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MINUTES OF THE 127TH/128TH SESSIONS
OF THE CUSTOMS CO-OPERATION COUNCIL
(Brussels, 14 - 16 July 2016)

TABLE OF CONTENTS

| | <u>Paragraphs</u> |
|---|--------------------------|
| OPENING OF THE SESSIONS | 1 - 3 |
| 1. Adoption of the Agenda | 4 |
| 2. Approval of the Minutes of the 125 th /126 th Sessions of the Council | 5 |
| 3. Comments by the Chairperson | 6 - 15 |
| 4. Report of the Secretary General | 16 - 98 |
| Keynote address by Jürgen Stock, Secretary General of INTERPOL | 99 - 116 |
| Keynote address by Molly Fannon, Director of Office of International Relations, Smithsonian Institution | 117 - 141 |
| Keynote address by Jim DuBois, Chief Information Officer (CIO) and Corporate Vice President, Microsoft | 142 - 157 |
| Keynote address by Henri Barthel, Vice President, System Integrity and Global Partnerships, GS1 Global Office | 158 - 184 |

| | <u>Paragraphs</u> |
|---|--------------------------|
| 5. Policy matters : | 185 - 314 |
| “A” Items | |
| (a) SAFE Framework of Standards and aviation security | 188 |
| (b) Economic Competitiveness Package Action Plan - Progress Report | 189 |
| (c) Compliance and Enforcement Package - Progress Report | 190 |
| (d) Performance Measurement | 191 |
| (e) Report on Private Sector Consultative Group Meeting | 192 |
| “B” Items | |
| (f) Digital Customs | 194 - 199 |
| (g) E-commerce | 200 - 218 |
| (h) Security initiative - Follow-up to Punta Cana Resolution | 219 - 220 |
| (i) Customs-Police cooperation | 221 - 222 |
| (j) Customs-Tax cooperation | 223 - 236 |
| (k) Protection of cultural heritage - Council Resolution | 237 - 242 |
| (l) Revenue Package Phase III Action Plan | 243 - 245 |
| (m) Report by Working Group on Governance | 246 - 300 |
| (n) Strategic Plan for the years 2016/2017 to 2018/2019 : Operational Plan for 2016/2017 | 301 - 303 |
| (o) Audit Committee Report | 304 - 310 |
| (p) Status of WCO regional bodies | 311 - 314 |
| 6. Technical matters : | 315 - 411 |
| (a) Tariff and Trade Affairs : | 315 - 364 |
| Introduction | 315 - 316 |
| (i) Nomenclature and Classification | 317 - 342 |
| (ii) Valuation | 343 - 351 |
| (iii) Origin | 352 - 364 |

Paragraphs

| | |
|--|-----------|
| (b) Capacity Building | 365 - 398 |
| (c) Compliance and Facilitation | 399 - 411 |
| 7. Budgetary and financial matters | 412 - 430 |
| 8. Elections | 431 - 444 |
| 9. Other business : | 445 - 457 |
| (a) Accession to WCO instruments, signing of Memoranda of Understanding and other Agreements : | 445 - 447 |
| (i) Revised Kyoto Convention | 445 |
| (ii) Regional Training Centre | 446 |
| (iii) Regional Dog Training Centre | 447 |
| (b) Smart and Secure Trade Lanes (SSTL) Pilot Project | 448 |
| (c) WCO photo competition | 449 - 450 |
| (d) Upcoming event | 451 |
| (e) WCO Vice-Chairpersons | 452 - 453 |
| (f) Tribute | 454 - 457 |
| 10. Date and place of next sessions and Calendar of meetings for 2016/2017 | 458 - 459 |
| CLOSURE OF THE SESSIONS | 460 |

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ANNEXES

- Annex I : List of Participants
- Annex II : Resolution of the Customs Co-operation Council on the Role of Customs in Preventing Illicit Trafficking of Cultural Objects
- Annex III : Strategic Plan 2016/2017 to 2018/2019
- Annex IV : Operational Plan - Tactical Activities 2016 to 2017
- Annex V : Decision of the Council No. 345 - Budgetary and Financial Provisions and Amendments to Regulations and Rules
- Annex VI : Guidelines on the use of WCO Reserves
- Annex VII : Decision of the Council No. 346 - Elections
- Annex VIII : Calendar for 2016/2017

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MINUTES

OPENING OF THE SESSIONS

1. The 127th/128th Sessions of the Council were held at WCO Headquarters in Brussels from 14 to 16 July 2016. The list of participants is reproduced at Annex I.
2. The CHAIRPERSON declared the proceedings open and welcomed the participants, including the three new WCO Directors who had taken up their post on 1 January 2016 and the approximately 50 Directors General of Customs who had been appointed since the previous year's Council Sessions. The Chairperson said that he was looking forward to three days of constructive discussions which he hoped would be useful and productive for the work of the Customs community world-wide.
3. The Council began by observing a moment's silence in memory of Customs officers all over the world who had lost their lives during the previous year. The Chairperson made particular mention of the two French Customs inspectors who had died in the terrorist attacks in Paris in November 2015, the two Polish Customs officers seriously injured in the attack on Brussels airport in March 2016, and the Turkish Customs officer who had lost his life in the recent attack on Istanbul airport. He also mentioned the former Head of the Zambian Customs Administration and WCO Director of Tariff and Trade Affairs, Mr. Chriticles Mwansa, who had sadly passed away in April 2016. In the course of the Sessions, a minute's silence was also held as a gesture of solidarity with France and with the victims - including a Swiss Customs officer - of the tragic events in Nice on 14 July.

1. ADOPTION OF THE AGENDA

4. The Agenda set out in Doc. SC0150 was adopted unchanged.

2. APPROVAL OF THE MINUTES OF THE 125TH/126TH SESSIONS OF THE COUNCIL

5. The Minutes of the 125th/126th Sessions of the Council, contained in Doc. SC0143, were approved.

3. COMMENTS BY THE CHAIRPERSON

6. The CHAIRPERSON said that, since the previous Council Sessions, the global environment impacting on Customs administrations had changed considerably. Partnerships and trade agreements had been signed in a number of regions and expansion of the WTO Agreement on Information Technology had been agreed in Nairobi in December 2015. World trade had evolved but had not regained its previous vigour, and growth remained relatively weak. Above all, the past year had been marked by an increase in terrorist activities around the world.
7. He welcomed the commitment of the Customs community to respond to the challenges faced and the excellent work accomplished since the previous Sessions, congratulating the technical working bodies and the Management of the WCO on the rate and quality of the progress made under the four pillars of the Organization's Strategic Plan. He also emphasized the importance of the solid partnerships that

existed between the WCO and other international organizations, helping to ensure that the WCO was at the heart of developments to promote growth and the wellbeing of society. During his term as Council Chairperson, he had witnessed the capability of the WCO and Customs administrations to constantly adapt to the environment and rise to new challenges.

8. The Chairperson then turned to two major topics that had taken on particular significance for Customs over the past two years.
9. The first area was trade facilitation where, after the adoption of the WTO Agreement on Trade Facilitation (TFA), the WCO had responded immediately with the Dublin Resolution, followed up by the development of a mechanism to transform that Agreement into practical reality. The Mercator Programme was designed to strengthen Customs administrations and ensure that they had the capacity and tools to implement the TFA effectively. He pointed out that over 80 WTO Members had so far ratified the TFA.
10. The second key issue to emerge was terrorism, which concerned everyone and constituted a major challenge and threat. The Policy Commission's session in Punta Cana in December 2015 had provided an opportunity to focus on this issue and the Punta Cana Resolution had been adopted to set out clearly the Customs community's commitment to be an active player in combating terrorism. There was now a clear vision of the role of Customs, working with other parties, to step up the fight against the scourge of terrorism. Since the adoption of the Punta Cana Resolution, much progress had been made, notably in respect of Coordinated Border Management, Customs/Police cooperation and risk management.
11. The instruments developed, such as the Mercator Programme, were a necessary first response but were not in themselves sufficient to deal with the issues. In order to meet the challenges, there was a need for modernization of Customs administrations and improved efficiency, and that was where Digital Customs came in. The Chairperson was pleased to note the progress made in this regard and he thanked the various committees which had worked on this issue, leading to the development of a Maturity Model to provide the foundation for moving forward with an appropriate infrastructure and the necessary human resources. Information technology offered new possibilities for Customs administrations for both facilitation and compliance, and some 40 countries had so far provided their experience of the use of IT and others were urged to do the same.
12. The Chairperson then drew attention to another important topic, namely performance measurement to enable Customs administrations continuously to assess their progress on the basis of objective tools. A start had been made in this respect through the "Achieving Excellence in Customs" initiative, with its some 20 criteria. However, he considered that progress to date had not been sufficient to produce a tool that administrations could use to evaluate their performance. Increased global interdependence meant that it was important that all administrations advance in the same direction with regard to performance towards a common objective, irrespective of their starting point. If a particular administration was lax in respect of issues such as corruption, that could have an impact not only internally in a country but also on other countries or partner administrations. A good Customs performance measurement tool was essential because, in its absence, other organizations published rankings which were neither rigorous nor professional and whose objective was unclear.

13. Other important dossiers were, of course, also underway and would be taken up during the current Sessions, e.g. the Revenue Package which was of particular importance to a sizable number of administrations where Customs revenue (sometimes accounting for 50 to 60 % of the country's tax revenue) was vital for the State to pursue its policies. There was also a link here to another topic on the current agenda, namely Customs-Tax cooperation.
14. Finally, looking back over the past two years, the Chairperson said that he had come to appreciate that, in view of their wide-ranging responsibilities and powers, Customs administrations were in a position to bring several layers of response to a particular challenge. With regard to terrorism, for example, the first level of response had to be one of security and Customs was well placed to respond in that respect through the exchange of information and through risk management. However, the response to terrorism also had an economic dimension - the long-term response involved achieving greater growth, more employment and better prospects for the young. Once again, the Customs had a role in helping to create the conditions for healthy and sustainable growth based on trade facilitation while protecting the environment. This year, Morocco would be hosting COP22 and Moroccan Customs was involved in a range of initiatives with an ecological dimension in support of growth and wealth creation.
15. In closing, the Chairperson emphasized that Customs was a true family which shared common concerns. There was, however, now a need to raise the level of vigilance, solidarity, cooperation and determination in the face of the heightened terrorist threat which was destabilizing certain States but which concerned all nations.

4. REPORT OF THE SECRETARY GENERAL

16. In his oral report, the SECRETARY GENERAL provided an overview of the Organization and its activities, indicating that the number of Members remained 180, but accession to WCO instruments continued to increase. The Harmonized System Convention currently had 154 Contracting Parties, one more than at the last Council Sessions, while the Revised Kyoto Convention (RKC) stood at 103 accessions, an increase of two since the last Council, with the Istanbul Convention remaining at 67 Contracting Parties. Finally, one more Member had accepted the amendment to the Convention establishing a Customs Co-operation Council since the last Council Sessions, bringing the total number of acceptances to 72.
17. As for Secretariat staff, the number of personnel currently stood at 172 with 63 nationalities represented. There were 45 Technical Officers, 35 Technical Attachés from 20 countries, generously seconded by Members at their own expense, and 10 Professional Associates who had the opportunity to train at the WCO thanks to funding from Japan. The Secretary General noted that half the WCO staff posts were financed by Members' contributions.
18. Turning to the Organization's finances, the Secretary General said he was implementing strict management towards a balanced budget. The Organization had achieved a surplus of 1.2 million euro for financial year 2014/2015, thus bringing the Reserves to 9.8 million euro. Based on recommendations by the Finance Committee, the Policy Commission had discussed the use of the Reserves and submitted three proposals to the Council : adoption of Guidelines on the Use of the Organization's Reserves, creation of a Customs Co-operation Fund (CCF) of one million euro per year for three years, and the establishment of a study on the use of additional languages at

a cost of up to 100,000 euro. The Secretary General pointed out that the proposals to use the Reserves related solely to the excess Reserves and did not affect the minimum requirement that 25 % of the amount allocated as General Operating Expenses (GOE) be retained as Reserves to cover unexpected events.

