. In addition to drawing attention to the Committee's written Report and the Audit Plan for 2014/2015, he had informed the Policy Commission that the Audit Committee had reviewed the rotation of its members and had decided to replace outgoing members in such a way as to ensure that there would not be a complete turnover at the same time. The Committee had also agreed on certain measures to improve the transparency of its work, notably in relation to the availability of its documents; the Policy Commission had welcomed this development, and in the interests of good governance had urged all WCO bodies to make their work as transparent as possible, and their documents as accessible as possible.
185. At the invitation of the Council Chairperson, the Council adopted :
- the Report of the Audit Committee, reproduced in Doc. SA0077;
 - the WCO Communications Policy and Implementing Guidelines (which was acknowledged to be a living document, bearing in mind that the Delegate of Brazil had informed the Policy Commission of his wish to initiate a discussion on this subject at the Commission's next session);
 - the WCO Policy on Governance of Principles of Donor Funding;

- the WCO Audit Plan for 2014/2015; and
- a revised Audit Charter.

186. On behalf of the Council, the CHAIRPERSON thanked Luxembourg's Director General of Customs and Excise Mr. Alain Bellot, Chairperson of the Audit Committee, for his excellent work in steering the Audit Committee during his term of office.

(p) Procedures and processes regarding election of WCO Directors, and other governance matters

187. The CHAIRPERSON said that the Policy Commission had examined together, as a package, the question of the procedures and processes regarding the election of WCO Directors and other governance matters on the basis of Doc. SP0465 and a paper circulated by the Chair on governance matters. The Policy Commission's deliberations were set out in paragraphs 70 to 72 of Doc. SP0487.

188. In conclusion, the Policy Commission had :

- agreed that stronger governance should be considered in a number of areas within the WCO;
- recommended that the Council adopt the principles set out in the Chairperson's paper;
- endorsed and recommended to the Council, for immediate implementation, the following steps aimed at hard-wiring good governance into the Organization's workings and systems :
 - the Secretariat should put in place a system of rolling review of Council, Policy Commission, Committee and Working Party decisions, with a view to having them confirmed, amended or referred for formal review;
 - every year, the Secretariat should identify any Policy Commission or Council recommendation that had not been proceeded with, with a view to having it confirmed, modified or cancelled;
 - the Finance Committee should implement a system of rolling review of elements of staff costs to ensure maximum transparency in resource utilization;
 - the Audit Committee should oversee the preparation of a protected disclosure policy for presentation at the June 2015 Policy Commission and Council sessions;
 - at the December Policy Commission in advance of an election to a WCO position, the Commission should formally confirm the role definition, selection criteria, knowledge and skills required, and terms of appointment, including the anticipated cost for the post.

In this regard, the Chairperson explained that the rationale was that role definitions had been written a long time ago and needed to be refreshed having regard to the current environment and the demands placed on the Organization. The role definitions should not be fixed once and for all, but should be set or reconfirmed in advance of an election to any Secretariat post and hence should be living documents.

189. In the context of a wider menu of options, the Policy Commission had noted, in relation to appointments, the importance of having the best qualified Directors to serve in the Organization. The Commission had proposed that, at an appropriate point in the future, consideration should be given to the conduct of a substantial review of the processes associated with all elected posts, by a body that would include representatives of the Audit Committee and the Finance Committee.
190. The Policy Commission had also :
- decided to undertake a review of the terms of office of the Chairs and Vice-Chairs of all WCO bodies, taking account of the decision in respect of the Finance Committee, and instructed the Secretariat to prepare an information paper on this subject for the next Policy Commission session;
 - invited the Audit Committee to consider when would be the most appropriate time to revisit the audit it had performed in 2009/2010 in relation to human resource management; and
 - urged the Secretariat to endeavour, in the future, to advertise vacancies at the Director level earlier and more effectively, given the concerns expressed by Members at the last two Policy Commission sessions about the small number of candidates putting themselves forward for elected posts.
191. The Chairperson said that this was an important set of recommendations for the future of the Organization.
192. Opening the discussion, the Delegate of NORWAY said that it was a vital governance issue to ensure that elected WCO Directors had the necessary Customs business knowledge. He had raised this matter on previous occasions and his focus was on the three Director posts. In order to ensure that future Directors had the necessary Customs business knowledge, some kind of screening mechanism should be established and applied in advance of future elections. This had been discussed by the Policy Commission and it had proposed that “at an appropriate point in the future, consideration should be given to the conduct of a substantial review of the processes associated with all elected posts”. He considered that the appropriate point should be sooner rather than later and ideally the matter should already be raised in 2015.
193. The CHAIRPERSON clarified that, from the wide-ranging discussion in the Policy Commission, there had been no clear consensus that the appropriate time was now. She recalled that she had written to the Vice-Chairs on the subject and they had raised the matter in the Regions and had subsequently reported back to the Policy Commission. There had been some interest in exploring the idea further but no clear appetite to move forward rapidly in this respect.
194. The Delegate of BRAZIL referred back to the discussions in the Policy Commission earlier in the week and his understanding from that discussion that this type of decision could not be taken in isolation from the full package. The Policy

Commission had concluded that this was an important topic and should be retained on the agenda, but should not be applied for the elections in 2015. The Policy Commission had, however, also recommended greater transparency in respect of the terms of reference, knowledge and skills required for Director posts. That information should be made available as soon as possible in advance of the Council Sessions where elections took place so that delegates could make their own judgment regarding candidates and how they met the expectations and requirements of the post applied for.

195. The CHAIRPERSON agreed that the intention was indeed that all five elected posts be considered together as a package. It could perhaps be proposed that, for the Council Sessions in 2015, the Secretariat be asked to prepare a scoping document about the possible coverage of such a review, examining the issues and setting them out for final approval by the Council. However, given that there would be three elections in June 2015, it might be better to take this up the following year when no elections to Secretariat posts were scheduled.
196. The Delegate of NORWAY emphasized that he was not opposing the Policy Commission's recommendations, which he fully supported. His aim was to start the review process sooner rather than later. In view of the elections to be held at the Council in June 2015, he suggested that the scoping paper referred to by the Chairperson could be drafted after those elections and submitted to the Policy Commission for consideration at its session in December 2015.
197. This was agreed, it being considered that this would give sufficient time for the outcome of the review work to be fed into future elections.
198. Consequently, at the CHAIRPERSON's proposal, the Council :
- agreed that stronger governance should be considered in a number of areas within the WCO;
 - adopted the principles set out in the Chairperson's paper;
 - approved, for immediate implementation, the following steps aimed at hard-wiring good governance into the Organization's workings and systems :
 - the Secretariat should put in place a system of rolling review of Council, Policy Commission, Committee and Working Party decisions, with a view to having them confirmed, amended or referred for formal review;
 - every year, the Secretariat should identify any Policy Commission or Council recommendation that had not been proceeded with, with a view to having it confirmed, modified or cancelled;
 - the Finance Committee should implement a system of rolling review of elements of staff costs to ensure maximum transparency in resource utilization;
 - the Audit Committee should oversee the preparation of a protected disclosure policy for presentation at the June 2015 Policy Commission and Council sessions;

- at the December Policy Commission in advance of an election to a WCO position, the Commission should formally confirm the role definition, selection criteria, knowledge and skills required, and terms of appointment, including the anticipated cost for the post;
 - agreed that at an appropriate point in the future, but no later than at the Policy Commission session in December 2015, consideration should be given to the conduct of a substantial review of the processes associated with all elected posts, by a body that would include representatives of the Audit Committee and the Finance Committee;
 - decided to undertake a review of the terms of office of the Chairs and Vice-Chairs of all WCO bodies, taking account of the decision in respect of the Finance Committee, and instructed the Secretariat to prepare an information paper on this subject for the next Policy Commission session;
 - invited the Audit Committee to consider when would be the most appropriate time to revisit the audit it had performed in 2009/2010 in relation to human resource management; and
 - urged the Secretariat to endeavour, in the future, to advertise vacancies at the Director level earlier and more effectively, given the concerns expressed by Members at the last two Policy Commission sessions about the small number of candidates putting themselves forward for elected posts.
199. In addition, following discussion, the Council also agreed that the question of whether to make known the number of votes cast for each candidate for elected Secretariat posts should be examined at the next Policy Commission session in December 2014.

(q) Dates for Policy Commission and Council sessions in 2015, 2016 and 2017

200. The CHAIRPERSON informed delegates that a letter had been received from the Vice-Chair for the North of Africa, Near and Middle East Region requesting that consideration be given to adjusting the dates for the June Policy Commission and Council sessions in each of the next three years, to avoid the period of Ramadan. Following consultation with the Vice-Chairs and discussion in the Policy Commission, it was recommended that those sessions be scheduled as follows :
- In **2015** : Policy Commission : 8 to 10 June
Council : 11 to 13 June
 - In **2016** : Policy Commission : 11 to 13 July
Council : 14 to 16 July
 - In **2017** : Policy Commission : 3 to 5 July
Council : 6 to 8 July.
201. The Council agreed.

(r) Accession of Palestine to the WCO

202. At the invitation of the Chairperson, the Delegate of MOROCCO, in his capacity as Vice-Chairperson for the North of Africa, Near and Middle East Region, introduced the question of Palestine's accession to the WCO, which he had raised at the Policy Commission session on behalf of his Region. He reaffirmed the great importance that the Region attached to Palestine becoming a WCO Member, and asked whether any progress had been made in this respect since the Council Sessions held one year previously.
203. The Secretary General recalled that, in 2009, the Council had taken a decision to offer capacity building support to Palestine Customs. That offer remained valid. The WCO had not been approached by Palestine in the period since the previous Council Sessions. However, he had continued to monitor the situation in the wider international community and maintained contact with other international organizations to keep abreast of any developments in this respect. He had not so far been notified of any changes in the situation in other organizations, but would continue to follow the situation and would report back any progress in the future.
204. The Council took note.
205. The Council adopted as a whole the Reports on the Policy Commission's 70th and 71st Sessions.

**KEYNOTE ADDRESS BY THE DIRECTOR-GENERAL
OF THE WORLD TRADE ORGANIZATION, ROBERTO AZEVEDO**

206. The CHAIRPERSON introduced Mr. Roberto Azevêdo, Director-General of the World Trade Organization (WTO), who had been appointed as the sixth Director-General of the WTO in September 2013 for a four-year term of office.
207. The WTO DIRECTOR-GENERAL began by highlighting the importance of the relationship between the WTO and the WCO. He quoted some striking figures, revealing that the WCO represented Customs administrations that processed approximately 98 % of world trade, while the proportion of the global economy that currently fell under the jurisdiction of the WTO was just over 97 %. The Revised Kyoto Convention (RKC), as well as other WCO tools and instruments, were the basis of many provisions of the WTO Trade Facilitation Agreement (TFA). In that respect, the technical provisions of the Agreement were not new, but what the Agreement did provide was uniformity. It was also crucial that the Agreement would provide assistance to those countries that needed it.
208. Under the TFA, assistance and support should be provided to help developing countries and least-developed countries to achieve the capacity to implement the provisions, and those countries could determine for themselves when they had the capacity to implement each of the trade facilitation measures in the Agreement. In addition, developing and least-developed countries could request time extensions of the self-determined dates notified to the WTO and request a grace period from the application of dispute settlement procedures after implementation. It was vital that work continued in this spirit as efforts were being made to put the text into practice.

209. The WTO Director-General and his team had been talking to donors and consulting with Members to try and find a solution that would allow the WTO to assist those seeking technical assistance and capacity building support. Such a solution should :

- create the best possible conditions for the flow of information between donors and recipients on their needs and options;
- assist Members in preparing and updating their needs assessments;
- help Members to develop technical assistance projects;
- identify possible development partners for countries that might have had difficulties doing so by themselves; and
- ensure that resources were available for all those seeking technical assistance.

It was hoped that it would be possible to set out a new WTO facility along those lines before the summer break.

210. He welcomed the WCO's commitment to the efficient implementation of the TFA through the Dublin Resolution, and congratulated the WCO on the establishment of its new Trade Facilitation Working Group. He was also pleased to hear that the WCO had launched another new initiative - the Mercator Programme - to support implementation of the Agreement.

211. The WTO Director-General said that the work to implement the TFA had progressed well, but we were now approaching a crucial moment. WTO Members were in the process of drafting a Protocol of amendment to add the new TF Agreement to the body of WTO legal texts. Once the Protocol was drafted - hopefully by the end of July 2014 - each WTO Member must formally accept that document, which normally meant approval by Congress or Parliament. Once the Protocol and Agreement had been accepted by two-thirds of WTO Members, the Agreement would enter into force. In Bali, Ministers had set July 2015 as the target date for that to occur. Developing countries that wanted to benefit from delayed implementation of the measures had to notify the WTO of when they would implement each measure in the Agreement and identify where assistance was needed. Least-developed countries would have a little more time. In this connection, he would encourage all participants to work with their national task forces to help move the process forward; he would also encourage developing countries, and least-developed countries in a position to do so, to make their first notification as early as they could.

212. Finally, he highlighted the value of multilateralism. We were working together to build links between countries around the world - to help people to connect and do business with each other more easily. And, in the end, that could be just as valuable as any economic measurement.

213. The text of Mr. Azevêdo's keynote address is reproduced in full at Annex II to these Minutes.

214. The SECRETARY GENERAL thanked the WTO Director-General for sharing his thoughts and for his willingness to work in partnership with the WCO to implement the TFA. He admired Mr. Azevêdo's leadership in successfully concluding the Bali Agreement that strengthened the political will to modernize and reform Customs

procedures and to involve donors. He explained that the establishment of the Working Group on the WTO Trade Facilitation Working Group (TFAWG) had been endorsed and he hoped that the results of the work of the Working Group would prove helpful to the WTO. In response to concerns about the availability of support for the implementation of the TFA, the Council had also adopted the Mercator Programme, which was based on the WCO's experiences and methodologies of technical assistance and capacity building. The TFA provided an excellent opportunity for Customs and Trade to work together, and the clear message from the WTO Director-General was most helpful in that regard.

215. In the discussion that followed, the delegates who took the floor thanked the WTO Director-General for his informative keynote speech.
216. The Delegate of TOGO said that Customs administrations played a critical role in trade facilitation and suggested that the WTO and the WCO might demonstrate a common desire for governments to allow Customs administrations to play their leading role fully at the borders.
217. The Delegate of GERMANY congratulated the WCO on the launch of its Mercator Programme. The successful implementation of the Agreement would ultimately depend on the ability of countries to translate the principles of the TFA into tangible results, and this process would, in turn, depend on the preparedness of those countries' Customs administrations. He believed that the WCO had vast experience in diagnostics and capacity building and would play a key role in Customs modernization to enable Members to undertake the implementation of the TFA. He encouraged the WCO to pool the efforts of Members, other Annex D Organizations, financial donors and the WTO in support of the Mercator Programme. He also explained that, in early 2014, Germany had made a financial contribution by establishing a Customs Cooperation Fund. The Fund could be used to kick-start assistance for implementation of the TFA.
218. The Delegate of JORDAN said that Jordan's Customs procedures were currently under review from a procedural perspective rather than a legal one.
219. The Delegate of CHINA emphasized that the work of the WTO and the WCO complemented each other, and that the RKC complied with most of the requirements of the TFA. The conclusion of the Agreement itself represented the commitment of Customs administrations in their efforts to facilitate trade. China's Customs Administration had been one of the chief negotiators of the Agreement and was working towards its timely implementation. She reported that the Customs Cooperation Fund was being set up this year to support developing and least-developed countries. The initial funding was 4.25 million US dollars for the first five years.
220. The Delegate of KOREA said that his country had notified the WTO of its Category A commitments already and would fully support the implementation of the TFA through the Customs Cooperation Fund. The Korea Customs Service was providing 150,000 euro for Trade Facilitation Workshops which would be held in Latin America, the Caribbean, Africa and Eastern Europe. An amount of 100,000 euro would be spent on the 2015 WCO IT Conference.
221. The Delegate of the EUROPEAN UNION congratulated Mr. Azevêdo on the success of the Bali Conference. He emphasized that Customs and Trade should have equal ownership of the TFA, and that there should be practical interactions between the WTO and the WCO, including mutual participation of different groups and the

exchange of tools and experiences of capacity building. In that regard, he welcomed the announcement of the WTO's new facility. He invited the WTO Director-General to sensitize Ministries of Trade to take full account of the contribution of Customs in their national Trade Facilitation Committee and the WTO Trade Facilitation Committee.

222. The Delegate of JAPAN said that his country welcomed the TFA as one of the first tangible achievements of the WTO Doha Round negotiations and would fully support its smooth implementation. He emphasized that most of the provisions of the TFA concerned Customs and that the active involvement of the Customs of each Member in the National Committee was required. He remarked that the Mercator Programme made WCO tools visible and referred to the WCO's expertise in technical assistance. Japan would continue to make a substantial contribution to the Customs Cooperation Fund and would also contribute in terms of human resources to enhance capacity building activities relating to trade facilitation.
223. The Delegate of URUGUAY, speaking on behalf of the Americas/Caribbean Region, welcomed the Bali Agreement, which represented a great opportunity for Customs administrations. The Region had held a meeting with Directors General of Customs administrations as well as private-sector representatives in order to decide what needed to be done for the Region. The Region had supported Customs modernization over the past ten years.
224. The Delegate of MALAYSIA thanked the WCO for developing tools such as the RKC and the Economic Competitiveness Package which provided a strong basis for implementation of the TFA. As incoming Vice-Chair for the Asia/Pacific Region, Malaysia encouraged Members to communicate and assist each other in implementing the Agreement at regional level. Malaysia had supported the WCO's capacity building activities through its Regional Training Centre and reiterated its commitment to capacity building.
225. The Delegate of MOROCCO, speaking on behalf of the North of Africa, Near and Middle East Region, offered the Region's full support for the Bali initiative and implementation of the TFA. He said that certain Customs administrations had not been fully involved in the TFA negotiation process. All 179 Customs administrations had to be considered as real partners and cooperate hand-in-hand to make the Bali Agreement successful.
226. The Delegate of UGANDA also welcomed the conclusion of the TFA. He asked why it had taken so long to conclude the Agreement, even though its objectives were of benefit to every Member. The answer to that question might facilitate the expeditious implementation of the Agreement. The Delegate of Uganda also highlighted the need to work with regional economic communities and said that minor changes in assistance management might help boost acceptance of the TFA.
227. The Delegate of SINGAPORE hoped that the WCO and the WTO would continue to work together and urged them to do so in order to sustain the momentum and to support Members' preparation for implementation of the TFA.
228. The WTO DIRECTOR-GENERAL said that dialogue between Trade Ministers and Customs authorities was important to bridge the communication gap between them. From his own experience in Geneva, he thought that the consensus reached in Bali on the Trade Facilitation Agreement had not been a low-hanging fruit because it had involved many challenges. He also indicated that, in the past, the strategic value of the TFA had not been correctly understood. Nowadays, however, WTO Members

recognized its importance because the clear distinction between importation and exportation had disappeared in the context of the global value chain.

229. The WTO Director-General highlighted that developing countries were on board because the Agreement afforded them an opportunity to update their systems and modernize the institution. The way to do that was by providing technical assistance and capacity building. The main reason for dialogue and cooperation between the Secretary General of the WCO and the WTO Director-General was to try and work out how to provide technical assistance. As the WTO was not a technical assistance body, cooperation with the WCO was essential for capacity building, especially in the field of Customs.
230. The CHAIRPERSON and the SECRETARY GENERAL thanked the WTO Director-General for addressing the Council and for responding to delegates' comments and questions.

6. TECHNICAL MATTERS

(a) Compliance and Facilitation

(i) Compliance/Enforcement

231. The DIRECTOR, COMPLIANCE AND FACILITATION, summarized the work which had been carried out by his Directorate and the Committees it served, namely the Enforcement Committee (EC) and the Permanent Technical Committee (PTC), for the financial year 2013/2014.
232. He explained that the Compliance and Enforcement Sub-Directorate had continued focusing its efforts on the main high-risk areas as directed by the Policy Commission. A large number of initiatives had been undertaken over the past 12 months and the main achievements had been reported to the 33rd Session of the EC in March 2014. New tools, activities, operations and projects had also been endorsed by the EC and would be implemented over the coming financial year.
233. In the area of Security, the WCO Strategic Trade Controls Enforcement Programme was well underway and six regional workshops had been conducted. An Implementation Guide had been produced and endorsed by the EC and a Training Curriculum would be developed. An Operation codenamed COSMO would also be conducted. Members were requested to provide support by seconding a Technical Attaché to work on the development of a Small Arms and Light Weapons programme. Programme Global Shield had continued to successfully conduct its scheduled activities.
234. In the area of Drugs Enforcement, two major drugs operations had been conducted with successful results, namely Operation COCAIR IV which had focused on cocaine smuggling through airports, and Operation WESTERLIES 2 which had targeted illicit trafficking in methamphetamine by air passengers. The EC had endorsed the proposal to conduct COCAIR V and WESTERLIES 3. The Container Control Programme had continued to be successfully implemented and new port control units were being created across the globe. The EC had also supported the potential implementation of a UNODC-WCO Programme on Air Cargo Control.

235. As for the Revenue Programme, the Fourth Edition of the Commercial Fraud Typologies Summary had been produced and endorsed by the EC. Operation GRYPHON, a six-month project to combat illicit trade in tobacco, had successfully concluded. In the area of post-clearance audit, a training curriculum had been developed and the development of an e-learning module was also underway.
236. In the areas of Health and Safety and IPR, a number of successful regional operational activities had been concluded (including Operations TIGRE 3, BIYELA 2, and GOL 14). The Director remarked that the EC had expressed its support for future operational activities and recognized the strategic role of IPM in supporting these initiatives. He further highlighted the launch of the mobile version of IPM with its new “connected” feature.
237. In the area of Environment, the Director highlighted the success of Operation DEMETER III targeting illegal waste shipments. It was noted that in the area of illegal trade in timber, the Secretariat had been working with TRAFFIC on the development of guidance materials, and an operation codenamed AMAZONAS had been conducted. The EC had acknowledged the high importance of combating the illegal wildlife trade and expressed full support for all future activities, including the adoption of a Council Declaration.
238. Regarding Intelligence, Risk Management and the CEN Programme, it was reported that sea and land conveyance risk indicators had been endorsed and would be incorporated in Volume 2 of the WCO Risk Management Compendium. A WCO Communication and Intelligence Curriculum had also been developed. The Cargo Targeting System had been successfully piloted and its implementation plan was continuing. The WCO nCEN application implementation plan was also already underway.
239. The Director reiterated the importance of the Compliance and Enforcement Package (CEP) Action Plan, which had already been reported under Agenda Item 5 : Policy Matters.

(ii) Facilitation/Procedures

240. Turning to the activities of the Procedures and Facilitation Sub-Directorate, the Director reported that since the conclusion of the WTO Trade Facilitation Agreement (TFA) in December 2013, the Sub-Directorate had focused on this topic, while also carrying out a considerable amount of work in other areas. It had also actively engaged with various other international organizations and stakeholders and carried out technical assistance missions.
241. The Director stressed the WCO’s resolve to ensure efficient and harmonized implementation of the TFA, which had been underscored by the Dublin Resolution and the immediate launch of the Working Group on the TFA. He also mentioned the Roadmap which had been developed to provide more focus on the way forward for the Secretariat, the Members and regional entities. An Action Paper had also been developed to provide the relevant information to Customs decision-makers involved in TFA matters, as well as flyers on the various TFA measures and related WCO projects.
242. The Analysis of Section I of the WTO TFA showed that the Economic Competitiveness Package (ECP), along with more than 40 WCO instruments and tools, supported the implementation of the TFA. The Director specifically drew attention to the Implementation Guidance Web tool, which had recently been developed to help

Members implement the individual provisions of the Agreement. This was a very practical tool which provided references to the related RKC standards and guidelines, as well as to other WCO instruments and tools, and also included valuable Members' practices and performance indicators to provide more insight to Members that wished to see where they were in terms of implementation.

243. In March 2014, a training session on the latest version of the WTO Needs Assessment Guide had been carried out in the WCO, and a one-week course would be run during the WCO Knowledge Academy to provide relevant information on the TFA and to share Members' practices. Further work on developing new and reviewing existing tools was also underway.
244. The Director then outlined the progress made in developing the draft Customs-Business Partnership Guidance to assist Members in the process of institutionalizing a regular partnership/engagement with business.
245. Turning to progress with the SAFE Review 2015, he mentioned that various proposals, including Pillar 3 (Customs-to-Other Government Agencies), had been discussed and provisionally agreed by the Review Sub-Group. An updated AEO Compendium (2014 Edition) had been published on the WCO Website and the WCO had successfully organized the Second Global AEO Conference in Madrid, with the participation of more than 800 delegates from over 90 countries representing Customs and other stakeholders.
246. Concerning air cargo security, the Director referred to the work being undertaken in the Technical Experts Group on Air Cargo Security (TEGACS), in particular the draft text on pre-loading Advance Cargo Information (ACI) for security risk analysis, for inclusion in SAFE. He also mentioned the enhanced cooperation between the WCO and ICAO, evidenced in particular by the Second Joint Conference in Bahrain, the Joint Working Group on pre-loading ACI and the Joint Training Module.
247. Highlighting the growing cooperation with the Post, the Director informed the Council about the development of the Joint WCO/UPU Postal Customs Guide and the Joint WCO/UPU Guidelines for Developing an MOU between Customs and Posts, as well as the revision of the Terms of Reference of the WCO/UPU Contact Committee. At the 203rd/204th Sessions of the PTC, a panel discussion had been organized on the implications of the growth in e-commerce on Customs, the Post and the private sector.
248. In the area of voluntary compliance and data quality, he reported on the first draft of a Guidance tool for the Customs Compliance Framework, as well as the work being done by the Expert Group on Data Quality.
249. Acknowledging the importance of regional integration, the Director outlined the focused work being carried out on the eight identified priorities (Origin, Coordinated Border Management, Regional Risk Management, Regional AEO systems, Single Window, Trade Facilitation, Free Zones and Customs Dispute Settlement). Other important areas of work had been the Time Release Study and the small business lens checklist, based on examples of outreach to small and medium sized enterprises (SMEs) by a number of Members. A Transit Handbook, incorporating innovative practices on cooperation with other government agencies, was also being developed.
250. In the context of Coordinated Border Management (CBM), the Director mentioned the development of the CBM Compendium and the finalization of an e-learning tool on CBM, as well as the updating of the Single Window Compendium and

completion of the updating of the Immediate Release Guidelines. The WCO had also successfully organized the 2014 IT Conference and Exhibition from 5 to 7 May 2014 in Brisbane, Australia, which had been attended by over 400 delegates from 80 countries.