19. The Secretary General also said that the Publications Policy, and more specifically its financial aspects, had been addressed during the Policy Commission session and that the question would be discussed later in the Sessions when the Report of the Policy Commission was presented.
20. The Finance Committee's recommendation for the coming financial year was for a 1.7 % in the GOE, to achieve an overall budget of 17 million euro, and for a 1.5 % increase in Members' statutory contributions.
21. The Secretary General thanked Members for the generosity of their voluntary contributions in support of capacity building activities as well as for the provision of national experts. Over the course of the past financial year, 40 % of missions had been conducted with assistance from national experts.
22. Finally, the Secretary General thanked the Members which hosted the regional offices and the administrations which seconded officers to the regional structures.
23. He then recalled that the Organization published an Annual Report setting out the WCO profile, its key activities and Members' profile. The Customs community currently comprised 820,000 Customs officers. The percentage of female Directors General had decreased, currently accounting for only 10 % in comparison with 13 % last year. Finally, 28 % of Members were revenue authorities. Revenue collection was an important issue and the Annual Report contained detailed figures in that respect.
24. The Secretary General then stated that a series of regional meetings of Directors General had taken place in the first six months of 2016, during which topics of importance to Customs had been addressed, such as trade facilitation, security and Digital Customs. Those meetings had been very successful and well attended.
25. He referred to the measures taken to raise the profile of the WCO and Customs as a whole. He had met personally with Presidents, Prime Ministers and Ministers as well as with Heads of international and regional organizations, and had also taken part in several conferences organized by the WCO, including the PICARD Conference (held in Baku (Azerbaijan) in September 2015) on Customs research and academia's contribution in this respect, covering key issues such as cultural heritage. During the Technology & Innovation Forum (held in Rotterdam (Netherlands) in October 2015), discussions on Digital Customs, technology and big data had generated interesting ideas. He had also attended the AEO Conference (in Cancun (Mexico) in May 2016). Sixty-nine Authorized Economic Operator (AEO) programmes were currently functioning throughout the world and 40 Mutual Recognition Agreements (MRAs) had already been concluded. Finally, the Secretary General referred to the IT Conference & Exhibition (held in Dakar (Senegal) in June 2016), which had focused on the content of the IT Guide for Executives, and the components for launching Digital Customs.
26. With regard to the current environment, the Secretary General shared his concerns about security. Following a number of attacks carried out in various cities - including Brussels, Baghdad, Istanbul and Dhaka - border security had become critical. The SAFE Framework of Standards already existed in this connection; however, tools

- needed to be developed that were more explicitly tailored to tackling this problem. He also observed a slowdown in trade growth, with real GDP growth falling and trade volumes decreasing. The drop in trade volumes was particularly significant for emerging markets. The latter were, however, rebalancing their economies and now focusing more heavily on producing intermediate goods rather than importing them. The decline in the price of oil and other commodities also had an impact on trade.
27. The Secretary General then turned his attention to events creating a climate of uncertainty for global trade and the economy. To begin with, in April 2016 the “Panama Papers” affair had revealed inequalities in the global economy and added another element to the debate on globalization, which sought to ascertain whether globalization had been truly beneficial or whether the issue needed to be looked at from another angle. Some felt that these elements had played a role in the United Kingdom’s referendum on “Brexit”. These events had led to demands for greater tax and trade transparency and also could potentially have an impact on the Multilateral Trade Agreements in the WTO. The Trade Facilitation Agreement (TFA) was a positive aspect, but the way forward post-Doha Round was still to be determined as the issue of market access was dividing governments. Regional trade agreements were also affected. These agreements ought, however, to help global markets and economic recovery, notwithstanding political uncertainty.
28. The Secretary General addressed the issue of the use of technology, and more specifically the digital revolution. He noted the exponential growth in the use of the Internet and mobile phones compared with other technologies. E-commerce, the Internet of Things, big data and social media were all policy issues to be taken into consideration. Customs administrations made extensive use of information technologies and this facilitated their work.
29. In response to the ongoing debate on globalization and the resolve of many policy-makers to curb the costs entailed by globalization and boost trade facilitation, the Secretary General presented the new Strategic Plan built on four pillars : the Economic Competitiveness Package (ECP), the Revenue Package (RP), the Compliance and Enforcement Package (CEP) and the Organizational Development Package (ODP). The Strategic Plan showed that benefits could be gained while addressing the vulnerabilities accompanying globalization. The Secretary General explained that the proposed measures were being implemented at national level; however, the Strategic Plan made it possible to consider the global outlook and provided a harmonized international framework.
30. With regard to the ECP, the Secretary General pointed out that the WCO was continuing to produce new tools in support of the RKC and the TFA. He presented the various measures taken as part of this Package. A study had been carried out into Customs brokers, which had been very well received and had provided a starting point for dialogue. A Transit Handbook and Transit Guidelines were also being established to increase the efficiency of transit. Many regional workshops had been held on this topic and there were plans to organize a major global conference on transit next year. Regional integration was important and this had been highlighted following the signing of a Memorandum of Understanding (MOU) with the Eurasian Economic Commission and the Dialogue with Presidents of Central America to explain the WCO’s mission and the importance of Customs. The Secretary General also announced that an in-house study into regional integration would be initiated.
31. Turning his attention to the WTO TFA, the Secretary General said that the WCO had set up its own Working Group to analyse the TFA tools and promote

border agency cooperation. This made it possible to create synergies between the international organizations with competence in the various relevant areas, such as animal or plant health or the transport sector. In December 2015, a WTO Ministerial Conference had been held in Nairobi and this had been accompanied by a WCO/Kenya Revenue Authority joint event. In addition, a Communication to the WTO had been adopted at the Policy Commission session in Punta Cana in December 2015 to underline the important role played by Customs in TFA implementation.

32. The Secretary General then highlighted the Mercator Programme, launched two years previously and whose first round, entailing the organization of regional awareness-raising workshops, had now been completed. Technical assistance had been put in place enabling 180 missions to be carried out over the past two years. The WCO was now entering the third phase of the Programme - tailored support. That phase would involve analysis of previous assessments by helping Members develop a roadmap. A Time Release Study (TRS) should also provide baseline data for measuring progress and, finally, monitoring should be carried out using the roadmap to continue providing assistance to Members. In conclusion, the Mercator Programme should facilitate Customs modernization through implementation tools and best practices, through the development of Mercator Programme Advisors and through the securing of donor funding to pursue these efforts.
33. The Secretary General then referred to the SAFE Framework of Standards, which supported the pursuit of competitiveness through supply chain security. The WCO was working in cooperation with the International Civil Aviation Organization (ICAO) and a new version of a joint brochure entitled "Moving Air Cargo Globally" would be presented at an upcoming Conference in Malaysia. ICAO was also supporting the expansion of the Container Control Programme (CCP), conducted in partnership with the United Nations Office on Drugs and Crime (UNODC), from the maritime sector to the air transport sector. The Secretary General further stated that the WCO had established a Technical Expert Group to ensure progress with interoperability of scanned images. In this connection, the Europe region had set up a new Centre of Excellence in Scanning Technology in Saint Petersburg (Russian Federation).
34. The Secretary General then spoke about cooperation with the Private Sector Consultative Group (PSCG) and its usefulness for implementing WCO tools. The composition of the PSCG for the coming year would be : American Association of Exporters and Importers (AAEI), BMW Group, Caterpillar, Confédération Générale des Entreprises du Maroc (CGEM), Diageo, e-Bay, Federation of National Associations of Ship Brokers and Agents (FONASBA), Fonterra, Global Express Association (GEA), Groupe AJAVON [to be confirmed], Haier Group, Huawei, International Air Transport Association (IATA), International Chamber of Commerce (ICC), International Federation of Customs Brokers Associations (IFCBA), International Federation of Freight Forwarders Associations (FIATA), International Road Transport Union (IRU), Microsoft, Opora, Procomex, [member from East and Southern Africa - to be identified].
35. The use of information technology was highly important and he referred to the WCO's theme for the current year - "Digital Customs : Progressive Engagement", in respect of which the Policy Commission was recommending the adoption of a Maturity Model and a two-year work plan. In the area of e-commerce, the Policy Commission also proposed the establishment of a Working Group comprising Customs, international organizations and the private sector. The growth in Internet sales had boosted parcel shipments, and information exchange in this respect had become

crucial, especially with postal services. He was currently holding discussions with the Director General of the UPU aimed at issuing a joint letter to both Customs and Postal authorities to promote better cooperation in the future.

36. The Secretary General then presented progress in respect of the Revenue Package. The WCO was continuing to provide assistance in effective use of Phase I and Phase II tools and it was now proposed that Phase III be initiated, as endorsed by the Policy Commission. This new Phase was aimed at enhancing Customs-Tax cooperation and presenting a Customs-Tax Handbook. Other topics would also be broached, such as origin and post-clearance audit, fragile borders and control of mineral resources (brought up by the West and Central Africa region) and strengthening the network of Customs laboratories. The Secretary General also stressed that cooperation with the Organisation for Economic Co-operation and Development (OECD) and the International Monetary Fund (IMF) should continue, especially with work on issues of transparency and taxation.
37. With regard to the Compliance and Enforcement Package (CEP), the Secretary General referred to the Punta Cana Resolution adopted during the December 2015 Policy Commission session, when a Global WCO Counter-Terrorism Strategy had been endorsed. Under that Strategy, Customs should be able to produce passenger profiles and step up checks by means of passenger controls (using API and PNR). The Policy Commission had adopted important guidance in that regard. Improvised explosive devices had also been the focus of missions under the Global Shield Programme. The United Nations (UN) General Assembly had adopted a Resolution in which it had recommended this Programme to curb trafficking in chemical precursors used in the manufacture of improvised explosive devices.
38. The WCO had also taken initiatives in the area of strategic trade relating to the utilization of dual-use products to manufacture weapons of mass destruction. The Secretary General stated that this had been the focus of Operation COSMO which was going to become a more permanent project and that the WCO was using the 12C information centre to address this threat. The fight against terrorism also related to small arms and light weapons. The United Nations had adopted an Arms Trade Treaty which had entered into force in December 2014. The WCO would work in cooperation with the United Nations Office for Disarmament Affairs and an MOU was being prepared between the two parties. Finally, anti-terrorism measures should target terrorist financing. To that end, the Secretary General explained that work had to be carried out on currency smuggling, money laundering and illicit trade. The latter was a major source of terrorist financing and the issue of cultural heritage was often mentioned in this connection. The Secretary General pointed out that dialogue had been established with the relevant UN Security Council Committees. In this connection, he thanked New Zealand which had made available one of its Attachés in Washington D.C. to follow up on the dialogue between the WCO and the United Nations bodies.
39. Also concerning the CEP, the Secretary General highlighted partnerships built with other international organizations. He referred to counter-terrorism cooperation missions with the United Nations, the development of a Customs-Police Handbook in partnership with INTERPOL, the Container Control Programme conducted jointly with the United Nations Office on Drugs and Crime (UNODC), a draft Resolution with the United Nations Educational, Scientific and Cultural Organization (UNESCO) to cooperate on the protection of cultural heritage, an MOU on illicit trade signed with the OECD, and the creation of a partnership with the transport sector through the Royal Foundation "United for Wildlife".