251. Regarding Globally Networked Customs (GNC), the Director outlined the progress made by some Members in developing Utility Blocks and conducting proof-of-concept initiatives, such as the AEO Mutual Recognition between the European Union and the United States; the Control Mutual Agreement between Switzerland and the European Union; pre-arrival data under the SAFE Framework of Standards between China and the European Union; and data exchange between South Africa and Swaziland.
252. With regard to API/PNR, the Terms of Reference of the WCO/IATA/ICAO Contact Committee for API had been updated, particularly to include changes to the mandate and scope of the Committee, covering reporting standards for API and PNR data. The “PNRGOV Principles Functional & Business Requirements” and electronic data reporting standards had also been updated. A detailed study was being carried out into other product coding and identification practices that could help with efficient and effective border processes.
253. The Director reiterated the main outputs of the PTC in the past year, namely : detailed analysis of Sections I and II of the WTO TFA and the Terms of Reference and Roadmap of the Working Group on the WTO TFA; the EMS version of the CN23 Customs declaration; revised Terms of Reference of the WCO/UPU Contact Committee; the Joint WCO/UPU Postal Customs Guide; the Joint WCO/UPU Guidelines for Developing an MOU between Customs and Posts; update of the Terms of Reference of the WCO/IATA/ICAO Contact Committee for API and the PNRGOV Principles Functional & Business Requirements and electronic data reporting standards; and Guidelines on Certification of Origin.
254. Finally, the Director referred to the Joint Session of the PTC and EC held in March 2014, which had discussed cross-cutting issues, namely Customs cooperation and GNC, product safety, free zones, and the Customs compliance framework. An important development was that the two Committees had agreed only to hold the joint session every two years in the best interest of Members’ active participation. In closing, he thanked the Members and Brussels-based Attachés for their invaluable contributions and close cooperation in achieving the Organization’s strategic goals.
255. The CHAIRPERSON OF THE PERMANENT TECHNICAL COMMITTEE, Mr. F. Abouzi (Togo), thanked delegates for their active participation in the work of the PTC, adding that the Committee had accomplished a considerable amount of work and was best positioned to achieve the aims of Customs administrations. He requested the Council to take note of the Guidelines to Improve the Efficiency and Effectiveness of the PTC, as well as the PTC Work Programme for 2013-2016.
256. He stressed the strategic role of the PTC within the WCO structure, explaining that it worked through various groups and sub-committees dealing with specific operational items, and had become more dynamic through guidelines and work programmes and with the greater participation of Members. At the next sessions in November 2014, the PTC would be better placed to deal more successfully with technical issues and to share new Customs practices.

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257. Opening the discussion on Compliance and Facilitation matters, the Delegate of GERMANY mentioned that the Enforcement Committee was one of the main bodies for assisting Members to develop joint strategies to combat Customs violations. He added that his Administration fully supported the WCO in giving priority to the areas of security and safety on cross-border movement of goods. He stressed that Customs needed to cooperate at the international level to safeguard populations, as well as engaging at the national level with other agencies, such as police, fisheries and wildlife authorities, in order to work with them to identify new challenges and set new priorities if necessary. He informed the Council that Germany would contribute 200,000 euro to the WCO for its follow-up initiative on the GAPIN Project, which had received significant financial support from Sweden. The Delegate concluded by stressing that the Enforcement Committee had helped Members to set the right priorities and to make accurate assessments of the threats faced.
258. The Delegate of ARGENTINA expressed her Administration's support for the draft Declaration on the Illegal Wildlife Trade, and urged the Council to endorse it. She said that risk management was key to the work of Customs in Argentina and in the Americas/Caribbean Region, and had been identified as a priority in the Region's needs assessment. A regional strategy for risk management had been adopted by Customs Heads of the Region, based on their successful implementation of the Authorized Economic Operator programme. Argentina would lead the next stage of the process, with the assistance of Peru. She pointed out that the Region's risk management activities had been made possible by the financial support of the donor community, and in particular the Argentinian and Japanese cooperation funds. She added that there had been a COMALEP agreement that information exchange in the Region would be based on the INDIRA system. Finally, she reported that Argentina and Ecuador were exchanging information on the global Customs network.
259. The Delegate of BRAZIL thanked the WCO Secretariat for the work done in terms of defining international standards and carrying out operations. He mentioned that Brazil had taken up the opportunity to participate in various operations, including Operation GOL 14 to fight against intellectual property infringements in the context of the 2014 Football World Cup, and Operation AMAZONAS to combat the illegal timber trade. He concluded by expressing Brazil's support for the draft Declaration on the Illegal Wildlife Trade.
260. The Delegate of INDIA mentioned that the WTO TFA gave the WCO a tailor-made opportunity to raise its profile globally. The WCO could help the WTO identify its Members' needs for trade facilitation, as well as providing technical assistance and capacity building. She further suggested that the WCO Secretariat could work more closely with the WTO and make that Organization aware of the available WCO tools and instruments. This would avoid duplication of effort and draw the WCO's competencies to the attention of the WTO Secretariat, WTO Members and international donors. She underscored the importance of the new Working Group on TFA for the coherent and consistent implementation of the TFA. After expressing her appreciation of the efforts of the Enforcement Committee and RILOs, she said that India planned to propose an operation for targeting the illegal movement of timber in the Asia/Pacific Region, and would be contacting the Asia/Pacific RILO in this regard. She sought Members' support for this endeavour. She concluded by expressing her Administration's support for the draft Declaration on the Illegal Wildlife Trade.
261. The Delegate of KOREA highlighted the recent threat posed to Korea by new psychoactive substances (NPS), which were easily accessible to users through different channels such as Internet and express parcel deliveries. In 2013, the Korea

Customs Service (KCS) had detected 104 NPS cases. In order to control NPS effectively, the delegate pointed out that his Administration had proposed Project CATalyst with 14 Asia/Pacific RILO Members in 2013, which aimed at sharing information on NPS and had resulted in 36 NPS case detections. Based on the achievement of CATalyst, the KCS wished to suggest a regular exchange of NPS information, and a joint project for information exchange on NPS between the Asia/Pacific and Europe Regions in the second half of 2014. He added that his Administration would like this project to move forward to a global level next year.

262. The Delegate of GEORGIA outlined various tools put into practice by his Administration, in particular the conduct of a Time Release Study (TRS) in collaboration with the WCO. He mentioned an advance exchange of information project between the European Union and its Eastern neighbours, aimed at identifying information to improve risk management and facilitate trade, as well as a proposal for the conduct of TRS by Eastern European countries in order to compare the time taken for clearance before and after implementation of the advance exchange of information project. Concerning Coordinated Border Management, he mentioned the importance of reasonable and effective inter-agency cooperation at borders and at the national as well as international levels, for the smooth movement of goods, people and means of transport in a secure environment. He highlighted the example of his country, which had two agencies at the border with delegated powers to avoid duplications, and benefited from joint border crossings with Turkey. The Delegate also expressed his country's support for the CBM Compendium, for which it had provided practical examples of cooperation and implementation. Finally, he informed the Council about his country's engagement with the Container Control Programme and its adoption of comprehensive strategic control legislation on dual-use goods.
263. The Delegate of BOLIVIA agreed with the comments made by the Director, Compliance and Facilitation, and by previous speakers regarding the importance of risk management and the use of IT, as well as cooperation, the exchange of information, the Authorized Economic Operator programme and risk management. For Bolivia's recently-established Customs Administration, it was particularly important to focus on the use of WCO tools for enforcement purposes, and on using risk management techniques as part of its strategic approach.
264. The Delegate of the UNITED STATES expressed his Administration's support for the work of the Enforcement Committee, which had been chaired for the past two years by Mr. James Dinkins of the United States, who had recently retired. The delegate said that US Immigration and Customs Enforcement (ICE) appreciated the WCO's efforts to address Customs enforcement matters in a holistic manner, remarking that the Organization had been very effective in assisting Members with the intelligence and risk assessment-related aspects of Customs enforcement. He said that US ICE had a large Department of Homeland Security investigative law enforcement presence around the world, and he underlined the importance of cooperation with other international law enforcement agencies in order to dismantle criminal organizations. Effective border security hinged upon investigations into the criminal smuggling organizations conducted by Customs or national police counterparts, and he emphasized the importance of identifying, disrupting and dismantling the entire criminal network operating along the global supply chain.
265. Pointing out that the WCO was uniquely positioned to assist investigative collaboration among Customs administrations, the delegate said that the United States would fully support the WCO's efforts to promote additional focus on the investigative aspect of the enforcement process. To this end, US ICE would assist by utilizing

a 3-tier approach of : collaborating with Customs administrations that had investigative components, to share expertise and develop an investigative capacity building programme for the WCO; assisting in identifying Members' investigative training needs; and working with the WCO to identify developing countries that were in need of training in priority areas, and promote the sharing of best practices. Finally, the delegate indicated that the United States fully supported the WCO's plan to add a module on investigation and evidence handling to the Compendium on Customs Operational Practices for Enforcement and Seizure (COPES), and would be pleased to work with the WCO on the creation of an investigation training course and a work manual for front-line Customs investigators.

266. The Delegate of CHINA expressed her appreciation of the WCO's work in the area of compliance and facilitation. She said that China Customs had proposed Operation DEMETER III as a collaborative effort to target illegal shipments of waste from Europe and other waste-producing regions to the Asia/ Pacific Region. She thanked Members for supporting this Operation. She then drew the Council's attention to the fact that China would be Chair of the Enforcement Committee next year, and her Administration was pondering on how to further improve the work of the Enforcement Committee based on its previous achievements. She mentioned that China Customs was considering disseminating a questionnaire to Members in order to consolidate their views on how to improve the work of the Enforcement Committee.
267. The Delegate of COLOMBIA stated that, in the enforcement field, her Administration was attempting to track criminals who used international trade to commit fraudulent activities. She added that her country was endeavouring to cover all aspects of this issue in its legislation. Colombia had been opening up to the world, and now had 17 trade agreements. Also, her Administration had carried out some interesting investigations in the field of Origin, and had been able to dismantle certain criminal organizations.
268. The Observer for the GLOBAL EXPRESS ASSOCIATION (GEA) expressed concern at the proposal to adopt the CN23 Customs Declaration for express mail services (EMS), which in GEA's view could have far-reaching policy implications. He said that EMS was not part of the mandatory essential postal services that Members of the UPU needed to provide under the treaties; rather, it was an optional service that was provided on a commercial basis and competed with express delivery services. The latter welcomed, and indeed thrived on such competition, but he emphasized the need for a level playing field on the principle that like services should get like treatment, which was what the WCO had always advocated. If adopted, this proposal would allow postal operators to use a simplified declaration and implicitly claim other Customs exemptions granted to postal items, instead of requiring their EMS shipments to be subjected to advance electronic information and comply with all other Customs rules. If approved, this could potentially distort the market. He concluded by stating that GEA had enjoyed close and constructive relations with the WCO, and although serious concerns had been raised during the PTC session and duly recorded, the proposal had nevertheless been brought before the Council for adoption.
269. Responding to the Observer for GEA, the Secretary General mentioned that CN23 currently operated on a paper basis, which was not sufficient for Customs to evaluate the risks of the packages concerned. He highlighted the work being done with the UPU to move forward with the paperless, electronic exchange of information between the Postal service and Customs, especially for EMS items, so that Customs would have advance information for carrying out risk assessment in the same manner as was already the case for express delivery services. However, at the national level

Postal services needed to make more investment in order to be able to share information with Customs electronically and achieve the level which the express services had already achieved. He stressed that the intention was to move towards a level playing field, not to create differences, but this process would take time.

270. With regard to enforcement matters, the Council :
- approved the Report of the Enforcement Committee's 32nd Session;
 - took note of the draft Report of the 33rd Session, which would be submitted to that Committee for final approval at its next session;
 - acknowledged the various compliance and enforcement-related developments mentioned in the written report.
271. With regard to facilitation matters, the Council :
- approved the Report of the 201st/202nd Sessions of the PTC;
 - approved the Report of the 203rd/204th Sessions of the PTC;
 - took note of the PTC-related developments mentioned in the written report (including the future role of the PTC and the guidelines referred to by the Chairperson of the PTC);
 - adopted the revised Terms of Reference for the WCO/UPU Contact Committee and the revised Terms of Reference for the WCO/IATA/ICAO Contact Committee for API and PNR; and
 - took note of the Guidelines to Improve the Efficiency and Effectiveness of the PTC and the PTC Work Programme 2013-2016, as reported by the Chairperson of the PTC.

(b) Tariff and Trade Affairs

272. The DEPUTY SECRETARY GENERAL, speaking on behalf of the Tariff and Trade Affairs staff, began by paying tribute to the late Director of Tariff and Trade Affairs, Mr. Giuseppe Favale.

(i) Origin

273. In relation to Origin, the DEPUTY SECRETARY GENERAL informed the Council that the main issue analysed by the Technical Committee on Rules of Origin (TCRO) had been the transposition of the consolidated draft rules of origin into the 2012 Version of the Harmonized System.
274. With regard to the WCO Action Plan on Preferential Rules of Origin, the work of the Secretariat had included : updating the WCO Database of Preferential Trade Agreements to include Product Specific Rules related to each Free Trade Agreement; and the continued development of the Comparative Study on Preferential Rules of Origin, which now included NAFTA, European and ASEAN origin models, as well as modules on certification, verification and irregularities.

275. He also reported that an Origin Conference had been held back-to-back with the TCRO at WCO Headquarters. The Conference had been attended by more than 100 participants, including representatives from Customs administrations, international organizations, the private sector and academic institutions. The information received from the presentations and discussions during the Conference would be very useful for further development of the Revenue Package and the WCO Action Plan on Preferential Rules of Origin.
276. The TCRO had re-elected Mr. Liu (China) as Chairperson, and Ms. Dlamini-Zwane (Swaziland) had been re-elected Vice-Chair.
277. The Deputy Secretary General also informed the Council that two regional seminars on origin-related issues had been conducted in the SADC and North of Africa, Near and Middle East regions. Several countries had received training and technical assistance on rules of origin, including Côte d'Ivoire, the Democratic Republic of the Congo, Armenia, Madagascar and Indonesia. In addition, Secretariat staff had also attended a number of workshops or conferences, either as speakers or experts.
278. The CHAIRPERSON OF THE TCRO, Mr. Liu, speaking on behalf of Ms. Dlamini-Zwane and himself, thanked all Member administrations for the confidence placed in them by re-electing them as Officers of the TCRO for another year. He also thanked his home administration for its constant support to the work of the TCRO in agreeing to offer his services to Members, as well as the WCO Secretariat for its able support during difficult times.
279. He reported that, during the past year, the TCRO and the Secretariat had remained proactive and relevant to Members in taking a leading role in rules of origin, against the background of unprecedented trade liberalization efforts at multilateral, plurilateral and regional level. This had been demonstrated by the continued work in respect of the ongoing negotiations for the harmonization of the non-preferential rules of origin at the WTO, and the execution of the WCO Action Plan on Preferential Rules of Origin.
280. With regard to the harmonization of the non-preferential rules of origin, while WTO Members were divided in terms of their interest regarding the Harmonization Work Programme, which had been ongoing for 19 years now, it had been agreed at the WTO that the transposition of the draft text of the Harmonized Rules of Origin from the HS1996 to more recent versions of the HS would advance. In this respect, the WCO Secretariat had examined the complex cases for the 2012 transpositions and suggested simplifications to the rules.
281. The WTO Bali Ministerial Conference had adopted a Decision on Preferential Rules of Origin for Least Developed Countries (LDCs), which encouraged WTO Members providing "duty-free, quota-free" treatment to LDCs to use rules of origin which facilitated trade from LDCs and which enhanced market access opportunities.
282. Several provisions of the WTO Agreement on Trade Facilitation would also have a bearing on rules of origin, in particular, the provision on advance rulings, which made advance rulings on origin a binding obligation.
283. The TCRO had discussed a proposal to streamline its meetings in Brussels and those of the Committee on Rules of Origin in Geneva, with a view to facilitating the participation of Customs experts in the meeting of the Geneva Committee.

284. With regard to the execution of the WCO Action Plan on Preferential Rules of Origin, the Secretariat had continued its work on the impact of Regional Trade Agreements (RTAs). Further work had also been done in respect of the Database of Preferential Agreements, the publication of the Comparative Study on Preferential Rules of Origin and more capacity building activities. In addition, the 2014 WCO Origin Conference had been of great interest to Members.
285. On the impact of RTAs, the Chairperson of the TCRO added that the ongoing negotiations of several mega-RTAs would definitely have a significant impact on the map of world trade and the world of rules of origin, namely the Trans-Pacific Partnership (TPP) (an RTA among economies around the Pacific Rim), the Transatlantic Trade and Investment Partnership (TTIP) (a Free Trade Agreement (FTA) between the European Union and the United States) and the ASEAN Regional Comprehensive Economic Partnership (ARCEP) (an FTA between ASEAN countries and China, Japan, Korea, Australia, New Zealand and India).
286. Finally, in preparation for the next TCRO meeting, Members were encouraged to propose issues to be put on the TCRO's Agenda or topics for a possible workshop.
287. The Delegate of INDIA expressed appreciation for the work of the TCRO and stressed that there was a need for a strict validation of certificates of origin before their issuance and for high standards of integrity.
288. The Delegate of KOREA announced that in an effort to help business make the most of FTAs, especially at a time when countries were struggling to expand trade within FTAs, the Korea Customs Service was organizing the 2014 International Origin Conference, to be held in Seoul on 18 September 2014. Under the title "FTA is now a must, not a choice", the aim of the Conference was to share implementation know-how and experiences, and to enhance FTA benefits.
289. The Delegate of CHINA thanked Members for their trust in the TCRO Chair and stressed China's willingness to share information and experiences with other Members during various events, including the WCO's 2014 Origin Conference and the WCO's Revenue Conference to be held the following week.
290. At the invitation of the Chairperson, the Council :
- took note of the ongoing efforts in the negotiations for the harmonization of the non-preferential rules of origin;
 - took note of the work carried out by the WCO Secretariat in relation to the WCO Action Plan on Preferential Rules of Origin;
 - took note of the report by the Chairperson of the Technical Committee on Rules of Origin.

(ii) Valuation

291. The DEPUTY SECRETARY GENERAL summarized the work of the Technical Committee on Customs Valuation at its 37th and 38th Sessions, held during the past year. The Technical Committee had continued its work on a number of technical questions, such as the examination of the relationship between Customs valuation and transfer pricing and distributorship fees. He pointed out that differing views had been expressed on some of the technical questions which meant that progress was slow and those questions would be difficult to resolve. A successful one-day Theme Meeting on various aspects of undervaluation had been held during the 38th Session.
292. He reported that, at its 38th Session, the Technical Committee had elected Ms. Y. Gulis (United States) as Chairperson and Mr. M. Ravindrakumar (Sri Lanka) and Mr. G. Villarroel (Chile) as Vice-Chairpersons for a one-year period. For the third consecutive session, the Chairperson of the World Trade Organization (WTO) Committee on Customs Valuation had attended the Technical Committee and had encouraged the two Committees to work more closely together. The Secretariat had conducted a number of national and regional missions on Customs valuation which had highlighted the key messages of the Revenue Package. Successful joint workshops had been conducted both with the Organisation for Economic Co-operation and Development (OECD) on the relationship between Customs valuation and transfer pricing, and with the WTO.
293. The CHAIRPERSON OF THE TECHNICAL COMMITTEE ON CUSTOMS VALUATION, Mr. O. Aoufi, provided further detail on the current work of the Technical Committee. He commented that the WTO had advised that WTO Members were discussing a proposal to hold a seminar on the use of valuation databases, and added that the Technical Committee would be willing to contribute to such a forum.
294. In the discussion that followed, the Delegate of PHILIPPINES stated that the matter of undervaluation was important to his country, and enquired whether the outcomes and minutes of the recent meeting referred to were available. In response, it was confirmed that the Report of the Technical Committee and copies of presentations delivered at the recent Theme Meeting on undervaluation were available via the Members' Website.
295. The Delegate of COSTA RICA explained that his country faced some challenges in determining whether royalties should be included in the Customs value and, if so, how they should then be allocated to the Customs value. Guidance from the WCO would be appreciated in this area. The DEPUTY SECRETARY GENERAL advised that if Costa Rica had a specific technical question in this regard, it could request advice from the Secretariat or submit the matter to the Technical Committee for consideration.
296. At the invitation of the Chairperson, the Council :
- approved the Reports of the 36th and 37th Sessions of the Technical Committee on Customs Valuation, set out, respectively, in Docs. VT0897E1c and VT0920E1c;
 - took note of the draft Report of the 38th Session of the Technical Committee on Customs Valuation, set out in Doc. VT0941E1a;

- took note of other Valuation-related developments referred to in the Technical Committee Chairperson's written Report.

(iii) Nomenclature and Classification

297. In his presentation, the DEPUTY SECRETARY GENERAL informed the Council that the Harmonized System (HS) represented the critical backbone of the international trading system and was one of the most widely used instruments of the WCO; there were currently 149 Contracting Parties, but more than 200 countries or economies actually used it as the basis for their Customs tariffs. However, the HS was also used for many other purposes such as trade policy, rules of origin, monitoring of controlled goods, statistics, quota controls, and economic research and analysis.
298. Since the last Council Sessions, two Members, Sao Tome and Principe (July 2013) and Papua New Guinea (December 2013) had signed up as Contracting Parties to the Harmonized System Convention. During the current Council Sessions, one more WCO Member would deposit its instrument of accession, so the HS would achieve the landmark number of 150 Contracting Parties.
299. He pointed out that currently the 2012 version of the HS was in application but, despite the obligation to implement and apply the latest version of the HS, there were still several Contracting Parties which were not applying the 2012 version. He therefore strongly urged all Members to implement the 2012 version as soon as possible and notify the Secretariat accordingly.
300. The Deputy Secretary General also informed the Council that the HS Committee had been busy with preparing the next version of the HS for the year 2017, as it was indispensable to keep this instrument relevant and up to date. This had been accomplished by the HS Committee at its 53rd Session in March 2014, which had prepared 235 sets of amendments compiled into a draft Recommendation, which the Council would be requested to adopt during the current Sessions. The key components of the HS 2017 referred mainly to environment-related products such as hazardous chemicals, new technology products such as hybrid and electric cars, and changes in consumption or trade patterns such as the "bag-in-a-box" wine. These amendments would enter into force on 1 January 2017 which seemed far away, but after these Council Sessions, the Recommendation would be promulgated and Contracting Parties would have a six-month period to present objections, if any.
301. Later, during 2015 and 2016, both Members and the Secretariat would have to work very hard to prepare the implementation of the next version of the HS. For Members, this would involve a wide range of activities, including translation if they used a language other than English or French; legal procedures; IT updates; and training for Customs officers and the private sector. The Secretariat would also be busy with preparing the correlation tables between the old and new version of the HS, drafting the amendments to the Explanatory Notes, updating all HS-related publications, and providing technical assistance and capacity building to Members.
302. The HS Committee had met twice since the last Council Sessions and, as usual, had taken several decisions and made amendments to the Explanatory Notes and the Compendium of Classification Opinions.
303. With regard to the election of officers, the HS Committee had elected Mr. R.P.D. Seneviratne (Sri Lanka) as its Chairperson for the 54th and 55th Sessions. Mr. G. Connor (United States) had been elected First Vice-Chairperson and

Mr. H. Padonou (Benin) had been elected Second Vice-Chairperson. The Committee had elected Mr. S.-C. Kim (Republic of Korea) as Chairperson of the Review Sub-Committee and Ms. J. Cibulkova (Czech Republic) as Vice-Chairperson. Ms. Gan Lu (China) had been elected as Chairperson of the Working Party.

304. Finally, the Deputy Secretary General noted that the Secretariat continued to provide capacity building on HS matters and it had organized 11 national seminars in Member countries and 2 regional seminars in the Asia/Pacific and North of Africa, Near and Middle East Regions.

305. With regard to the matters requiring the approval of the Council, the CHAIRPERSON OF THE HARMONIZED SYSTEM COMMITTEE, Mr. J. Birkhoff, referring to the draft Article 16 Recommendation concerning the amendment of the HS Nomenclature, stated that it was a great result as, despite all the differences between the Contracting Parties to the HS Convention, the Committee again had managed to draw up a Recommendation in which all changes for HS 2017 were included. He informed the Council that, following the 53rd Session of the HS Committee, the Secretariat in its final review of the draft Recommendation had found certain typographical errors or editorial misalignments between the current and proposed texts as listed in the Annex to his written report which had been circulated in advance of the Council Sessions. In addition, however, there was another small error in the Recommendation : In the French version of subheading 2930.50, the term "Aldicarb (ISO)" should be modified to read "Aldicarbe (ISO)".

306. Under Article 8.1 of the HS Convention, he invited the Council to examine and, if appropriate, correct these misalignments as suggested, before recommending the proposed amendments to the Contracting Parties.