40. The implementation of WCO enforcement activities required the use of technology. On this topic, the Secretary General referred to CENcomm and IPM to protect intellectual property rights, especially in the areas of health and safety of citizens; the rollout of Operation SKYNET II in December 2015 which had revealed an increasing use of postal and express parcels for trafficking of illicit drugs and precursors; and the implementation of Operation GRYPHON II between March and April 2016 aimed at tackling the illicit tobacco trade. The Secretary General pointed out that this project had been conducted using I2C as the Operational Coordination Unit (OCU), and “Iris”, which was an open source of intelligence. Finally, he mentioned the INAMA Project with ongoing training events to combat the illicit wildlife trade in Africa.
41. The Secretary General then turned to the fourth Package in the Strategic Plan, namely the Organizational Development Package (ODP). He presented the CLiKC! platform, an e-learning platform with over 20,000 users, as one of the examples of the use of technology. In addition, some 61 leadership and management development missions had been carried out. With regard to Integrity, the Secretary General recalled that Integrity Newsletters were issued regularly and that the WCO had taken part in the OECD Integrity Forum and the G20 Anti-Corruption Working Group, which was championed by Mexico. Finally, the WCO was continuing to provide capacity building/technical assistance support. It had organized Donor Conferences in the West and Central Africa, East and Southern Africa and Americas regions, had reviewed the accreditation system for experts to ensure their quality, and was supporting regional structures by publishing best practice guidance. The Secretary General announced that a new Regional Training Centre had opened in the last year in Jordan, in the North of Africa, Near and Middle East region.
42. In order to raise the performance and profile of Customs, the WCO had set a high level of delivery of capacity building and technical assistance missions and indeed had conducted 400 such missions. The Secretary General also stressed that performance measurement was an important element and that was why the WCO was currently collecting “Achieving Excellence in Customs (AEC)” data, which would be analysed and subsequently reviewed at the December 2016 Policy Commission. He added that this year’s Knowledge Academy had attracted over 200 participants and that the WCO News magazine continued to raise the profile of Customs.
43. In concluding his presentation, the Secretary General referred to upcoming events, including the ICAO-WCO Conference on Air Cargo Security and Facilitation in July 2016 in Kuala Lumpur (Malaysia), the PICARD Conference in September 2016 in Manila (Philippines), the WCO-OECD Joint European Forum on Illicit Trade in November 2016 in Brussels, the IT Conference and Exhibition in June 2017 in Tbilisi (Georgia), and the Transit Conference in July 2017 in Brussels.
44. The CHAIRPERSON thanked the Secretary General for his excellent presentation, reflecting the richness and diversity of the work carried out and the progress made over the past year.
45. In his capacity as Vice-Chair for the Asia/Pacific region, the Delegate of MALAYSIA stated that in line with the theme of Digital Customs, Malaysia had organized a private sector engagement forum in conjunction with the 17th Regional Heads of Customs Administration Conference (RCHA) from 14 to 18 March 2016. The forum theme was “the use of advanced technology for effective and efficient Customs operations”. It had been attended by over 300 participants from Customs, other government agencies and the private sector. An exhibition had also been held with

participation by 11 local and foreign companies which had displayed high technology devices used by Customs in their daily operations. The delegate explained that several items had been endorsed during the RCHA, including the new Regional Strategic Plan for 2016-2018, new Terms of Reference for the Regional Contact Points and the new mechanism for nomination of the WCO Asia/Pacific Vice-Chair. The Conference had also discussed Members' experience in implementation of the WTO TFA and had identified regional priorities which would be the basis for developing the new Strategic Plan for 2018-2020.

46. The Delegate of the UNITED STATES recalled the relevance of the role of border agencies, as stressed by the Secretary General. He focused on two issues on which he invited the WCO to pursue its efforts, those being trade facilitation and trade enforcement. With respect to facilitation, the delegate said that the TFA would soon enter into force and encouraged work to continue in this regard, as well as on promotion of accessions to this Agreement. In particular, he suggested that Members develop a Single Window and committed his Administration to share its experiences regarding implementation of the Automated Commercial Environment (ACE). The United States had made considerable progress on implementing ACE and learned a great deal through cooperation involving Customs and Border Protection (CBP), the 48 partner Government agencies with a role in import/export processes and the international trade community. The Single Window was set for completion by December 2016 and, in recent days, close to 98 % of entries had been filed using this portal. The delegate further explained that the United States worked with its neighbours on cross-border harmonization. The aim was to share a Single Window vision among Canada, Mexico and the United States, implement a roadmap with stakeholders to provide forward movement towards a shared vision and harmonize efforts relating to import/export data to streamline the flow of products to, from and among Canada, Mexico and the United States.
47. Turning to enforcement, the Delegate of the United States declared that President Obama had signed trade legislation granting new responsibilities to CBP. It was important to prevent bad actors from being involved in the supply chain, not only to protect economies but also to protect citizens from illegal and dangerous goods. The delegate announced that the United States would become an active participant in the WCO Global Trade Enforcement Network (GTEN), a platform which should allow for even greater bilateral cooperation. He committed the expertise of CBP officials in working with the WCO Secretariat and other Members to develop new operational approaches to enhancing enforcement. He suggested that this work take place through existing activities and forums, which might include Regional Intelligence Liaison Offices (RILOs), the Global Information and Intelligence Strategy (GIIS) Project Group and the Working Group on Revenue Compliance and Fraud. The delegate then presented what he believed to be the three most important drivers for increased efficiencies when it came to enforcement : increased information sharing between Customs administrations, building on the solid foundation of the GTEN platform and disrupting illicit activities; the definition of common standards to determine what kind of information may be shared in a way that respects privacy and confidentiality of information; and finally the development of standard methodologies that defined best practices for risk assessment and enforcement, in order to be more effective in the protection of domestic industries and the economy at large. The delegate brought his intervention to a close by declaring that procedures should be more transparent in order to elevate partnership with the trade community.
48. The Delegate of AUSTRALIA stated that Australian Customs had seen significant and historic change over the past year by becoming an integrated service. Over the

next four years in Australia, the number of imported sea cargo reports was expected to increase by 14 % and the number of inbound air cargo consignments was expected to grow by 26 %. The delegate indicated that, to deal with these issues, her country had introduced the Australian Trusted Trader programme, which was a fundamental trade reform for Australia. She announced that the pilot programme had concluded successfully. It had been conducted with 41 operators and, on 1 July 2016, the programme had opened to all Australian businesses. Australia's ambitious agenda aimed at having 1,000 participants over the next four years. This AEO programme had been co-designed with industry and made it possible to accredit businesses against supply chain security as well as trade compliance. Accredited businesses (importers, exporters and service providers) gained benefits such as deferred payment and reduced interventions. The delegate said that MRAs with trading partners were an Australian priority and that the first MRA, on a secure trade lane, would be signed with New Zealand later in the week. It focused on innovation and would foster trade. The delegate concluded by declaring that Australia was ready to share its experience with other Members.

49. The Delegate of MEXICO said that, as Vice-Chair of the Council, Mexico had sought to be an example for other Members and, in particular, had signed several MRAs and presented WCO instruments in other important forums such as the G20. He referred to the growth of terrorism and expressed his solidarity, on behalf of Mexico, with those affected. He explained that terrorism was fuelled by resources and made full use of new technologies. The only way to fight it was by bolstering unity and cooperation, by Customs establishing itself as an international community capable of reacting, by optimizing the use of new technologies, and by developing new investigative methods and strategies to achieve effective and efficient cooperation. He cautioned against acting alone.
50. The delegate then set out the current economic context in which the cost of operations was the primary factor preventing businesses from trading internationally. Customs had a crucial role to play in terms of modernization and trade facilitation and needed to demonstrate effectiveness, transparency and cooperation. He referred to the WTO Agreement which would soon enter into force and repeated the need for WCO support to ensure its smooth implementation. He announced that Mexico would be active in the Trade Facilitation Working Group, adding that the right balance needed to be found between compliance and facilitation, especially within the framework of Digital Customs.
51. The delegate then outlined Mexican Customs' strategy which was based on the principle of smart Customs and which consisted of a number of strategic projects. One such project was the integration of Customs technology for the control of external trade. Mexico recorded 10 million border crossings by freight vehicles per year and 74 million crossings by light vehicles. Accordingly, the project was designed to optimize release, improve the perception of risk, combat unlawful actions and provide a timely response to national security breaches. The main objectives were to reduce the time required for processing declarations (from one to two minutes down to 15 seconds per vehicle), improve the level of Customs service by shortening waiting times, reduce occurrences of illicit activities by limiting interaction with staff, generate savings and cut operational costs.
52. The delegate then presented another project being implemented by Mexican Customs, namely the second generation of the Single Window for Foreign Trade. The aim of this project was to include an Internet-based high-volume service platform, including big data, and to secure the information. 92 % of government transit

procedures were now covered by the Single Window. Among the benefits gained from this project, the delegate mentioned the cessation of document transmission to the 49 central Customs offices, a 900 % increase in user support capacity, and the option of entering information and completing formalities 24/7.

53. Finally, and in terms of the international dimension, the Delegate of Mexico repeated his Administration's determination to work closely with its neighbours in order to develop initiatives such as the establishment of a Single Window aligned between Mexico, the United States and Canada. He also mentioned a bilateral project for joint Customs clearance with the United States which could be extended to third countries.
54. The Delegate of JAPAN said that his Administration supported a range of WCO activities and wished to continue making a contribution to them. He recalled that Japan had chaired the G7 Summit held in May 2016 which had focused on countering terrorism and violent extremism. On conclusion of that Summit, governments had emphasized the importance of making coordinated efforts to fight global security threats, agreed to work together to prevent the flow of foreign fighters and address other terrorism-related issues including the flow of weapons, and adopted an Action Plan referring to the WCO Security Programme. The G7 Governments had made a commitment to strengthen cooperation among border agencies and support greater use of existing border security programmes such as the WCO's Security Programme, particularly the use of passenger records (API and PNR). The delegate said that, in this regard, Japan had provided financial support to the WCO to hold global security seminars and wished to continue supporting such activities. Japan was taking measures to counter terrorism and fight organized crime and was working towards making better use of information, which explained why API and PNR utilization had been extended. Over and above the area of sea cargo, Japan envisaged greater collection and use of electronic data to obtain optimum information on air and postal services, and a pilot project could be implemented in that regard. The delegate concluded by announcing that, for financial year 2016/2017, Japan would provide the WCO with a fund in excess of four million euro to focus on the support to be given for implementation of the TFA and the Security Programme and to provide both financial and human resource support to capacity building activities, in close cooperation with the WCO Secretariat and the WCO's regional offices.
55. The Delegate of CANADA echoed the points raised by the United States and Mexico concerning collaboration between these three countries to create more aligned North American Customs processes and joint import-export requirements. She pointed out that each country was in the process of developing its own Single Window and that the ultimate goal was to harmonize and streamline the processes to the greatest extent possible. The delegate also noted that this project responded to calls by industry.
56. The Delegate of HUNGARY focused on one of the topics covered by the Secretary General in his report - the need to strengthen Customs-Tax cooperation. Hungary had been active in this area since 2011, when the Customs and Tax Administrations had merged. Hungary was open to taking part in working groups on this topic and recalled that it was already a member of the Virtual Working Group on the Future of Customs which was addressing this issue. The delegate concluded by announcing that Hungary would be holding a conference on Customs-Tax relations in November 2016 with WCO cooperation and European Commission participation, adding that all Members were welcome to attend.
57. The Delegate of KOREA picked up on the topic of Digital Customs, pointing out that Korea had launched the fourth generation of the UNI-PASS, an electronic Customs

clearance system. This facility could be used from a mobile device and it enhanced the service to the public, inter alia, by providing a tailored service for each client. The delegate pledged that Korea would continue to share its experience and know-how with the WCO Secretariat and its Members.