307. Subject to the proposed modifications, the Secretariat was inviting the Council to adopt the Article 16 Recommendation concerning the amendment of the Harmonized System Nomenclature, in order to update the HS to reflect the changes in technology and patterns in international trade, as well as the needs of users.

308. The Chairperson of the HS Committee also informed the Council that, following the decisions taken by the HS Committee at its 52nd and 53rd Sessions, five reservations had been entered by HS Contracting Parties vis-à-vis the classification of certain products. Two of these reservations would be dealt with directly by the HS Committee in accordance with Council Decision No. 298.

309. The remaining three reservations were being submitted to the Council for decision in accordance with the provisions of Article 8.2 of the HS Convention.

310. Finally, the Chairperson of the Harmonized System Committee invited the Council to take note of the other information presented in his written report.

311. With regard to the reservations entered following the 52nd and 53rd Sessions of the HS Committee, the RUSSIAN FEDERATION requested, in accordance with Article 8.3 of the HS Convention, that the classification decisions specified below be referred back to the HS Committee for re-examination :

- 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; and

- 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.
312. The Delegate of TURKEY stated that the issue of the classification of sodium sulphate products had been on the Agenda of the HS Committee for about 12 years. This matter had been examined by the Committee thoroughly and to the full extent during this period. As a result, the classification issue had been finalized and numerous decisions had been taken by the Committee, each time by an overwhelming majority, and always with the same result. However, following these new reservations, the Committee would be obliged to review the issue once again and subsequently would take the same repeated decisions. The reservation strategy adopted here had been doing nothing but impairing the functionality and effectiveness of the Harmonized System and damaging the reputation and credibility of the HS Committee.
313. As such, the Delegate of Turkey believed that the matter was indeed an issue relating to the operation of the HS Convention, rather than a matter of classification. It demonstrated that the decision-making capability of the HS Committee was extremely fragile, since any HS Contracting Party could prevent the Committee from taking an effective final decision. This situation could lead to a need for a comprehensive overhaul of the HS Convention. Therefore, he invited the Council to direct its efforts towards boosting the functionality and effectiveness of the HS and its Committee, to approach this matter more carefully, to evaluate the high-level risk directed to the HS, and to act accordingly.
314. The Delegate of KOREA pointed out that it was important to ensure that the HS remained up to date to reflect changes in technology and international trade and, in this regard, the Council should approve the HS 2017 version to be applied by all HS Contracting Parties from 1 January 2017 onwards. He believed that all Contracting Parties would adopt all the amendments, as this would contribute to trade facilitation by unifying HS codes amongst countries. Considering the evolving nature of IT products, the HS Committee already needed to start discussing the HS 2022 amendments. The Korean Customs Service would do its best to cooperate in proposing and reviewing the HS in respect of high-tech IT products. Lastly, the Committee should also play a more active role as a mediator in addressing the disputes among Members on the classification of state-of-the-art items. Given that IT products required most discussions and opinions were often divided among countries, Korea would actively work by providing more information on IT products.
315. The Observer for the UNITED NATIONS STATISTICS DIVISION (UNSD), speaking on behalf of his office and the inter-agency Task Force on International Trade Statistics, congratulated the HS Committee on the important work accomplished and expressed gratitude for the long-standing and fruitful cooperation between the global community of Official Trade and Statistics and Customs authorities. The existing standards for international trade statistics, which were adopted in 2010, recommended the use of Customs records as the main data sources, and recommended the use of the HS as the standard classification, including its supplementary quantity units. Although in recent debates on trade and economic globalization the traditional Customs-based trade statistics had been criticized as not properly reflecting bilateral economic relations, because of the increase of fragmented and globalized manufacturing (through global value chains) and the associated increase of trade in intermediate goods, the statistical community would like to reiterate and emphasize the importance of Customs records as primary data source for trade statistics. To draw attention to the continuing importance of Customs records for trade statistics, the

UNSD together with the WCO would organize two promotional events on the topic of “Customs and Statistics”, during the WCO IT Conference in May 2015 in Dakar, Senegal, and during the HS Committee meeting in September 2015 in Brussels, respectively. At those events, they would highlight how Customs administrations could support Official Statistics by maintaining or improving quality control of the reporting of value and physical quantity through the existing IT systems, such as ASYCUDA, by cooperation between Customs and the National Statistics Offices on the verification of Customs records, and by automated data transfer between these Offices. The possibilities of using “Big Data” would also be discussed with Customs administrations.

316. The CHAIRPERSON OF THE HARMONIZED SYSTEM COMMITTEE said that he understood the concerns expressed by the Delegate of Turkey regarding the problems associated with the classification of sodium sulphate products. However, if the positions of Members were different, the matters would be discussed by the Committee thoroughly, a decision would be taken and, if some Members did not agree with that decision, it was always possible to enter a reservation. Although the matter had already been discussed for a long time, under the current provisions this was the procedure the Committee had to follow. Concerning the statement made by the Delegate of Korea, he informed the Council that the HS Committee and the HS Review Sub-Committee had already started working towards the HS 2022 and, if Members had any ideas or proposals, they could send them to the Secretariat for preparation of working documents to be considered by the Committee. Finally, as regards the intervention by the Observer for the UNSD, he agreed that trade statistics were very important and noted that the HS Committee and the Secretariat had been working closely with the statistics-related bodies of the UN and would continue along the same route in the future.
317. The CHAIRPERSON OF THE COUNCIL recalled that, at recent Sessions, the Council had had a long discussion on the strategic review of the HS and had shown itself to be very cautious, prudent and reluctant to re-open the Convention.
318. Following these interventions and at the invitation of the Chairperson, the Council :
- adopted, subject to the modifications proposed by the Chairperson of the Harmonized System Committee, an HS Article 16 Recommendation concerning the amendment of the Harmonized System Nomenclature (this will be the 2017 version) in order to update the HS to reflect the changes in technology and patterns in international trade, as well as the needs of users;
 - referred the questions of the classification of the following products back to the Harmonized System Committee for re-examination :
 - “the product containing more than 99.2 % sodium sulphate” in heading 28.33 (subheading 2833.11) (requested by the Russian Federation); and
 - “the product containing more than 98.5 % sodium sulphate” in heading 28.33 (subheading 2833.11) (requested by the Russian Federation);
 - approved the Reports of the 52nd and 53rd Sessions of the Harmonized System Committee; and

- took note of the various other HS-related developments which had taken place since the previous Council Sessions.

(c) Capacity Building

319. The DIRECTOR, CAPACITY BUILDING, opened this Item and emphasized that capacity building was a collective effort. He then introduced Mr. Ernani Checcucci, Chair of the Capacity Building Committee (CBC), and Mr. David Dolan, Chair of the Integrity Sub-Committee (ISC). He explained that the reason Capacity Building and Integrity shared this Agenda item was because it was not possible to have one without the other. He explained that his presentation would be in two parts, the first part dealing with *delivery* and the second with *key issues at the CBC and ISC*.
320. The Director then informed the Council that the reporting year had been very busy for the Secretariat. In fact, it had been the busiest year on record for delivery of WCO capacity building activities. He then summarized the main topics of delivery, which included overall advice on Customs reform and modernization, strategic planning, risk management, implementing articles of the Revised Kyoto Convention, Authorized Economic Operator programmes and Single Window, the WCO Data Model and interconnectivity.
321. He provided a brief explanation of the annual WCO capacity building needs assessment process that brought about the delivery plan. This year, the process had resulted in 740 requests for technical assistance and capacity building. He described how there were two important ingredients needed to deliver on these requests, namely experts and funding. He took the opportunity to thank Members which continued to provide their staff, and also thanked financial donors - Germany, the Swedish International Development Agency, the United Kingdom Department for International Development, the African Development Bank, the Asian Development Bank and the Inter-American Development Bank. There were also ongoing negotiations with institutions related to the WTO Trade Facilitation Agreement (TFA) proposals and implementation of the WCO's Mercator Programme.
322. The Director then highlighted several e-learning statistics, pointing out that there had been 155,000 views on the WCO CLiKC site, which was the Website that hosted all e-learning material. There were now over 12,000 Customs officers registered worldwide using the site, and 18 new or updated modules were now available, with a further 5 to be added.
323. Turning to the Fifth Session of the CBC, held from 31 March to 2 April 2014, the Director reminded the Council of the "3Ps", namely Political Will, People and Partnerships. The theme of the CBC had been "*Strong People for Strong Organizations : The Importance of Investing in People as the Basis for Organizational Development*". He explained that while legal issues, information technology issues, re-engineering business processes, etc., were extremely important for organizational progress, "investing in people" issues should not be forgotten. He then outlined the CBC's discussions that had dealt with how to connect changes to the operating model, understanding how those changes impacted on business processes and functions, what capabilities were needed to be built into the workforce, and then what was needed to recruit, train and retain the right people.
324. The Director then drew attention to a number of submissions before the Council for either adoption or noting : the Framework of Principles and Practices on Customs Professionalism; the European Union Competency Framework (TAXUD); the WCO

Virtual Customs Orientation Academy; the People Development Interactive Map; and the Gender Equality Organizational Assessment Tool.

325. He then informed the Council what the next areas of focus were for the CBC on “People” issues. Development of a WCO People Development Diagnostic Tool for strategic and operational levels was a priority, further enhancement of the WCO e-learning catalogue would continue, and support in the area of gender equality and diversity in the workplace would continue. Support would also continue in the area of organizational performance measurement and he referred to collaborative work conducted with the United Nations Conference on Trade and Development and the International Monetary Fund in assisting with the development of their respective indicators and information technology tools.
326. The Director reported that the WCO had published a new chapter in the WCO Capacity Building Development Compendium on the subject of Donor Engagement. In addition, further drafting was underway to add a new section on management of donor-funded projects. He then referred to the WCO Orientation Package for Decision-Makers and thanked the Private Sector Consultative Group (PSCG) for contributing an Annex to the Package that presented the views of business on the strategic role of Customs reform and modernization in supporting a country’s economic growth. A final area of future focus was the development of the Project Map Database and he thanked Korea for supporting this initiative.
327. He then expanded on his earlier mention of the TFA and gave statistics in cross-cutting areas of WCO assistance and the TFA. These included post-clearance audit, risk management, Authorized Economic Operators, Coordinated Border Management, Time Release Studies and Single Window missions. There were also requests for general TFA awareness raising, needs assessment facilitation, action planning, establishing National Trade Facilitation Committees and implementing pre-arrival processing systems.
328. Finally, the Director commented on the issue of integrity and explained that the Chair of the ISC would provide more details, but stated again that capacity building and integrity were closely related and that it was impossible to run an administration and carry out reforms without a strong emphasis on integrity. Work had commenced on developing a risk mapping tool to identify potential abuse and corruption opportunities and he urged Members with relevant tools to share them with the WCO Secretariat. In addition, work had also commenced on a guide for managing the procurement process, including tenders, negotiations and contract management. The Ninth Issue of the WCO Integrity Newsletter had been published. In conclusion, he thanked Australia and Uruguay for providing case studies to be included in the WCO Integrity Development Guide.
329. The CHAIRPERSON OF THE CAPACITY BUILDING COMMITTEE, Mr. E. Checcucci, said that he was honoured to chair the CBC. The Fifth Session of the CBC had been attended by some 250 people. The Agenda had been very full and the enablers of capacity building (People, Partnerships and Political Will) had provided the framework for the Agenda.
330. The CBC had endorsed the progress of the people management tools as a fundamental requirement for sustainable and successful organizational development. The CBC had also spent some time on the issue of organizational performance measurement. It was timely to discuss this in light of the TFA because it was not only

necessary to conduct training and awareness but also to measure the impact and outcomes of the response to the TFA.

331. The Chairperson of the CBC then turned to the CBC's discussions on the TFA. He recalled how the 2003 WCO Capacity Building Strategy had been developed in anticipation of implementing the then WTO Doha Development Round of trade negotiations that had commenced in 2001. The WCO Capacity Building Strategy had been designed to prepare the Customs community to better support implementation of the expected agreement. In his view, the length of time taken to reach an international agreement had benefited the Customs community because the WCO's tools, instruments and methodologies and the procedures and organization of delivery had matured and this was now a huge asset of the WCO community. The experience and materials allowed the WCO to better support implementation of the TFA. The CBC had concluded that administrations needed to seek cooperation with other border agencies and take a leadership role in the implementation of the TFA.
332. In future, the CBC agenda would include working closely with the Mercator Programme that had been announced by the Secretary General and endorsed by the WCO Members earlier in the Sessions. The Chairperson of the CBC echoed a plea by the Director, Capacity Building, that Members should not forget that the bulk of Customs expertise lay within Customs administrations and that these experts needed to be made available. The CBC had concluded that it would be beneficial to support and work closely with the WCO Working Group on the Trade Facilitation Agreement (TFA Working Group).
333. Finally, he thanked all participants in the Fifth Session of the CBC and encouraged all Members to send a representative to the Sixth Session in February 2015.
334. The CHAIRPERSON OF THE INTEGRITY SUB-COMMITTEE then summarized the outcomes of the ISC meeting held on 3 and 4 April 2014. The theme of the meeting had been "*Managing governance risks by reorienting systems and processes to fight corruption*" and he linked it to the keynote speech given by Australia Customs Border Protection Service (ACBPS) that had undergone a complete reform of its processes to combat corruption. This introduction highlighted the fact that all countries needed to remain vigilant in relation to corruption, no matter what their degree of development. He indicated that a comprehensive case study from Australia was now included in the WCO Integrity Development Guide (IDG) which illustrated that shaping reforms under the angle of integrity was a very sensible approach. Uruguay Customs had also provided the Secretariat with its own case study that was also included in the IDG.
335. The Chair of the ISC reported that Members had shared experiences in the area of "risk mapping", which provided a means for identifying - and ultimately mitigating - risks. He urged Members to provide their contributions to the Secretariat as soon as possible and said that he would happily work with the Secretariat to create a first draft of the Risk Mapping Guide.
336. The ISC had also discussed the challenges posed by procurement practices and how Customs often did not participate in the negotiation of contracts. This caused them to be subjected, for example, to unfair and long-term contracts that undermined the role and influence of Customs on such contractual obligations. Members were encouraged to share their experiences in this field with the Secretariat so that the WCO could provide guidance in these aspects.

337. Finally, he indicated that WCO Members had received poignant presentations from Customs administrations that had emerged from post-conflict situations, where the practical challenges they faced had been openly talked about and had formed the basis of frank and interactive dialogue. The ISC had agreed to keep this item on the Agenda for the time being, because of the impact of such conflicts on governance. He concluded his presentation by thanking Members for having re-elected him as Chair of the ISC.
338. In the ensuing discussion, delegates congratulated the WCO, the Capacity Building Directorate and the CBC and ISC Chairpersons for their presentations and the work accomplished.
339. The Delegate of ARGENTINA indicated that her Administration would continue to support capacity building efforts, as well as being host of the Regional Office for Capacity Building. It would also support technical assistance requests with Argentine experts when possible, as requested by the WCO. Argentina would also continue to support South-South cooperation under the FO.AR (Fondo Argentina de Cooperación) funds. In addition, Argentina had created an introductory course about the TFA which was available in Spanish and English on the AFIP (Argentine Federal Administration of Public Revenue) Website. Conclusion of an agreement with the WCO was underway to arrange for the possible inclusion of the TFA course on the CliKC platform. She supported all documents presented by the CBC, as well as the integrity work on tendering processes, and would share Argentina's experience with the ISC. In conclusion, she valued the decision by the TFA Working Group to include the participation of the CBC.
340. The Delegate of CANADA said that capacity building and integrity were two of the most critical areas of activity for the WCO. It was timely to be reminded that people were the important driver leading organizational progress. He supported the alignment of the WCO of comprehensiveness on the one hand and of carefully considered needs on the other. That alignment should be applied to all Customs administrations, regardless of their maturity or complexity. The delegate offered two specific areas of support : first, in the area of performance measurement which was critical to any modernization effort, and where his Administration would help to develop indicators; and second, to support the work on drafting the proposed Risk Mapping Guide in relation to identifying opportunities for corruption and other integrity challenges.
341. The Delegate of CAMEROON thanked the WCO for providing tools and assistance in the context of the TFA. She indicated that what had been developed in the area of human resources and professionalism in Customs was very useful and that it emphasized the need to adopt a global approach to human resources management, that being key to sustainable Customs reform. She mentioned the Framework of Principles and Practices on Customs Professionalism as well as the WCO Virtual Customs Orientation Academy and thanked the Secretariat for its support in the context of the Sub-Saharan project. Finally, she emphasized that the development of individuals should be the foundation of any institutional development approach.
342. The Delegate of JAPAN emphasized that capacity building was important because it was the base of Customs operations. Japan had always contributed significantly towards the Customs Cooperation Fund (CCF) and would continue to support capacity building efforts financially and in terms of resource persons. Japanese Customs also supported capacity building activities via the ROCB Asia/Pacific with whom they were jointly preparing a needs survey on which their annual plan was based. He added that integrity had been brought up during the

Regional Meeting of the Heads of Customs and that Customs Heads had demonstrated a strong willingness to reform their institutions in order to enhance transparency of Customs operations to boost facilitation.

343. The Delegate of GAMBIA was grateful that seven WCO missions had been undertaken in his country in 2013/2014, including a mission aimed at reviewing its human resource policy as well as a Leadership and Management Development (LMD) workshop. He congratulated the WCO on the Framework of Principles and Practices on Customs Professionalism that would guide the Gambian Revenue Authority with its human resource strategy.
344. The Delegate of COSTA RICA indicated that his Administration wished to focus on integrity and explained that one of his staff had attended the 63rd Fellowship Programme. The Fellow's research topic had been on integrity and, in that context, she had developed a draft Code of Ethics for Costa Rican Customs. He was grateful for the assistance his country was receiving in terms of capacity building from the WCO and emphasized the importance of performance indicators and, in that connection, he indicated that Costa Rica was looking at what the Inter-American Development Bank had developed in this respect.
345. The Delegate of CUBA referred to the work undertaken in the area of trade facilitation and reiterated the importance of human resources because a Customs administration could not function properly without people and integrity.
346. The Delegate of ECUADOR explained that his Administration had been restructured several times over the past seven years. It had now developed a career plan to guarantee the sound development of human resources and his Administration had also developed a Code of Ethics.
347. The Delegate of TURKEY also emphasized the importance of people and human resources and welcomed the WCO tools such as the Framework of Principles and Practices on Customs Professionalism and the WCO Virtual Customs Orientation Academy. He informed the Council that Turkey was seconding an officer to the ROCB in Baku.
348. The Delegate of GERMANY referred to the motto "Strong People, Strong Organizations". He also referred to the training provided by his Administration to officers, and offered to provide experts for the WCO's pool of experts.
349. The Delegate of MALAYSIA expressed her full support for the CBC and the ISC. She highlighted a number of activities undertaken by the Regional Training Centre in Malaysia, including workshops on the Revised Kyoto Convention, Risk Management and soon also on the TFA which would be in cooperation with the Ministry of Trade. Capacity building was an important aspect of Customs management and a strong foundation for development. Malaysia was very interested in the WCO Virtual Customs Orientation Academy and was ready to participate in a pilot in that respect.
350. The Delegate of GEORGIA expressed appreciation for the WCO e-learning courses and expressed his view that, on the topic "Strong People, Strong Organizations", the WCO should be the best example of a good management profile, for example open and transparent governance, objectiveness, working environment and competitive selection processes. He highlighted the importance of Customs-to-business knowledge. He supported establishment of transparent mechanisms for selection within the scope of different fellowship and career

development programmes, including ensuring that relevant candidates possessed the requisite Customs and business knowledge. He then shared an example of a successful practice that related to the EMPA (Eastern Partnership - Integrated Border Management, Flagship Initiative Training) project, which encompassed six countries that bordered the European Union. The six countries shared instruction in integrated border management and inter-agency cooperation and Georgia proposed to Frontex that it work with the WCO to develop the training curriculum.

351. The Delegate of INDIA referred to the training programme of the Indian Training Academy and indicated that her Administration could offer its services in terms of expertise as it had accredited experts.
352. The Delegate of CHINA said that, for the first time last year, China had sponsored participants in the WCO Fellowship Programme and had also supported capacity building efforts in other ways, including translating the CLiKC platform into Chinese and organizing an integrity workshop in cooperation with the WCO. Following the workshop in China, the Asia/Pacific Region had decided to organize another integrity workshop in Australia next year.
353. The Observer for the WORLD BANK thanked the Capacity Building Directorate for having delivered on the projects that had been sponsored by his institution. He saw a future for further cooperation.
354. The Council took note of :
- the Report and Executive Summary of the Fifth Session of the Capacity Building Committee, held from 31 March to 2 April 2014;
 - the Report of the 13th Session of the Integrity Sub-Committee.
355. It urged Members to :
- send the Secretariat their good procurement and contract management practices;
 - submit information to the Secretariat on risk mapping related to corruption;
 - send integrity case studies to the Secretariat in order that they can be added to the Integrity Development Guide.
356. Finally, the CHAIRPERSON OF THE COUNCIL thanked the Chairs of the CBC and ISC for having shared their views with passion and enthusiasm. She also thanked the Director, Capacity Building and his team, and invited the Council to actively support the focus placed on people.

7. BUDGETARY AND FINANCIAL MATTERS

357. The CHAIRPERSON OF THE FINANCE COMMITTEE, Mr. B. O'Hearn, indicated that the Finance Committee had held its 95th Session from 7 to 10 April 2014. He thanked the WCO Secretariat for the active support rendered to him and the preparation of all documents for the session. He then informed the Council about members' attendance at Finance Committee sessions, as instructed by the Policy Commission, reporting that 16 of the 17 Finance Committee members had been present at the April 2014 session. This was one of the highest participation rates in recent years.
358. He noted that the financial health of the WCO was very solid, and informed the Council that the Finance Committee had been able to present a balanced budget for the coming financial year, for the first time in more than a decade. In addition to the balanced budget, the reserves stood at around 8.5 million euro, which underlined the good health of the WCO's finances. This was more than double what was legally required.
359. Turning to the action required of the Council based on the Finance Committee's recommendations, the Chairperson of the Finance Committee invited the Council to note that, when drawing up the budget for 2014/2015, the Finance Committee had taken account of the budget surplus for 2012/2013 (390,045.08 euro) and earmarked it specifically for implementation of the WTO Agreement on Trade Facilitation, and agreed that the funds freed up as a result should be used to close the gap between the general operating expenses and Members' contributions. Closing the gap had also been possible because the Secretariat contributed with additional savings of 49,000 euro in the future general operating expenses. He referred to the discussions held at the December 2013 Policy Commission and the importance of the work ahead on trade facilitation, which needed appropriate funding. The Finance Committee had had a lengthy and constructive discussion before arriving at this important consensus.
360. The Chairperson of the Finance Committee invited the Council to acquit the Secretary General of his financial responsibilities for financial year 2012/2013; to approve the setting of the general operating expenses for 2014/2015 at 16,415,679.35 euro (equivalent to a 1.99 % increase); to approve a final updated scale of contributions which would reflect a 1.5 % increase in overall contributions for financial year 2014/2015; to approve the Staffing Table for 2014/2015, showing the budgeted posts including the number of Technical Attachés, as agreed; to approve the proposed capital expenditure of 690,000 euro for financial year 2014/2015; to approve the high-level costing of the Strategic Plan as agreed; and to approve the revised daily subsistence and kilometric allowances with effect from 1 January 2014. He also invited the Council to adopt the Technical Attachés Manual and the amendments to the WCO Staff Manual as proposed, with effect from 1 July 2014. He added that the Technical Attachés Manual was a guiding framework document which could be adapted to administrations' needs and requirements in order to settle the legal basis for their Attachés who were serving at the Secretariat. In concluding this part of his presentation, he indicated that the above recommendations were contained in the Report of the 95th Session of the Finance Committee (Doc. SF0368) which was available to all Members. His written report to the Council had been distributed to the delegations in advance.
361. Referring to the discussions at the Policy Commission and the Council on elected posts and the criteria the WCO wished to set out, the Chairperson of the Finance

Committee felt that it was an opportune moment for the Finance Committee to review, update and provide clarity on the financial implications, benefits and obligations for elected posts. Given the time constraints for this review and any potential recommendations or suggestions that might arise from it, he suggested that the Council should provide full authority to the next Policy Commission session in December 2014 to approve, on the Council's behalf, any recommendations from the Finance Committee so that clarity on financial aspects could be provided along with any criteria for elected posts prior to next year's elections.

362. With regard to the pending question of remuneration for WCO Secretariat staff, the Chairperson of the Finance Committee briefly recalled that the Council, the Policy Commission and the Finance Committee had invested a considerable amount of time in this subject since 2012. The OECD-based Co-ordinated Organisations' Co-ordinating Committee on Remuneration (CCR) had recently been reaffirmed by the WCO as a benchmark, after this method had been used for more than 30 years as a benchmark for the Organization. For 2012, the CCR had proposed a 2.2 % increase, and 1.2 % for 2013. The proposal for 2014 had been a 0.3 % decrease in remuneration. In 2012, the Council had approved a reduced 1.1 % increase for 2012 in reference to the current financial difficulties of many Members and cuts in national civil service remunerations in some Members. The WCO Staff Committee had lodged a complaint with the Administrative Tribunal of the International Labour Organization (ILOAT) against this decision. At the time of the 2013 session of the Finance Committee, the Tribunal had not yet decided on the case and therefore the Finance Committee had recommended that the Council put on hold any decision for 2013. The WCO Staff Committee turned again to the Tribunal in challenging this decision also. Given that, at the time of the 2014 session of the Finance Committee, no decision had yet been reached by the ILOAT, the Committee suggested a pragmatic solution in anticipation of the Tribunal's decision, and had decided to provide the Secretariat with guidance for implementation in view of the forthcoming decision, rather than putting off a decision for another year.
363. In the event that the Tribunal ruled in favour of the Organization, the Finance Committee should uphold the Council's decision for 2012 and should implement the CCR recommendations for 2013 and 2014 in full. In the event that the Tribunal ruled in favour of the staff, the Finance Committee had instructed the Secretariat that it should implement in full the CCR recommendations for 2012, 2013 and 2014.
364. On 28 April 2014, the ILOAT had published a ruling in favour of the WCO staff, and the CCR proposals for calendar years 2012 to 2014 had therefore been implemented in full. Financial provisions for that purpose had been used to pay the arrears. The Chairperson of the Finance Committee said that the ILO Tribunal had noted that the WCO had been using the CCR recommendations for more than 30 years and had, in the past, confirmed this benchmark in several Council decisions.
365. Salaries and emolument-related expenses accounted for approximately 65 % of the WCO's budget, and, considering the Secretariat's small staff, that could not be reduced without a significant impact on the work of the Organization. The budget at stake was a considerable amount over which the Council had lost effective control. The Chairperson of the Finance Committee therefore recommended that the Council should instruct the Finance Committee to consider the implications of the ILO decision and related Council decisions at its next meeting, and make necessary recommendations for next year after consulting the Policy Commission also.