58. The Delegate of GUATEMALA stressed that the movement of goods was at the heart of his country's economy. He was grateful for the Secretary General's recent visit to Central America, thanking the Organization for its interest in the region and the impetus it had given to the signing of an agreement between Guatemala and Honduras to establish a Customs Union. It was hoped that this Customs Union could be extended to other Members of the region. The delegate then recalled the turmoil experienced by his country over the past year following the discovery of a case of corruption within Customs. This case had had major political repercussions and had sparked a strong reaction by citizens. The President and Vice-President had been prosecuted. These events were a reminder of the importance of acting transparently, both nationally and internationally. The delegate also made reference to the elections that has been held in his country and which had led to huge changes within the administration, including Customs, with a total of 80 % of senior Customs officials being replaced. The delegate went on to thank those countries which had helped Guatemala through this transition and continued to do so. The changes underway would take time to bear fruit, but had already begun with the adoption of concrete measures. He concluded by thanking the Organization for the support and assistance provided through the Secretariat and the Regional Office for Capacity Building located in Uruguay.
59. The Delegate of GEORGIA referred to the new reality and to the threats to the trade sector, recalling the need to adopt a comprehensive and robust approach to ensure supply chain security. He acknowledged that implementation of the Strategic Plan promoted security and facilitation of international trade, including simplification and harmonization of Customs procedures. Turning to the issue of security, he mentioned the instruments that had been developed and the measures taken by the WCO, such as the Customs-Police cooperation initiative and the deliberations on the movement of small arms and light weapons, as well as other elements listed in the Punta Cana Declaration. He considered that it was time to move to the next level in combating terrorism, including through enhanced coordination between relevant agencies, the exchange of information and intelligence, and the introduction of appropriate systems with the definition of their regulatory basis. The delegate also recommended concentrating on intelligence-driven risk management, while implementing modern working methods and procedures. After having promoted the SAFE Framework of Standards and other supporting tools, attention now had to be shifted to the practical implementation of these instruments, beginning with the cargo domain. He concluded by returning to one of the subjects mentioned by the Secretary General, namely interoperability of X-ray images. To ensure cooperation and coordination between the different border agencies, the delegate proposed setting up a security coordination council in each WCO Member.
60. The Delegate of CHINA picked up on certain aspects of the Strategic Plan such as e-commerce, Customs-Police cooperation and Customs-Tax cooperation, considering that these topics were all effective ways of addressing new challenges facing Customs. She announced that last year, in the context of Digital Customs, China had entered Phase II of the "Golden Customs" project aimed at conducting effective controls on e-commerce. China had also taken part in Phase II of Operation Skynet to combat drug smuggling. It had also set up a Customs Co-operation Fund (CCF) to support accreditation of experts. In the future, China wished to continue

improving implementation of the Strategic Plan and making the best possible use of the CCF/China. In conclusion, the delegate said that China was ready to share its experience with other Members.

61. The Delegate of NIGERIA thanked the Secretary General for his participation in the Regional Conference of Directors General of the West and Central Africa region. He said that during the Conference, held in Abidjan, Members had endorsed a security initiative proposal by Nigeria, to be implemented through the “Sécurité Par Collaboration” (SPC++) Project. That Project was currently at the pilot stage and targeted six participating countries affected by the threat of cross-border terrorism. The delegate acknowledged that there was still much to be done in terms of conceptualization and hoped that this phase would be completed by the last quarter of 2016. He was counting on the support of the Secretariat, other Members and other international organizations to forge a coordinated approach and confront terrorism.
62. The Delegate of the EUROPEAN UNION, speaking in his capacity as Vice-Chair for the Europe region, highlighted four key topics. He began by referring to the essential role to be played by Customs in the fight against terrorism and underlined the efforts that had been made to strengthen anti-terrorist activities, especially Customs-Police cooperation and in the area of illicit trafficking in cultural property. He then turned to the issue of the WTO TFA which was an important topic for the Europe region and on which much work had been carried out over the past two years. In this connection, he highlighted the adoption of the Stockholm Declaration which was a major step in TFA implementation. He also underscored the importance of Digital Customs for the region, which was deeply engaged on this issue and was working intensively to transition to a fully electronic system. The delegate brought his intervention to a close by underlining the importance of Customs-Tax cooperation, which was becoming a central issue, and urged further efforts in this direction.
63. The Delegate of the ISLAMIC REPUBLIC OF IRAN congratulated the WCO on its Strategic Plan which could serve as a basis for the regions. In the current high-risk environment, coordination and cooperation by the Customs community was crucial to it fulfilling its tasks satisfactorily. On the subject of security and facilitation of international trade, the Islamic Republic of Iran had seized 223 kg of opium and 42 tonnes of acetic acid in 2015, and 500 victims of human trafficking had been discovered. He stressed that it was vital to coordinate the different services and use new technologies to combat fraud. A new pillar could perhaps be added to the SAFE Framework to reflect these needs. The delegate concluded by expressing his appreciation for the quality of the Strategic Plan and the relevance of the four Packages which provided very useful guidance for Members.
64. The Delegate of BENIN highlighted his Administration’s progress in the areas of Digital Customs and enforcement through information technologies, particularly the establishment of mobile controls based on use of an Android App. Customs officers could also use their smartphones to identify fraudulent shipments. The delegate was pleased to share this experience with Members. He then referred to the implementation of ASYCUDA World in 2015, that being a pre-configured instrument used for all Customs operations, and also mentioned the nCEN tool as his Administration was currently in the process of adopting it and hoped for WCO support with its implementation. Turning to economic competitiveness, Benin was engaged in a regional approach to TFA implementation as well as adoption of the RKC. The country expected to accede to the RKC in the near future. As for AEOs, the procedure for granting authorization had been initiated and a technical committee would be established to lead the project. The delegate then turned to the issue of enforcement

and announced the commissioning of two scanners, at Cotonou port and airport, and the development of a Single Window devoted to paperless procedures helping to curb attempts at corruption. Lastly, the delegate mentioned two projects related to interconnection between Nigeria and Niger for data-sharing purposes.

65. The Delegate of BOLIVIA picked up on two topics addressed by the Secretary General, namely trade and terrorism. She added that Bolivia was affected by other scourges such as smuggling and drug trafficking. On the subject of terrorism, the delegate referred to working in conjunction with the Army and the Police, establishing reforms and ensuring proper application of the Bali Agreement. With regard to trade, Bolivia had developed a number of cooperation initiatives in respect of Digital Customs. These new tools allowed for more effective control of goods arriving in ports. Concerning AEOs, four companies had received accreditation and a pilot project was under development with Uruguay. She also highlighted progress in terms of coordination at borders and, more specifically, information sharing. For example, joint actions had been conducted with Peru and Argentina. As a final point, the delegate recommended enhancing risk management in airports which were especially affected by the terrorist threat. This should be a key topic of discussion and could lead to the adoption of preventive measures.
66. The Delegate of SENEGAL thanked the WCO for the trust it had placed in his country by hosting the IT Conference and Exhibition in Dakar in June 2016. He then referred to the Revenue Package, particularly the issue of controls on mineral resources. He hoped that the WCO would enable countries with mineral resources to manage revenue collection more effectively and underscored the issue of security which was often undermined when mineral resources were discovered.
67. The Delegate of MOROCCO reported on a number of projects undertaken as part of Digital Customs. This WCO goal had been leveraged to share electronic data between the countries of the Agadir Agreement, namely Tunisia, Egypt, Jordan and Morocco. The connection between these four countries had been operational since 1 July 2016 and thought was now being given to extending data sharing to the Greater Arab Free Trade Area. As for bilateral initiatives, the delegate mentioned the development of a connection with the Russian Federation under the "Green Corridor" which would ultimately facilitate advance transmission of information on maritime freight and vehicles. The delegate concluded by announcing that Morocco planned to pursue its efforts on trade facilitation and enforcement.
68. The Delegate of ZAMBIA picked up on Senegal's comments concerning mineral resources. Zambia was a producer of copper and the delegate explained that Customs played a key role in the mineral resource value chain. The Government had developed a Mineral Value Chain Monitoring Project, and had appointed the Zambia Revenue Authority as the implementation agency. This Project was aimed at creating a framework for efficient monitoring of the quantity and quality of minerals in the supply chain and was being supported by Norway and the World Bank. The delegate also mentioned the Mineral Output Statistical Evaluation System (MOSES) project led by UNCTAD and expected to be linked to the ASYCUDA World Single Window. He also mentioned that Zambia was in the process of setting up its own Customs laboratory and would appreciate the Organization's capacity building assistance in this respect.
69. The Delegate of UGANDA began by congratulating the WCO on its financial performance. He went on to present regional initiatives including the implementation of a Single Customs Territory in the East African Community (EAC), through which one

country's export declaration automatically became another country's import declaration. This had helped reduce the cost of doing business. In addition, four One-Stop Border Posts had already become operational and more would follow. This measure had cut border crossing times by 50 %. He also mentioned the implementation of the Electronic Cargo Tracking System and a regional cargo tracking project with other partners. The delegate emphasized that developments in Uganda reflected the WCO slogan "Borders Divide, Customs Connects". In that connection, he referred to the bilateral relations developed by Uganda over the past year and aimed at enhancing Customs-to-Customs cooperation. Bilateral cooperation had been established with China and Korea, while the EAC was in the final stages of signing MOUs with China and Japan. In closing, the delegate said that Uganda was looking forward to hosting the next Global AEO Conference in 2018.

70. The Delegate of PARAGUAY thanked the WCO for the two missions received by his country. The first was in regard to implementation of the AEO programme, which was expected to reach maturity in two-and-a-half years' time. The second covered ethical management and human resource integrity and would be the focus of a final report to be submitted to the WCO. The delegate then expressed his concerns about the problems facing Customs on a daily basis and which were impeding its modernization, particularly money laundering and terrorist financing. In Customs' day-to-day operations, offences such as tax evasion, piracy, trafficking, smuggling, etc. were often seen to be precursors to the above-mentioned crimes. The delegate consequently called for thought to be given on how to establish mechanisms for preventing money laundering (such as warning systems), as used by banks, insurance companies and casinos. He suggested working together with the Financial Action Task Force (FATF), the competent body on money laundering and terrorist financing, so as to be able to act both preventively and responsively.
71. The Delegate of SYRIA addressed the issue of terrorism which was based on extremism and had to be eradicated. He explained that Syria had been suffering the effects of terrorism for the past five years and regretted the fact that other countries were waking up to this situation only now that they were also affected. Terrorism had devastated infrastructure in Syria, including the Customs Administration's buildings. Stronger trade relationships would not be possible until the scourge of terrorism had been eradicated.
72. The Delegate of AUSTRIA pointed out that, despite having a small Customs Administration, a recent OECD report had stated that Austria was one of the most globalized countries, meaning that much of the country's prosperity was built on international trade involving both imports and exports. Accordingly, the delegate stressed the importance and relevance of WCO activities and its facilitation, enforcement, capacity building and other initiatives. The importance and appeal of the WCO was not limited to Customs administrations but also stretched to other international organizations. All these entities drove policy decisions, and decisions regarding international trade could only become a reality with the WCO's support and efforts. Austria wished to engage even more in the Organization's activities. In particular, it hoped to serve as Vice-Chair of Europe region and perhaps even as Chair of the Council at a later date.
73. The Delegate of COLOMBIA thanked the WCO and its Members for their contribution to strengthening her country's institutional capacities. The support received by Colombia had taken on different guises : technical assistance, participation in the Fellowship Programme and the holding of a regional workshop on TFA implementation. A new Customs Code had been developed in Colombia jointly

with the private sector in order to harmonize national legislation with WCO international standards (including the RKC) and with OECD recommendations, and to move forward with Colombia's commitments on the Bali Agreement. The delegate mentioned the areas in which the new Code would bring about progress, particularly trade facilitation, lower marketing costs, improvements in the taxation regime and vigilance to fight smuggling and unfair competition more robustly. She added that four points stood out in this new regulation : (i) risk management; (ii) improving foreign trade logistics; (iii) facilitation and reducing costs by means of compulsory electronic payments, streamlined Customs clearance and the use of non-intrusive inspection equipment; and (iv) fiscal modernization. The greatest challenge currently facing Colombia was adjusting the system within no more than two years in order to finalize the implementation of the new Customs law and continue improving Coordinated Border Management with all the competent authorities. The delegate also mentioned that a pilot project had been set up with the Pacific Alliance on the interoperability of phytosanitary certification. She informed the Council that the Single Window automatically managed 50 % of import requests made using the risk management system and that Colombia had enhanced coordination and simultaneous inspections. A reform relating to AEOs was also underway. Colombia was determined to step up its involvement in WCO activities, particularly operations to combat drug trafficking and smuggling, protection of cultural heritage and post-clearance audit of origin. These were all key areas for achieving prosperity, especially in Colombia's current post-conflict climate following the signing of a peace agreement with the Revolutionary Armed Forces of Colombia (FARC).

74. The Delegate of INDONESIA referred to the unprecedented threat facing States, emphasizing that government and business had to work together to achieve a balance between trade facilitation and security. Emphasis had to be placed on risk management where there was a need to set up a more advanced system incorporating all governmental agencies in order to create an integrated system. In this connection, he reported on Indonesia's experience of establishing a new system this year. Eighteen agencies had been integrated into a single risk management system, providing a sole profile for all agencies which could then be evaluated. This initiative reduced release times, particularly for traders with a good profile. Indonesia would be pleased to share this experience.
75. The Delegate of COMOROS thanked the international community for the substantial assistance given to the Comoros Customs Administration. In relation to bilateral cooperation, he expressed particular gratitude to Morocco and Senegal for their support and the training provided, as well as to France for its ongoing support. The delegate hoped that this assistance would continue and intensify so that his country's Customs Administration could play its role in meeting today's challenges.
76. The SECRETARY GENERAL thanked delegates for their comments, encouragement and support, before addressing the specific issues raised during their interventions.
77. Recalling that the Delegate of Malaysia had mentioned the holding of a meeting with the private sector in conjunction with the regional meeting of Directors General, he welcomed the development of Customs-Business partnerships at regional level. He also said that the Regional Strategic Plan could be a good way of enhancing communication and cooperation.
78. The Secretary General referred to the United States' Single Window project, which would add to best practices, and hoped that the project would be finalized by the

end of the year as planned. He also appreciated the commitment by the United States to even closer cooperation on trade enforcement.

79. Turning to the remarks by the Delegate of Australia, the Secretary General welcomed that country's Trusted Trader programme and the MRA with New Zealand, which would help ensure security and facilitation of the global supply chain. He then thanked the Delegate of Mexico for his in-depth sharing of experiences, pointing out that experience sharing was one of the WCO's major contributions and primary objectives.
80. With regard to the points raised by Japan, the Secretary General referred to the participation in the G7 and thanked Japan for helping raise the WCO's profile among policy-makers. He also expressed appreciation for the assistance provided by Japan in respect of advance cargo information and for the financial resources made available to the Organization.
81. Regarding Canada's comments and its implementation of a harmonized Single Window, the Secretary General stressed that the Single Window was essentially a national programme but that the approach involving neighbouring countries would be beneficial in that it would enhance connectivity between countries and could serve as an example.
82. The Secretary General went on to thank Hungary for organizing a conference on the issue of Customs-Tax cooperation which he hoped would identify some interesting issues.
83. With regard to the projects being conducted by Korea, the Secretary General welcomed the use of - and progress achieved in - the area of mobile technology and looked forward to receiving more information in that regard.
84. The Secretary General then commented on the issues of corruption and Integrity raised by the Delegate of Guatemala. He had spoken with the President of Guatemala the previous month and had advocated that although human resources were important, there was also a need to use technology and obtain business support to address Integrity issues. He also welcomed Georgia's initiatives in the area of Coordinated Border Management, aimed at fighting terrorism and facilitating trade by ensuring greater interoperability.
85. Referring to the points raised by the Delegate of China, the Secretary General expressed gratitude to the Vice-Minister for having deposited his country's instrument of accession to a number of Specific Annexes to the RKC. He also picked up on China's support for Operation SKYNET II and concluded by thanking China for the provision of the CCF/China.
86. Turning to the regional security initiative led by Nigeria, the Secretary General expressed his thanks and said that this aspect had been incorporated in Phase III of the Revenue Package under "fragile borders". The goal was to be able to identify problems in border zones and share best practices. International security and counter-terrorism were important themes and the regional initiative was appreciated.
87. The Secretary General agreed with the Delegate of the European Union concerning the importance of the topics of terrorism, trade facilitation, Digital Customs and Customs-Tax cooperation.

88. Regarding the reference by the Delegate of the Islamic Republic of Iran to fighting drug trafficking, the Secretary General acknowledged that the country was on the frontline in this respect. The contribution of the Islamic Republic of Iran to the SAFE Working Group, as mentioned by the delegate, would be highly appreciated.
89. The Secretary General said that he looked forward to learning more about Benin's experience and best practices concerning the use of technologies, especially smartphone Apps, scanners and nCEN. Regarding the comments made by the Delegate of Bolivia, the Secretary General concurred with the need to work with other services, including the Police. That was why he had invited the Secretary General of INTERPOL to take part in the current Council Sessions.
90. The Delegate of Senegal had highlighted the issue of mineral extraction and security, and the Secretary General noted that this issue, which could be a source of illegal profits, was taken up in Phase III of the Revenue Package. Zambia had also highlighted the importance of the mineral resource issue and had also announced the establishment of a Customs laboratory in that country. The Secretary General drew attention to the fact that Phase III of the Revenue Package specifically sought to promote networking of Customs laboratories.
91. The Delegate of Morocco had addressed the issue of Digital Customs which had originally been an initiative of the Council Chair, and he had also referred to regional integration in the context of the Agadir Agreement. The Secretary General looked forward to receiving more information on progress with regional integration.
92. The Secretary General welcomed Uganda's comments on the Single Customs Territory and One-Stop Border Posts, an initiative which would contribute to trade facilitation. He explained that best practices were now being incorporated in the Transit Handbook, which would lead to Transit Guidelines. He looked forward to witnessing the progress made when the next Global AEO Conference was held in Uganda in two years' time.
93. On the issue of money laundering raised by the Delegate of Paraguay, the Secretary General agreed on the need to take measures in this domain in order to combat illicit financial flows.
94. The Secretary General addressed and sympathized with the concerns raised by the Delegate of Syria about terrorism, indicating that the WCO's cultural heritage initiative was directly linked to this issue.
95. The Delegate of Austria's resolve to provide more support to the WCO was appreciated. The Secretary General also expressed interest in the changes that had taken place in Colombia and looked forward to learning about the effect of the new Customs Law on the implementation of Customs operations.
96. In terms of the development of a single risk management system in Indonesia, the Secretary General said that the WCO had been supporting and following this initiative. The Secretary General thanked the Delegate of Comoros for providing an update on a number of projects being carried out.
97. In closing, he expressed his gratitude to Members for the feedback on their experience and encouraged them to continue to provide such feedback, particularly in respect of the development of Digital Customs.

98. The CHAIRPERSON concluded this item by thanking the Secretary General for his presentation and delegates for the productive discussion that had followed.

Keynote address by Jürgen Stock, Secretary General of INTERPOL

99. The CHAIRPERSON introduced the Secretary General of INTERPOL, Dr. Jürgen Stock. Before joining INTERPOL, Mr. Stock had been Vice President of the Bundeskriminalamt (Federal Criminal Police Office) in Germany. Since then he had occupied several key posts in the Federal Criminal Police Office and held numerous prestigious honorary positions both nationally and internationally, including Vice President for Europe at INTERPOL. Mr. Stock had been unanimously elected Secretary General of INTERPOL in November 2014.
100. Mr. STOCK began by thanking the WCO and its Members for the opportunity to deliver a keynote speech during the WCO Council Sessions. He stressed that at the very heart of international organizations' work lay the facilitation of trans-border cooperation between nation States. In this context, a reliable relationship between INTERPOL and the WCO was a living promise to create joint global solutions, which were especially important in a world facing an increasing number of terrorist attacks and other grave challenges posed by organized crime.
101. Mr. Stock mentioned that cooperation between Police and Customs in tackling transnational crime went back a very long way. The INTERPOL-WCO Memorandum of Understanding had been signed back in 1998 and collaboration between the two Organizations was still very active today. It had materialized in a number of forms, including regularly held bilateral senior management meetings and the established liaison officer arrangement.
102. As well as cooperation on a strategic level, Mr. Stock emphasized that many operational activities were taking place. These included, for example, the various law enforcement operations that were jointly organized by the two Organizations. He emphasized the fact that INTERPOL remained committed to such cooperation. Indeed, he was looking forward to strengthening cooperation in the future through measures such as ensuring that the WCO had access to INTERPOL's new Works of Art database PSYCHE in 2016, working towards signing a special arrangement with the WCO to grant it access to the INTERPOL Stolen Motor Vehicles database, and potentially giving the WCO access to the INTERPOL iARMS system.
103. One of INTERPOL's operational areas of focus for the future included the fight against the smuggling of small arms and light weapons. In this context, Mr. Stock drew attention to the recent INTERPOL Operation Balkan TRIGGER-1 and pledged INTERPOL's support for the forthcoming WCO Operation CHIMERA. He also referred to the increasing use of precursor chemicals by terrorists and other criminal organizations to manufacture improvised explosive devices (IEDs). In this regard, he outlined the truly global nature of the challenge and referred to the good work undertaken under the auspices of Programme Global Shield - a joint programme between the WCO, INTERPOL and the UNODC.
104. Mr. Stock then outlined some recent changes that had taken place in his Organization. INTERPOL currently had three priority areas of work : countering terrorism, cybercrime, and organized and emerging crimes. INTERPOL was conducting extensive consultations with its Members and other stakeholders in respect of these priorities. These consultations also involved the WCO and Mr. Stock was

extremely pleased that INTERPOL had had the chance to contribute to the new WCO Customs-Police Cooperation Handbook which highlighted good practice in cooperation.

105. Finally, Mr. Stock highlighted the fact that INTERPOL clearly recognized that, in combating terrorism and organized crime, closer inter-agency cooperation between Police and Customs agencies in the Member States was of the utmost importance. In his opinion, this also applied to the continued strengthening of the relationship between INTERPOL and the WCO. By working together, the Organizations would be able to reduce duplication of efforts and also increase cost effectiveness at a time when many Members were facing resource limitations in their work.
106. Opening the floor for discussion, the CHAIRPERSON emphasized the importance of Customs-Police cooperation and reiterated that this was required at both international and national level.
107. The Delegate of NEW ZEALAND welcomed the development of the Customs-Police Handbook, emphasizing that Customs and Police complemented each other and that collective efforts led to greater success in fighting cross-border offending. However, such cooperation and the relationship between Customs and Police needed to be carefully managed and supported by the necessary mechanisms. Effective cooperation required patience, goodwill and recognition of the benefits of collaboration by both senior managers and operational staff. In New Zealand, Customs and Police had a close relationship. Examples of cooperation included joint investigations, direct access to certain information holdings, the co-use of 17 newly purchased drug detection units, and liaison officer cooperation outside the country. The working relationship between Customs and Police was based on a Memorandum of Understanding between the agencies, which addressed the modalities of cooperation between the organizations at both strategic and operational level.
108. The Delegate of the UNITED STATES welcomed the discussion on Customs and Police cooperation. Close cooperation was required in order to take down cross-border smuggling organizations. The detection and destruction of contraband was important, but the delegate stressed that effective law enforcement also required imposing consequences on those who deliberately broke the law. In the United States, Customs had broad investigative powers, but he acknowledged that there were many Customs administrations that did not have these powers, making good Customs-Police cooperation essential.
109. The Delegate of TURKEY highlighted the recent terrorist attacks that had taken place in her country. She stressed that terrorism was a truly global threat that required a global response. The adoption of the Punta Cana Resolution had been a significant step forward for the global Customs community, as it outlined the role of Customs in the fight against terrorism. She appreciated the WCO's efforts in the field of counter-terrorism and underlined her country's work in fighting terrorism and violent extremism. Finally, she highlighted the good level of cooperation between Customs and Police in Turkey and thanked the WCO for its efforts on the topic.
110. The Delegate of JAPAN appreciated the joint efforts by the WCO and INTERPOL in combating terrorism and he highlighted the need for effective cooperation between Customs and Police at national level. He encouraged countries to use Advance Passenger Information (API) and Passenger Name Record (PNR) data to facilitate a better assessment of high- and low-risk passengers. He also referred to the WCO API and PNR Guidelines and mentioned how useful they were for Customs administrations

in collecting and analysing pre-arrival passenger information. In Japan, PNR was widely used by Customs for advance screening to prevent smuggling of all types of goods. In conclusion, the Delegate once again encouraged all Members to use PNR data and called for increased sharing of examples of good practice in the field.