366. The Chairperson of the Finance Committee then turned to the Committee's deliberations on the Strategic Plan with its high-level costing. The Finance Committee had welcomed the ability to inform the December Policy Commission of financial implications in that regard. The Committee had agreed to work with the Secretariat to address timing and inputs. After a wide-ranging and informal discussion, and in order to review the planning cycle, including the Finance Committee's input, it had been decided to work with the incoming Chairperson of the Finance Committee to review the Committee's role in that cycle in relation to the proposals made to any December Policy Commission. At the Committee's last session, the benefits of having the Committee review the financial implications of the Operational Plan prior to the December Policy Commission had been identified, so that the Policy Commission could make better-informed decisions.
367. Finally, the Chairperson of the Finance Committee mentioned that in preparation for consideration of a potential new policy on WCO Publications in 2017, the Finance Committee had asked the Secretariat to update previous discussion papers for the Finance Committee's consideration at its next meeting. The Finance Committee had confirmed its commitment to the current policy as the status quo.
368. The COUNCIL CHAIRPERSON thanked Mr. O'Hearn for his clear and comprehensive report and invited comments from the floor.
369. The Delegate of the EUROPEAN UNION fully subscribed to the report presented and welcomed, in particular, the wise and skilful approach that Mr. O'Hearn had shown during his tenure as Chairperson of the Finance Committee. The Delegate lent his full support to the recommendation that the Finance Committee look into the consequences of the ILO Tribunal decision and see how the Finance Committee could fulfil its role according to its Terms of Reference.
370. The Delegate of MOROCCO asked if a consolidated report on the WCO finances could be presented to show the WCO's own budget, the voluntary contributions and the different expenditures. In referring to capacity building, he noted that several million euro were currently available for programmes. He felt that only a fragmented view was available if one looked at the various individual financial documents that were available. The consolidated document he was thinking of would reflect the financial situation but also the various programmes which were supported by contributions and donations. Such a report would perhaps stimulate others to provide donations as well.
371. The CHAIRPERSON OF THE FINANCE COMMITTEE explained that one document did already show the general operating expenses and also that a fairly detailed report was issued on an annual basis showing the totality of Customs Co-operation Fund (CCF) sponsored activities. All activities were also reflected in the costed Strategic Plan. In essence, all information was available and published but perhaps it could be presented in a more consolidated manner.
372. The COUNCIL CHAIRPERSON recalled earlier discussions in the Council, in particular around the issue of transparency, which included how to find information for the sake of transparency.
373. The Delegate of GAMBIA thanked the Chairperson of the Finance Committee for his report. He urged those present to be mindful of increasing any annual contributions to the WCO. Developing countries were struggling very hard to come up with their contributions and the Organization should be aware of that situation. They very much

appreciated what the WCO was doing for them, but their financial problems and difficulties should also be taken into account.

374. The CHAIRPERSON OF THE FINANCE COMMITTEE responded to this note of caution and said that, over the last several years, the Finance Committee had tried to be as conservative as possible in its recommendations relating to annual contributions and possible adjustments. He assured that any such decision came after long thought when an increase was proposed, and was based on robust discussions which had been held within the Committee and also bearing in mind a balanced budget.

375. The HEAD OF ADMINISTRATION AND PERSONNEL referred to the discussion on transparency and the availability of documents. He recalled that the Audit Committee had discussed that issue, and improvements had now been suggested to make its documents more widely available under agreed circumstances. The Finance Committee's documents, however, were available to all Members on the Members' Website. Guidance was provided on the Website via the Agenda of the relevant session of the Finance Committee, with the documents being linked to the various items on the meeting Agenda. He concluded by pointing out that at each session of the Finance Committee a review was presented of the previous year, the current year and the year to come. The financial situation and forecasts were set out as clearly as possible in accounting documents.

376. The Delegate of KOREA thanked the Chairperson of the Finance Committee and reaffirmed the firm commitment of his country to its role within the deliberations of the Committee.

377. In conclusion, the Council :

- took note of the report by the Financial Auditor for financial year 2012/2013 and the comments and recommendations of the Finance Committee relating to that report;
- acquitted the Secretary General of his financial responsibilities for financial year 2012/2013, as proposed by the Auditor, the Finance Committee and the Policy Commission;
- noted that, when drawing up the budget for 2014/2015, the Finance Committee had taken account of the budget surplus for 2012/2013 (390,045.08 euro) and earmarked it specifically for implementation of the WTO Agreement on Trade Facilitation, and had agreed that the funds freed up as a result should be used to close the gap between the general operating expenses and Members' contributions;
- approved the setting of the general operating expenses for 2014/2015 at 16,415,679.35 euro (equivalent to a 1.99 % increase);
- approved a final updated scale of contributions which reflected a 1.5 % increase in overall contributions for financial year 2014/2015;
- approved the Staffing Table for 2014/2015, showing the budgeted posts including the number of Technical Attachés;
- approved the proposed capital expenditure of 690,000 euro for financial year 2014/2015;

- adopted Decision No. 338, concerning the budgetary and financial provisions for 2014/2015 reproduced at Annex VIII hereto, including the scale of Members' contributions for 2014/2015 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 2014;
- adopted the Technical Attachés Manual;
- adopted amendments to the WCO Staff Manual as proposed, with effect from 1 July 2014;
- approved as a whole the Report on the Finance Committee's 95th Session, as contained in Doc. SF0368;
- instructed the Finance Committee to look into the implications of the ILO Administrative Tribunal and CCR process having regard to the significance of salary costs for the WCO budget;
- mandated the Finance Committee to review, and if necessary to update and provide clarity on, the financial implications, benefits and obligations for elected posts and, in view of the series of elections at the next Council Sessions, authorized the December 2014 Policy Commission to consider and approve, if appropriate, the recommendations of the Finance Committee;
- noted that the Finance Committee would work with the Secretariat to address the timing and inputs of the Finance Committee for the strategic planning cycle;
- noted that the Finance Committee would commence a review of the WCO Publications Policy with a view to presenting the Council with a revised policy before the Council Sessions in 2017;
- invited the Finance Committee to consider how the presentation of all income and expenditure and outlay, including donor funding, could be improved for Council discussions.

378. The COUNCIL CHAIRPERSON concluded this item by thanking Mr. O'Hearn on her own behalf and on behalf of the Council, the Secretariat and all Members for his excellent chairing of the sessions of the Finance Committee. Chairing this Committee required technical knowledge and was sometimes very difficult. Coming up with a balanced budget after such a long time was a significant achievement.

8. ELECTIONS

(a) Appointment of a Deputy Secretary General

379. It was announced that the candidates for the post were :

Mr. Shahid BASHIR (Pakistan)

Mr. Sergio MUJICA (Chile).

380. After indicative voting had taken place, Mr. S. Mujica was appointed Deputy Secretary General by acclamation for a second five-year term of office to begin on 1 January 2015.

381. The CHAIRPERSON congratulated Mr. Mujica on his appointment. Mr. MUJICA thanked his fellow candidate, Mr. Bashir, for a constructive election campaign and expressed his gratitude to delegates for their renewed support and for the opportunity to continue to serve the international Customs community and further enhance the WCO's contribution. He would do his utmost to meet Members' expectations and to support the Secretary General. The WCO was a great organization which had considerable responsibility since international trade was a real engine for economic and social growth. A true difference could be made if Customs performed well.

382. Mr. BASHIR congratulated Mr. Mujica on his re-election and said that he would continue to follow the work of the WCO and to endeavour to contribute to the international development process.

(b) Elections

383. It was announced that the candidates for the office of Chairperson were :

Mr. Zouhair CHORFI (Morocco)

Mr. Ruslan DAVYDOV (Russian Federation).

384. After indicative voting had taken place, Mr. Z. Chorfi was elected by acclamation as Chairperson of the Council for 2014/2015.

385. Mr. CHORFI thanked delegates for supporting him. He emphasized that the international Customs community was united and mobilized and he would do his best to work towards the Organization's objectives and help the Organization meet the challenges ahead. He paid tribute to the current Chairperson, Ms. Feehily, acknowledging the work she had accomplished and the very constructive and efficient contribution she had made to the Organization and the running of its meetings.

386. Mr. DAVYDOV congratulated Mr. Chorfi on his election and wished him well as Chairperson in leading the Customs community in the challenges and opportunities ahead.

387. The CHAIRPERSON then announced that following consultations between the Members in the various regions, it was proposed that the Delegates of Bahrain, Cameroon, European Union, Malawi, Malaysia and Mexico be elected Vice-Chairs for 2014/2015.

388. The Council agreed to the above proposals which were approved by acclamation.
389. Following consultations between the Members in the various regions, it was proposed that the Council elect as new members of the Policy Commission the Delegates of Brazil, Chile, Egypt, France, Germany, India, Italy, Korea (Republic of), Peru, Singapore and Thailand. It was noted that they would serve alongside a number of delegates elected to the Policy Commission one year previously, namely Argentina, Benin, Ghana, Japan, Kenya, Poland, Russian Federation, Saudi Arabia, Slovakia, South Africa, Spain, Turkey and United States.
390. Following consultations between the Members in the various regions, it was proposed that the following be elected to serve on the Finance Committee for 2014/2015 : Argentina, Canada, China, Dominican Republic, European Union, France, Gambia, Germany, Italy, Japan, Kazakhstan, Korea (Republic of), Netherlands, New Zealand, Saudi Arabia, Sweden, Uganda, United Kingdom and United States.
391. It was proposed that Mr. W. Williamson (United Kingdom) be elected Chairperson of the Finance Committee for 2014/2015 and that Mr. H. Tanaka (Japan) be elected Vice-Chairperson for that period.
392. 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, Brazil, Chile, Gabon, Islamic Republic of Iran, Jordan, Poland, Russian Federation, Tanzania, Togo, Tunisia and Zimbabwe.
393. It was proposed that the Delegate of Australia serve as Audit Committee Chairperson in 2014/2015 and that the Delegate of Tunisia serve as Vice-Chairperson for that period.
394. All these proposals were approved by acclamation.

9. OTHER BUSINESS

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

(i) Harmonized System Convention

395. The Delegate of BRUNEI DARUSSALAM deposited his country's instrument of accession to the Harmonized System Convention, bringing the number of Contracting Parties to 150.

(ii) Revised Kyoto Convention

396. The Delegates of TOGO and CAMBODIA deposited their country's instrument of accession to the Revised Kyoto Convention (RKC), bringing the number of Contracting Parties to 94.
397. The Delegate of TOGO explained that the President of the Togolese Republic had wished to deposit his country's instrument of accession in person, but had been unable to do so as he had to attend a Summit of Heads of State of the African Union.

The delegate emphasized that the RKC was considered to be an important trade facilitation tool and Togo's decision to accede to this instrument dated back to 2010. Since then the country had received valuable assistance from the WCO, helping to raise the awareness of the country's political leaders and also to train Customs officers and Customs partners in respect of the RKC. This had led to the adoption of a new Customs Code in April 2014. The ASYCUDA World system and Single Window for external trade would be operational in Togo by 1 July 2014, and an AEO programme was being finalized thanks to assistance from the Belgian Customs Administration. In closing, the delegate said that the Togolese Customs Administration intended to play a leading role in trade facilitation.

(iii) Regional Customs Laboratory

398. The Delegate of JAPAN signed a Memorandum of Cooperation with the Secretary General for the establishment of a WCO Regional Customs Laboratory in Japan.

(iv) Regional Dog Training Centre

399. The Delegate of GERMANY signed a Memorandum of Understanding with the Secretary General for the establishment of a WCO Regional Dog Training Centre in Germany.

(v) Grant Agreement for China Customs Cooperation Fund

400. The Delegate of CHINA, Vice-Minister Lv, signed a Grant Agreement with the Secretary General for the establishment of a China Customs Cooperation Fund which would support capacity building activities for the WCO's developing and least-developed Members.

401. Vice-Minister Lv, said that he was honoured to announce, on behalf of the Chinese Government, that the Customs Cooperation Fund-China would be officially launched on 1 July 2014. This would push international Customs undertakings towards common prosperity and assist WCO Member administrations, especially the developing and the least-developed Members, to better implement the WTO Trade Facilitation Agreement (TFA).

402. On behalf of China Customs, he expressed heartfelt gratitude to the WCO for its unwavering efforts to promote global trade security and facilitation, as well as pursue common prosperity of the Customs community. Sincere appreciation was also extended to all Member administrations for their outstanding contributions to the Customs family.

403. Each Customs officer in the world shared a piece of the historical mission of developing the international economy and trade, protecting national security, improving the well-being of people and accomplishing Customs reform and development. Facing such new challenges and opportunities as the uncertainties of global economic development, the increasingly difficult international security situation and the conclusion of the TFA, there was a need to fight hard together to overcome the current difficulties. Against this backdrop, China was establishing its Customs Cooperation Fund in the WCO. The first term of the Fund was five years and the total amount was 4.25 million US dollars. The CCF China would be mainly dedicated to capacity building initiatives to promote trade facilitation, improve compliance and enforcement, accelerate Customs modernization, etc.

404. Through increasing its investment in capacity building, China Customs hoped to carry out all-round “3M” cooperation with the WCO and other Member administrations. The “3M” could be defined as “Mutual recognition of controls”, “Mutual assistance in enforcement” and “Mutual exchange of information”.
405. First, under “Mutual recognition of controls”, China would further the mutual recognition of AEO and other control results, so as to reduce the cost to both trade and Customs, as well as to promote trade facilitation.
406. Second, through “Mutual assistance in enforcement”, China would continue proactively conducting joint operations in the fight against illicit trade, such as drug trafficking and waste smuggling, under the umbrella of the WCO, in order to safeguard trade and protect national security.
407. Last but not least, through “Mutual exchange of information”, China would further share its experiences on implementation of the TFA as well as enforcement intelligence and Customs data, in order to contribute to the establishment of Globally Networked Customs (GNC) and to deliver the synergies of international Customs enforcement.
408. China would continue adhering to the strategy of mutual benefit and “win-win” results. Likewise, China Customs would, as always, endeavour to pursue mutual beneficial cooperation with the WCO and its Members in order to make more concrete contributions to the international Customs community.
409. The SECRETARY GENERAL expressed his appreciation for the generous contribution from China. Earlier in the Sessions, the implementation of the WTO TFA had been discussed and China was demonstrating its willingness to support the Customs administrations of developing and least-developed Members in this respect. The Grant Agreement also contained other components such as support for human resources, including through the Fellowship Programme. This was a great asset for the international Customs community as a whole.
- (vi) Grant Agreement with the Korea Customs Service
410. The COMMISSIONER OF THE KOREA CUSTOMS SERVICE, Mr. Baek Un-Chan, signed a Grant Agreement with the Secretary General to support major WCO work and capacity building activities; the Grant included a substantial donation for a language fund.
411. Mr. Baek said that the Korea Customs Service had launched its Customs Cooperation Fund in 2011 to provide capacity building assistance to Member countries. This included support for the Fellowship Programme and for Project Map Database and Authorized Economic Operator IT consulting projects. This year the Korean Government had increased the amount of the Fund to about one million euro in view of the successful performance of the Fund to date. This included a contribution for new projects such as a Spanish language fund and WTO ATF workshops. He looked forward to the Fund being used effectively for the further development of global Customs administrations in the future.
412. On behalf of the WCO’s membership, the SECRETARY GENERAL expressed gratitude for the solidarity and good will shown by the Korea Customs Service towards Customs worldwide. He hoped that, through this Fund, the visibility and relevance of Customs in the international community would increase.

(vii) Mutual Recognition of Authorized Economic Operator Programmes

413. During the Sessions, bilateral Mutual Recognition Arrangements regarding Authorized Economic Operator (AEO) programmes were signed between Japan and Malaysia; Israel and the United States; and Hong Kong (China) and Singapore.
414. The Delegate of MALAYSIA explained that he was signing his country's first Mutual Recognition Agreement (MRA) and, in the process of realizing this MRA, Malaysia had acquired a great deal of knowledge from Japan Customs. He also expressed gratitude to all the participants in the AEO programme in Malaysia for their continuous support and hard work in making the programme a success. Malaysia had started the AEO programme in January 2010 and, to date, there were 49 AEOs comprising importers, exporters and manufacturers. It was planned to expand to warehouse operators, Customs brokers, logistic operators and transporters.
415. Malaysia was keen to have MRAs with other Members and was currently in preliminary discussions with a number of other Customs administrations. It was also willing to share its experience and provide technical assistance to other Members wishing to develop their own AEO programmes.
416. The Delegate of JAPAN said that the Agreement with Malaysia would promote trade and trade facilitation and would contribute to the economic development of the two countries and in the ASEAN area. He was particularly pleased that the Agreement was being signed just before Malaysia assumed the role of WCO Vice-Chair for the Asia/Pacific Region. He hoped that the Agreement would serve as a model in the Region.
417. The Delegate of ISRAEL explained that the Israeli AEO programme had been launched in 2010 and included various economic operators such as importers, Customs brokers, international freight forwarders, ports, bonded warehouses and other operators acting within the foreign trade supply chain. Those economic operators were approved by the Israel Customs Directorate after meeting strict criteria such as financial stability, compliance with foreign trade legislation and regulations, as well as strict security criteria.
418. Due to the importance of the AEO programme for Israel's foreign trade, Israel Customs was promoting Mutual Recognition Agreements with Israel's trading partners. This initiative was regarded as top priority.
419. Following the signing of the Mutual Recognition Agreement with the United States, the Israel Customs Directorate was in the process of negotiating several additional Agreements and the delegate invited other interested parties to initiate negotiations with Israel, in order to improve and secure international trade and the supply chain.
420. Finally, the Delegate of Israel thanked the United States for the excellent cooperation experienced while working on the Mutual Recognition Agreement.
421. The Delegate of the UNITED STATES congratulated Israel on its AEO programme and for its dedication and cooperation during the development of the Agreement, the signing of which further strengthened the strong relationship between Israel and the United States.

(b) WCO photo, poster and video competition

422. The SECRETARY GENERAL thanked the 37 administrations that had participated in the 2014 WCO photo, poster and video competition, the aim of which was to reflect and thus communicate the importance of Customs officers and the impact they were having around the world. The theme of the 2014 competition was “Customs Communicating Achievements”, and the entries received consisted of 31 photos, 6 posters and 1 video.
423. The Secretary General was pleased to announce that 88 administrations had voted - an increase on the previous year - and the winning entry was a “then and now” photograph submitted by ICELAND, entitled “Fifty years of change”.
424. He said the text accompanying the photograph explained that, about 50 years previously, Customs officers had to search through papers to access information kept in handbooks and registers of various kinds. The general public came to Customs to deliver or collect their papers and certificates, the only other forms of communication being the telephone and the radio. The situation was completely different today, with information being stored electronically and accessible whenever and wherever. Nowadays, Customs officers could also rely on high technology tools in their daily work, as well as sniffer dogs with their incredible capabilities.

(c) Upcoming event

425. The Delegate of SENEGAL announced that the next WCO IT Conference would be held in Dakar in May 2015. For developing countries, which were often faced with an inadequate transport infrastructure and cumbersome procedures, the use of technology was a means of reducing the time and the cost of carrying and clearing goods. He said that Senegal would be very pleased to welcome all Members and the private sector to the IT Conference in Dakar.

(d) WCO Vice-Chairpersons

426. The SECRETARY GENERAL said that five of the six WCO Vice-Chairpersons would complete their terms of office this year. Being Vice-Chair was a position of responsibility which Members took on in addition to their already demanding national obligations, and he relied very much on the Vice-Chairs for their advice and assistance. The Vice-Chairs stepping down this year were :
- Australia (Asia/Pacific Region), which had always sought to represent the diverse interests and circumstances of the Members in what was, geographically, the largest WCO Region. In addition, this year Australia had organized the annual WCO IT Conference in Brisbane, which had been very successful. The Secretary General thanked Mr. Mike Pezzullo, the CEO of Australian Customs and Border Protection, and his Deputy, Ms. Marion Grant;
 - Azerbaijan (Europe Region) which, as Vice-Chair for perhaps the most complex region with its 51 Members, had always been very supportive of the work of the Organization. Under the leadership of Mr. Aydin Aliyev, Azerbaijan had organized numerous conferences and meetings for the Region and beyond, in addition to being host to the ROCB for Europe, in which capacity it had always sought to ensure that the ROCB operated under the best possible conditions;

- Morocco (North of Africa, Near and Middle East Region), whose Director General Mr. Zouhair Chorfi had represented the Region with dedication and enthusiasm for several years. The Secretary General said that Mr. Chorfi had always been a source of very sound advice and guidance for him and for the WCO as a whole, and he looked forward to working closely with him in his new role as Council Chairperson;
- Nigeria (West and Central Africa) had completed two 2-year terms as Vice-Chair, during which it had done its utmost to ensure that all 23 Members of that Region were involved in the work of the WCO and the international Customs community, and had often assisted the countries of the Region to attend WCO events. The Secretary General requested that the WCO's best wishes and gratitude be conveyed to the Comptroller of Nigeria's Customs Service, Mr. Dikko Inde Abdullahi;
- Uruguay (Americas/Caribbean), which had contributed a great deal both to the Region and to the work of the Organization as a whole, under the leadership of Mr. Enrique Canon. In particular, it had been instrumental in ensuring that regular teleconferences took place as a means of keeping Members up to date with the latest developments, and had provided coordination and impetus for the translation of key WCO documents into Spanish.

427. The Secretary General wished all of the outgoing Vice-Chairs well, and conveyed his best wishes to the incoming Vice-Chairs, namely Bahrain, Cameroon, the European Union, Malaysia and Mexico. He looked forward to working with them over the coming year.

(e) Departure

428. The SECRETARY GENERAL paid tribute to Mr. Noël Colpin who would shortly be retiring as Director General of the General Administration of Belgian Customs and Excise after many years in post. Mr. Colpin had been instrumental in maintaining very good relations between the WCO and Belgium, the host country of the Organization. In addition, Mr. Colpin had always been a source of innovative ideas and indeed it had been Mr. Colpin who had brought Globally Networked Customs to the WCO's agenda. On behalf of the entire Customs community, the Secretary General thanked Mr. Colpin and wished him and his family all the very best for the future.

429. Mr. COLPIN thanked the Secretary General for his kind words. Throughout his career he had had the good fortune to meet many people who had enriched his life both intellectually and as friends, and that had helped him to achieve some important objectives for Belgian Customs and Excise. At the international level, he was particularly proud to have in some way been the founding father of Globally Networked Customs and the Audit Committee. He wished all the best to his colleagues in the international Customs family.

430. The CHAIRPERSON also expressed her best wishes to Mr. Colpin, thanking him for his contribution to the work of the WCO.

**10. DATE AND PLACE OF NEXT SESSIONS AND
CALENDAR OF MEETINGS FOR 2014/2015**

431. The 125th/126th Sessions of the Council would be held in Brussels from 11 to 13 June 2015, preceded by the 73rd Session of the Policy Commission from 8 to 10 June 2015. The 72nd Session would take place in Recife (Brazil) from 8 to 10 December 2014 at the kind invitation of the Brazilian Administration.
432. Subject to a number of amendments to the draft that had been circulated, the Council approved the Calendar of meetings for 2014/2015, which is reproduced at Annex XI hereto.

CLOSURE OF THE SESSIONS

433. The SECRETARY GENERAL paid tribute to the Council Chairperson, Josephine Feehily, who was now standing down after three years as Chair, during which time she had skillfully guided the Organization. As Chairman of the Irish Revenue Commissioners, Ms. Feehily had also helped lead Ireland out of a difficult economic situation. At the same time, her qualities had been recognized at international level, as evidenced by the fact that she was Chair not only of the WCO Council but also of the OECD Forum of Tax Administration. At the WCO, Ms. Feehily had been instrumental in ensuring that the Audit Committee was fully functional. She had championed governance and transparency and worked to increase Members' involvement in their Organization. The Secretary General wished her well for the future.
434. Ms. FEEHILY thanked the Secretary General for his kind words and also expressed her gratitude to all those who had helped ensure the smooth running of the Policy Commission and Council sessions. She paid particular tribute to the Vice-Chairs, past and present, who had provided her with support during her term of office.
435. In closing, she said that the WCO was an exceptional, and indeed an indispensable, Organization. It had evolved, grown and modernized itself considerably in recent years and she hoped that it would continue to do so in the future, with Members' support and active participation. The WCO was at a milestone point and would be moving forward to interesting and even better times. She hoped that, during her term as Chairperson, she had made a contribution to the modernization of the WCO and to her Government's policy of enhancing Ireland's international reputation. It had been an honour to serve the WCO and she wished the Organization and its Members every success in the future.

J. FEEHILY,
Chairperson.

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