111. The Delegate of MEXICO thanked Secretaries General Stock and Mikuriya for their efforts in fighting against terrorism. He highlighted tools such as the API and PNR Guidelines and spoke of the importance of developing Customs-Police cooperation, that being a prerequisite for effective Customs operations in his country.
112. The Observer for the GLOBAL EXPRESS ASSOCIATION (GEA) applauded the effective cooperation between the two Organizations. He stressed the importance of close cooperation between Customs and Police in combating illicit trade. However, it was critically important to acknowledge the fact that the overwhelming majority of global trade was perfectly legal. In the context of recent international commitments, such as the World Trade Organization's Trade Facilitation Agreement, the Observer encouraged a whole-of-government approach to the facilitation of legitimate trade flows. He hoped that the Police would become part of these cross-government efforts and that some of the examples of good practice developed by the WCO would be taken into account at national level.
113. SECRETARY GENERAL STOCK thanked delegates for their positive response and high level of support. He reaffirmed INTERPOL's commitment to close cooperation with the WCO, and also highlighted the importance of cooperation between Customs and Police organizations at national level. He then stressed the need for good-quality information in order to ensure effective enforcement efforts. The WCO, INTERPOL and the Members of both Organizations had to make the right information available at the right time. Interoperability was becoming increasingly important and it was critically important for the two Organizations to build bridges between different pools of information and databases, to create avenues allowing the exchange of relevant information in a timely fashion, and to produce analytical tools to support targeted operations. Finally, Mr. Stock thanked the WCO for giving INTERPOL the opportunity to contribute to finalizing the Customs-Police Handbook. He considered it a good tool not only for Customs but also for Police.
114. SECRETARY GENERAL MIKURIYA thanked Mr. Stock for his presentation. He highlighted the global Customs community's willingness to cooperate with Police and mentioned several initiatives based on cooperation between the WCO and INTERPOL. Like INTERPOL, the WCO was committed to strengthening cooperation, given that the changing threat environment increasingly required cross-agency efforts. He also stressed the importance of the "consequences" phase, linking seizure to dismantling of the illicit trade network. In order to be able to effectively contribute to such work, Customs needed reliable intelligence and the Police was often a good intelligence source, hence the need for increased information exchange between the two agencies.
115. Finally, he thanked Mr. Stock for his positive response to the development of the Customs-Police Handbook and hoped that the finalized product would be used to promote better cooperation between Customs and Police. He also mentioned leadership and trust as two key ingredients for better cooperation between Customs and Police. Finally, Secretary General Mikuriya commended Mr. Stock for his leadership at international level.
116. The CHAIRPERSON thanked both Secretaries General and all delegates for their interventions as part of the discussion.

Keynote address by Molly Fannon, Director of Office of International Relations, Smithsonian Institution

117. The CHAIRPERSON introduced the topic, pointing out that the issue of the protection of cultural heritage had been raised and discussed during the Policy Commission. He then introduced Ms. Molly Fannon, Director of the Office of International Relations of the Smithsonian Institution, to deliver her keynote address.
118. Ms. FANNON started her remarks by explaining the importance that cultural objects had for individuals and civilizations as they served to define themselves, to reveal their history and their present, and to project their future. In highlighting the risk of these objects being destroyed, she showed the image of Palmyra which had been destroyed by ISIS in 2015. In this connection, she drew delegates' attention to the fact that by the time ISIS and other groups publicly destroyed cultural heritage sites, they had already extracted as much economic value from these sites as possible in order to finance their activities.
119. She continued by outlining a special programme currently in place at the Smithsonian where geospatial images of the cultural heritage sites were being studied in order to develop a predictive model of cultural heritage at risk. She showed the difference in this landscape where looting pits could be seen and how rapidly they increased in number even over short six-month periods, demonstrating that cultural artefacts had clearly been taken away from these sites. She acknowledged that while subsistence looting had been occurring for centuries, the current phenomenon in Iraq and Syria was new, unprecedented and industrial in scale, making it the second largest stream of revenue for ISIS after oil.
120. Ms. Fannon pointed out that this phenomenon was not exclusive to the Middle East but rather a world-wide occurrence and, in this connection, she provided similar examples in Mali, Peru and the United States. She compared this crisis to what had been observed 70 years ago during World War II when museums, galleries, national collections and private homes had been looted of jewellery, furniture, religious texts, ceramics, coins and priceless artworks. An object disappeared not just from a specific place or community; it was common heritage that disappeared.
121. The difference today was that, in the global economy, illicit trade in arms, drugs and people was moving faster than ever before, and through increasingly complex networks, which were also the same networks involved in trafficking cultural heritage.
122. During the second part of her presentation, Ms. Fannon explained the mission of the Smithsonian Institution to safeguard the memory of the entire planet for future generations and, to do this, it had launched programmes in more than 150 countries. Over the last decades the Smithsonian, together with other scientific organizations, had joined Customs and other law enforcement officials to bring cutting edge technology for criminal prosecution of traffickers. As an example of this partnership, she explained the way in which the Smithsonian had tailored - for wildlife - sophisticated DNA barcoding tools, which were used in analysing genomic fingerprints of human beings involved in criminal cases. Having harnessed the collection of millions of species, a global records library of DNA had been developed and training courses to use DNA in criminal trials had been provided in Kenya, Mexico, Nigeria, South Africa and Nepal. She underlined that by marrying different skills of all partners, it was possible to halt wildlife trade in its tracks.

123. The Smithsonian had worked with the United States Departments of State and Homeland Security to train more than 350 Customs and law enforcement officers to recognize looted cultural objects and also to support them in their ongoing detection, identification and investigation efforts.
124. The Smithsonian and all museum professionals around the world were eager to share knowledge and technology with Customs to assist in its work. In this connection, the Smithsonian was currently working to harness the power of its collections, 138 million objects, together with the collections of other museums across the world, to design customized tools for the officers in the field. Building on other successes, such as INTERPOL's PSYCHE tool, as well as through the development of a strong understanding of the Customs officers' needs, it was not inconceivable that in the near future they could have the power of the global collections at their fingertips to help identify objects rapidly in the field. They would also be keen to explore how to link this technology to the WCO ARCHEO platform, to facilitate exchange and coordinate work to protect cultural heritage.
125. Concluding her presentation, Ms. Fannon announced that the Smithsonian would be signing an MOU with the WCO that followed on the heels of a long tradition of global laws and policies to protect cultural heritage from destruction, including Customs statutes and laws. She emphasized that this MOU was not to be just a piece of paper but rather a step together towards meeting a global challenge with new systems of tools for cooperation.
126. The CHAIRPERSON thanked Ms. Fannon for her presentation on the essential dangers related to preservation of cultural heritage, where Customs had an important role to play. He underlined that there was progress to be made on a number of aspects, such as capacity building, information exchange and expertise. He then opened the floor for questions and comments.
127. The Delegate of the UNITED STATES thanked the speaker for the presentation and made delegates aware of a project initiated by his Administration in Tanzania. This involved training of Tanzanian police (in El Paso, Texas) in the use of dogs (K9s) to detect ivory and rhino horns. He pointed out that if Customs could reduce the profit obtained from these wildlife transactions, then progress would be made.
128. The Delegate of SYRIA thanked Ms. Fannon for highlighting the situation in Syria and Iraq, pointing out that the level of destruction was unprecedented in history. He underlined that objective diagnosis was needed, as 500 pieces of artefacts had been stolen from Syria, which made it necessary to address this situation carefully and decide how to bring an end to such trafficking.
129. The Delegate of AUSTRIA pointed out that his Administration had signed a Memorandum of Understanding with the International Committee of the Blue Shield, named after the "Blue Shield" as specified in the 1954 Hague Convention on the Protection of Cultural Property in Armed Conflicts. His Administration considered the protection of cultural heritage to be crucial not only to protect the objects themselves, but also to prevent financing of terrorism via these objects. In this connection, he called on all Customs authorities to join the International Committee of the Blue Shield.
130. The Delegate of ITALY pointed out that his country had a long tradition in protecting cultural heritage. Customs officials had been actively involved in the protection of cultural heritage at exportation and now new developments and activities had started in respect of importation. His Administration was working with UNESCO

and would soon provide specialized training to Customs officers in the southern part of Italy. He proposed to inform about the results of this training and work together with the WCO in this field.

131. The CHAIRPERSON thanked the Delegate of Italy for highlighting not only the protection of national cultural heritage at export but also the importance of paying attention to the illegal importation of the cultural heritage of other countries.
132. The Delegate of COLOMBIA thanked the WCO and the Smithsonian Institution for the work to date and pointed out that, in Colombia, the representatives of various relevant authorities, including the Ministry of Culture, Ministry of Foreign Affairs, the National Institute of Anthropology and Police, worked together for more effective controls and to avoid pre-Colombian artefacts leaving the country. She enquired as to how representatives from Customs and Police could be included in the training organized by the Smithsonian.
133. The Delegate of MEXICO welcomed the joint initiative of the WCO and the Smithsonian. His country had a rich cultural and wildlife heritage and Customs was aware of its important role as the first line of defence to combat trafficking of cultural objects. He emphasized that people who neglected their history were people without a future and he called for immediate action to safeguard history.
134. The Delegate of FRANCE said that, as far as the protection of cultural objects was concerned, her Administration was in favour of reinforcing the role of Customs in the prevention of illicit trafficking. She added that, currently, the main focus of controls was on export in order to protect national heritage. However, France had now developed a new item of legislation to allow the control of cultural objects at import for objects coming from the countries that were signatories to the 1970 UNESCO Convention. Hopefully, this model would expand further in the European Union and beyond, and she added that France was also working closely with the European Commission in order to allow for controls at importation into the European territory. The French Administration was willing to cooperate and develop initiatives in this area with UNESCO and the WCO.
135. The Delegate of ALGERIA referred to the link between this topic and the discussions on the security mission of Customs which had been addressed earlier during the Sessions. He pointed out that this was an important dimension and explained that, within his Administration, a coordination process involving various institutions had been launched, particularly in order to enhance Customs' capacities to protect national cultural heritage. He would welcome cooperation with other institutions in charge of this mission and hoped to be able to benefit from the experience of the Smithsonian Institution.
136. The Delegate of ROMANIA referred to the need to preserve cultural heritage and memory, underlining that the role of Customs was more important than ever and there was a need to enhance cooperation and develop institutional dialogue between Customs, law enforcement agencies, non-governmental organizations and other bodies active in this domain.
137. The Delegate of CHINA noted the importance of this issue and called for increased cooperation among Customs authorities which should not be limited solely to information sharing. Cooperation should also include the sharing of expertise and capacity building, where required. One country might be familiar with its own cultural heritage, but might not be familiar with that of other countries. She requested the WCO

to formulate a specialized capacity building programme for Members to share expertise and work together.

138. The Observer for the INTERNATIONAL NETWORK OF CUSTOMS UNIVERSITIES (INCU) expressed appreciation for the presentation and highlighted the development of educational programmes and research interest shown by several universities in this field. In this connection, INCU would welcome the opportunity to cooperate with the Smithsonian.
139. In responding to the comments, Ms. FANNON thanked delegates for the expression of solidarity and support from around the world. She was interested to learn about INCU and, in this regard, pointed out that in April 2016 a meeting had been held with the United Nations and the representatives of approximately 30 countries and universities to discuss how to protect cultural heritage. There was considerable interest on the part of universities and cultural communities in building partnerships with Customs. She cautioned, however, that sometimes academics and museum scholars could be part of the problem since, in the past, some museums had been the market for cultural objects. However, nowadays many museums, including the Smithsonian, had implemented or started developing provenance programmes. She commended the work of the colleagues from the United States in Tanzania on the prevention of ivory trafficking, and was pleased to note the interest in training. She agreed that the development of international capacity building was necessary and, in this connection, she pointed out that the Smithsonian was hoping to combine its experience with that of the United States and the WCO in partnership with other countries to develop a global capacity building programme for Customs officials and law enforcement agents. She referred to the importance of the Blue Shield and mentioned that the founder of the United States Committee for the Blue Shield was currently working at the Smithsonian as the Head of the Cultural Rescue Programme. Ms. Fannon also underlined the importance of dealing not only with exportation, but also with importation of cultural objects, and provided an example of recent legislation in the United States addressing this matter. She concluded by congratulating everyone on the work being carried out and stressed the intention to build programmes together with the WCO in support of Customs work.
140. The SECRETARY GENERAL thanked Ms. Fannon and informed delegates of a meeting that had been held between the Heads of UNESCO, INTERPOL, the UNODC and the WCO, where a network of experts from these and other organizations had been created. There had also been regular follow-up activities to address concrete measures to be taken to protect cultural heritage. When he had addressed the World Economic Forum session in January 2016 on the protection of cultural heritage, he had met with executives of top museums, including the Smithsonian, and had expressed the concern that expertise was lacking in order to train officers and identify cultural objects. This was the background to the cooperation now being formalized with the Smithsonian Institution through the signing of a Memorandum of Understanding.
141. The SECRETARY GENERAL and Ms. FANNON then signed the Memorandum of Understanding between the WCO and the Smithsonian Institution as a basis for further enhanced cooperation between the two bodies.

Keynote address by Jim DuBois, Chief Information Officer (CIO) and Corporate Vice President, Microsoft

142. The CHAIRPERSON introduced Mr. Jim DuBois, Chief Information Officer and Corporate Vice President of Microsoft, who was also responsible for the company's global security, infrastructure, collaboration services and business applications. Mr. DuBois had been appointed CIO in January 2014, and had held many posts with Microsoft since he had first joined the company in 1983, including leading IT teams for application development, infrastructure and service management, pioneering Microsoft's early Internet datacenter operations and leading engineering teams, as well as serving as Chief Information Security Officer. Mr. DuBois had worked on financial and distribution systems with Accenture before joining Microsoft. He was also a member of the Board of Directors of Expeditors International of Washington, a company working in the domain of international logistics.
143. Mr. DUBOIS recalled that, at the World Economic Forum in Davos in January 2016, it had been stated that the world was entering the industrial age 4.0. - an age in which the physical and digital world were blending together, where the pace of change was becoming exponential rather than linear, and the amount of transformation happening across industry and countries was something that had never before occurred throughout history.
144. He invited the audience to explore the question of whether this represented a new industrial age or not; regardless, technology had become a huge part of life. Technology had become an enabler, driving transformation in ways never seen before.
145. Mr. DuBois said that he felt honoured to be asked to speak during the Council Sessions, and had examined the question of what perspective he could offer to the audience composed primarily of Directors General. One perspective was that of a global citizen, as he had lived in three different continents; another perspective was that of Corporate Officer and CIO at Microsoft, a company that shipped tens of millions of devices to over 100 different countries; a more recently-acquired perspective was that of a member of the Board of a freight forwarder involved in aggregating freight and helping its customers to simplify and harmonize their interaction with Customs throughout the world.
146. He compared an image contained in his presentation of a landing card he had acquired in Japan some 20 years ago with that of a landing card acquired some weeks ago; both landing cards were virtually the same, similar to the Certificates of Origin documents which had also remained unchanged in 20 years. The pace of change necessitated further strategizing about what could be done to simplify processes and the working environment. According to Microsoft's analysis, on average, a container travelling from one continent to another had to go through 24 organizations, process over 200 documents, and 10 of the 34 days of travel time were lost in transit. For a private sector company, time was money, and therefore there was a significant opportunity and interest in simplifying the whole process, including Customs.
147. Further analysis showed that data was travelling from point to point; there was no broad communication of the data in a way that could leverage all of the knowledge to help simplify and harmonize the entire process. Mr. DuBois emphasized the role that technology could play in improving processes. Many benefits could be derived and the questions that needed to be asked were : how could the competitiveness and Customs revenues for countries be increased; how could surplus be removed from the system; and how could the risk associated with shipments be reduced.

148. Turning to the technologies that could make a difference in the shipping process, Mr. DuBois referenced the Internet of Things, which was accessed using inexpensive devices. He had worked with the largest shipping company in the world as it implemented programmes to monitor its containers in real time, including the temperature in the containers. Such devices were becoming more prevalent, and were creating huge amounts of data.
149. He then addressed security concerns. When Microsoft had first tried to move to the “cloud”, the big concern had been security. Microsoft security experts maintained that it was now more secure to be in the cloud than not.
150. One of the primary attack factors that companies faced was the compromise of an individual’s identity, either through what was known as a phishing attack or malware spread via the Internet; bad actors could take control of an individual’s identity and further penetrate an organization.
151. The Cloud 365 facility offered by Microsoft examined all data related to customers; it had the ability with a detonation chamber to test for malware and put filters in place, not just for the targeted company, but all companies that could potentially be attacked. Microsoft’s presence on the cloud offered opportunities of scale hitherto unknown and the ability to aggregate data across all of its partner organizations. Large amounts of data were being aggregated. Previously, large tracts of data had been uneconomical to store; however, large amounts of data were now being leveraged to ensure a more predictive approach with regard to processes and to search for security-related anomalies.
152. Mr. DuBois believed that an opportunity existed to create a Public-Private partnership in order to think about the opportunities to revolutionize and change the processes in place.
153. An opportunity lay ahead to transition between a world where data was travelling from point to point, to a situation whereby all data would be aggregated in the cloud and leveraged to create new insights into the range of products supplied.
154. The sheer amount of data created opportunities to better analyse anomalies in shipping through Customs; in much the same way as Microsoft examined the cloud to identify malware or bad links on e-mails, the data regarding shipping could be examined to ensure compliance with requirements and to more efficiently identify anomalies.
155. Mr. DuBois illustrated his examples with a live demonstration that involved a Microsoft analytical tool called “Power BI” which listed traditional information, such as shipment of orders and shipping information, and overlaid it on a process diagram. The different steps of the Microsoft process were visible; it was easier to locate orders in the supply chain, the number of orders and returns, and the average number of days it took to ship orders. It was therefore easier to identify bottlenecks. The system visualized data in a way that had not been done before, ensuring a simplified and harmonized process.
156. Returning to his presentation, Mr. DuBois insisted on the importance of embracing the cloud in order to access aggregated data, but understood that there were some privacy and security concerns. A Public-Private partnership would ensure that governments and cloud providers were meeting the security requirements to complete the transfer to the cloud. He reiterated that the pace of change rendered the

matter urgent; simple solutions would need to be developed to start with, which could then be accelerated. Organizations such as Customs administrations should be at the forefront of change. The PSCG, of which Microsoft was a member, would be very interested in participating with the WCO to ensure that a dialogue was initiated so that the needs of individual countries as well as those of the Organization as a whole were met.

157. In conclusion, Mr. DuBois reiterated that now was the time to begin to strategize and think about accelerating the change process.

Keynote address by Henri Barthel, Vice President, System Integrity and Global Partnerships, GS1 Global Office

158. The CHAIRPERSON introduced Mr. Henri Barthel, Vice President, System Integrity and Global Partnerships at the GS1 Global Office in Brussels. Mr. Barthel had joined GS1 in July 1988, and was responsible for protecting the integrity of the GS1 system throughout the GS1 standards and services development process. He was a co-chair of the GS1 Architecture Committee that oversaw the development of GS1 standards and advised the strategic direction of the GS1 product portfolio. Mr. Barthel was also responsible for managing partnerships with external standards organizations such as ISO and UN/CEFACT, and he had chaired the ISO working group dealing with RFID standardization for item management for 17 years. He had also chaired the European Standards Committee on Automatic Identification and Data Capture Technologies and Applications for six years.
159. Mr. BARTHEL began by thanking the WCO for the opportunity to present to such a global audience. He then introduced GS1, a user-driven, not-for-profit, international organization based in Brussels which maintained a network of local organizations around the world that managed the identification system but also supported and advised over 1.5 million member companies using GS1 standards.
160. GS1's core activities included an identification system for goods, assets, parties and locations, and a full range of standards for the supply chain that had been developed in the 1970s. GS1 had concluded partnerships with a number of international bodies such as the International Standards Organization (ISO), Joint Technical Committee 1 (the ISO branch that examined Information Technology standards), the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT), and the World Customs Organization.
161. GS1 standards were used by millions of companies and billions of citizens who were deriving the benefits of barcodes daily. Indeed, barcodes were probably the easiest way to recognize GS1's work as they were visible on so many different products such as consumer goods, logistic units and pharmaceutical goods. The potential of barcodes was significant across a range of activities such as tracking, managing shipments (an essential activity for many companies), streamlined inventory management and increased efficiencies. Barcodes also helped to improve services to clients, and helped to administer the right medicine to patients in hospitals. GS1 had succeeded in transforming a neutral system, designed for consumers and retail goods, so that it could be used in many business processes and types of products, including patient care.

162. Mr. Barthel summarized the GS1 standards which served to identify and track shipments, to know where they should go, to identify parties and documents. GS1 had been building identification systems for more than 40 years.
163. The ability to capture information was facilitated by two-dimensional barcodes and radiofrequency tags and offered huge benefits in terms of accuracy, time-saving and the establishment of a connection between the physical and digital worlds. These concepts were sometimes referred to as the Internet of Things, or digitalization.
164. One of the most important elements about capturing data centred on sharing. Companies and their trading partners, regulators and governmental agencies, etc. required standards in order to share data; otherwise chaos would ensue.
165. Finally, visibility was key. There was a lack of information with regard to arrival times and location of goods, and the ability to visualize the physical supply chain was crucial. There were many standards which offered the ability to scale up and connect more stakeholders in a standardized manner.
166. Mr. Barthel then turned to the relevance of standards and digitalization for Customs. Companies were already engaged in the exchange of electronic data, and this presented a vital opportunity to make use of the infrastructure to pursue different objectives, such as food safety control, Customs fiscal control, etc., which could be facilitated by exploiting the infrastructure, identifiers, markings and data already used in a number of supply chains.
167. He cited several examples to illustrate the benefits of exploiting data. The International Trade Data System (ITDS) had conducted a number of pilot studies for very specific products such as toys and games, cut flowers, and meat and poultry. Instead of using a traditional shipping notice accompanied by an HS code, a Global Trade Item Number (GTIN), which was often already contained in the goods, had been used during the pilot study. The pilot studies had been conducted in a rigorous manner and demonstrated the benefits of exploiting the data. One concrete example involved a container of toys coming into the United States. It was clear from the GTIN that the goods had been inspected earlier and so could be cleared in a matter of minutes. However, a container filled with fresh seafood that was unknown to the authorities would be physically checked.
168. Another example was provided by GS1 Canada, where it had become clear that Customs was at the centre of the process involving goods moving in and out of the country, but that there was also a whole array of other agencies, each with their own requirements, which required information and could also benefit from exploiting data.
169. Mr. Barthel provided a third example which focused on a pilot study conducted on the beef trade between Australia and the United States which used GS1 standards to systematically identify products. The Department of Agriculture in Australia and the Food Safety Inspection Service in the United States had been closely involved in the pilot project, the results of which demonstrated that detailed information obtained from barcodes benefited both departments significantly. Without access to a more profound, granular level of information, a considerable amount of money was lost through damaged or lost items.
170. He then referred to the Asia Pacific Economic Cooperation Council and its involvement in some ambitious projects to reduce the cost in the supply chain based on the concept of global data standards, which were primarily built on GS1 standards.

The APEC Council had also issued a number of interesting papers related to pilot projects, and stated that benefits could be derived from global data standards, such as increased efficiency, increased visibility of supply chain processes and the integrity of the products. A by-product of the adoption of global standards was innovation; by adopting and using the standards, new ways to ensure more efficient business processes could be identified.

171. In conclusion, Mr. Barthel said that the regulatory and business worlds were presented with a great opportunity to work together and to make use of the existing standards, specifically standards related to the capture and sharing of information and data, and that the benefits derived would be visible everywhere, particularly for the consumer. Greater efficiency of the supply chain and regulatory matters would benefit everyone.
172. During the subsequent discussion, the Delegate of BRAZIL confirmed that technological development could open new opportunities for Customs administrations and could enhance Customs procedures. However, there was no overarching guidance document listing all the benefits that technology could offer administrations and, as a result, many administrations did not understand the benefits of embarking on a dialogue with the private sector with regard to technology. Mr. DuBois had given several examples of how the private sector had modernized, and how the public service was lagging behind. There was considerable potential and many opportunities to exploit new technologies in a better way. Customs administrations needed to decide their own vision for the future, and then determine which solutions were required. A technological environment was developing without Customs. The WCO needed to think about a vision for the future, to define the common areas where the private sector and Customs could work together. The future was not just an integrated environment for Customs administrations, but rather entailed the creation of a technologically integrated environment with all stakeholders involved in the supply chain.
173. The Delegate of SINGAPORE shared information concerning a large-scale project which his Customs Administration had embarked upon recently, to revamp its Single Window facilities and to build and conceptualize the platform of the next generation at the national level. He was pleased to observe that ideas and concepts mentioned in the presentations resonated with ideas in Singapore surrounding higher productivity and increased efficiency, not just between government and regulatory agencies but also involving private sector companies, as Mr. Barthel had alluded to in his presentation. He was pleased to note that these visions were aligned, and that promise and potential lay ahead for the public sector as well as private sector entities.
174. The Delegate of UGANDA agreed that technology was a great enabler of efficiency. However, the supply of technological solutions was increasingly becoming donor or supply-driven in the developing world. Most administrations had an abundance of solutions but no procedures, and sometimes a poor national infrastructure. He expressed his gratitude to the WCO for its work in organizing IT and technology conferences. However, WCO tools and standards were needed to ensure that Members had the capacity to acquire appropriate technology to deliver efficiencies.
175. The Delegate of NEW ZEALAND agreed that IT was a critical enabler for border management, and contained much potential to deliver modernized borders. The pace of change around emerging technologies, such as the cloud, created many opportunities, but also made it increasingly difficult for administrations to fully understand how to take advantage of the opportunities. Enhanced information sharing and tools such as data analytics and predictive modelling could assist administrations

- in improving their risk assessment processes. The New Zealand Customs Administration was working on a Single Window, automated passenger processing and enabling further mobility of frontline officers. In terms of legislative frameworks, the new Customs and Excise Act would look at how information was shared and address data privacy concerns. New Zealand supported the work that the WCO was doing to support Digital Customs. The Administration had learned that putting customers at the centre of the process ensured a better outcome. The WCO's Digital Customs Maturity Model should have a greater focus on customer-centricity.
176. The Delegate of CAMEROON stated that Digital Customs had been the basis of Customs modernization in Cameroon. The Globally Networked Customs (GNC) initiative required that some levels of Customs infrastructure be closely linked. However, issues such as inadequate bandwidths, the intermittent flow of energy, prohibitively expensive licences and handling big data were restricting Customs administrations. He suggested that the Private Sector Consultative Group (PSCG) examine the challenges faced by Members and see how best these could be overcome.
177. The Delegate of TURKEY stated that Customs operations had been transformed by ICT. ICT was essential for Customs to collect and safeguard Customs duties, to control the flow of goods, people, conveyances and money, and to secure cross-border trade from crime. Turkey had placed a great deal of emphasis on border control procedures by means of electronic systems, and it therefore supported the work of the WCO.
178. Turkey was also engaged in pilot projects regarding the digitalization of transit operations; a pilot project, jointly developed by the United Nations Economic Commission for Europe (UNECE) and the International Road Transport Union (IRU), was underway, using e-guarantees to enhance Customs-Business exchanges. A second pilot model was also underway between Turkey and Georgia, and a protocol on data exchange had been signed on 26 January 2016. The project between Turkey and Georgia had been signed based on a UNECE model. The objective was to match the pilot project with GNC, with the ultimate aim of creating utility blocks for transit operations. By implementing these projects, Turkey would become a role model for Customs-Customs data exchange, and a pilot project conducted between Turkey and the Islamic Republic of Iran could form the basis of future GNC-related projects as it pertained to Customs-to-Business exchange. The objective of all these projects from Turkey's perspective was to enhance regional cooperation, and Turkey fully supported the WCO's work in that respect.
179. The CHAIRPERSON OF THE PRIVATE SECTOR CONSULTATIVE GROUP (PSCG) thanked both speakers for their presentations, and agreed that the private sector and Customs could work together to see how the latest advancements in technology in the private sector could be made available for the needs of Customs administrations. The PSCG was available to assist in that respect.
180. Mr. DUBOIS, in response to the comments, expressed the hope that the synergy between the two presentations, i.e. that standards were needed to advance technology capabilities, had been clear. He agreed with the Delegate of Brazil and the PSCG Chair on the necessity of creating a vision, and here he emphasized the importance of collaboration with the private sector in the creation of a vision, as things were changing very quickly. He appreciated the point made by the Delegate of Uganda that procedures were just as necessary as technology. Singapore, New Zealand and Turkey appeared to be making significant strides forward in respect

of technological advancement, and there was a huge opportunity to collect these examples of best practices. The Delegate of Cameroon had mentioned infrastructure challenges and Microsoft was responding to such challenges with its “For Africa” initiative.

181. Mr. BARTHEL referred to new technologies. It was clear that the WCO and its Members needed to understand big data and the opportunities that lay therein, but often many pre-existing technologies could be replicated and recycled. For example, the barcode on products yielded enormous potential; consumers could access different types of information and that information could be re-used. A technology that had been invented in the 1950s, and whose first real application had been the barcode developed in 1972, was still yielding new fields of information 45 years later. Innovation meant also examining pre-existing processes and seeing how information could best be exploited.
182. The SECRETARY GENERAL recalled that Microsoft had been the first Chair of the PSCG, and that the WCO had been cooperating with that company for many years. Moreover, Microsoft was a longstanding supporter and sponsor of various WCO events. He pointed out that there were many implications deriving from use of the cloud, such as how share information in a secure environment and include mobile technology, and he expressed gratitude to Microsoft for its work in that respect and for inspiring the audience with new ideas.
183. GS1 was also a longstanding partner of the WCO and had provided support for many WCO events, including most recently the IT Conference in Senegal where Mr. Barthel had been a speaker. Mr. Barthel’s assertion that standards and technology needed to go together was correct and would be taken into account in the WCO’s Digital Customs Work Plan.
184. Concluding his remarks, the Secretary General said that he had been invited to speak at the first UN World Humanitarian Summit on a high-level panel chaired by Secretary General Ban Ki-moon, and during his speech he had referred to the role of Customs in facilitating relief consignments during a humanitarian crisis. GS1 and Microsoft had both been represented at the Summit, exhibiting their technologies with respect to the facilitation of relief consignments, which demonstrated the extensive reach and the enormous potential of such technology.

5. POLICY MATTERS

185. The CHAIRPERSON invited participants to consult the Reports of the Policy Commission's 74th and 75th Sessions (Docs. SP0550 and SP0572), which had taken place in December 2015 and July 2016 respectively. Although the 74th Session, in December 2015, had been concerned primarily with matters which were examined further at the 75th Session and were therefore reflected in Doc. SP0572, he drew the Council's attention to the fact that, at the Policy Commission's session in December 2015, the WCO's Information and Intelligence Centre (I2C) had been launched. I2C was intended to facilitate communication and coordination on global Customs compliance and law enforcement matters. Also in December 2015, the Policy Commission had adopted a Communication from the international Customs community addressed to the Tenth WTO Ministerial Conference and regarding the implementation of the WTO Trade Facilitation Agreement (TFA). That Communication was set out at Annex III to the Report on the Policy Commission's 74th Session. Finally, the Chairperson drew attention to the Resolution on the role of Customs in the security context (the "Punta Cana Resolution") approved by the Policy Commission in December 2015 and set out at Annex IV to the Report on the 74th Session (Doc. SP0550).
186. The Council took note.
187. The CHAIRPERSON then invited participants to consult the Report of the Policy Commission's 75th Session (Doc. SP0572), which had taken place earlier in the week. With the assistance of the Secretary General and the senior management of the Secretariat, he presented to the Council, item-by-item, the key outcomes of that session as reported in Doc. SP0572. He informed the Council that for the "A" items before the Policy Commission, which had been for information or had required endorsement only, there had been no presentations and no discussion.

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| "A" ITEMS |
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- (a) SAFE Framework of Standards and aviation security**
188. At the invitation of the Chairperson, the Council took note of :
- the progress made at the 15th Meeting of the SAFE Working Group;
 - the Report of the 10th Meeting of the Technical Expert Group on Air Cargo Security and the Phase II Interim Report of the Joint WCO-ICAO Working Group on Advance Cargo Information; and
 - the key outcomes of the 3rd WCO Global AEO Conference.
- (b) Economic Competitiveness Package Action Plan - Progress Report**
189. 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.
- (c) Compliance and Enforcement Package - Progress Report**
190. At the invitation of the Chairperson, the Council took note of the activities reported by the Secretariat and endorsed the 2016/2017 Compliance and Enforcement Package (CEP) Action Plan.

(d) Performance Measurement

191. At the invitation of the Chairperson, the Council took note of the progress of the “Achieving Excellence in Customs” performance measurement tool. The Chairperson referred to the importance of continuing to make progress in respect of this dossier.

(e) Report on Private Sector Consultative Group Meeting

192. At the invitation of the Chairperson, the Council took note of the Summary Report on the Private Sector Consultative Group’s (PSCG) meeting held on 22 and 23 February 2016.

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193. The CHAIRPERSON then invited the Council to turn its attention to the more substantive items from the Policy Commission’s Agenda (known as “B” items).

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| “B” ITEMS |
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(f) Digital Customs

194. The DEPUTY SECRETARY GENERAL said that the WCO had been working on ICT-related topics for several years, and had developed a number of instruments and tools in this area. However, a comprehensive approach to Digital Customs had first been proposed by the Council Chairperson at the December 2014 Policy Commission session. The WCO had responded to that proposal in a number of ways : “Digital Customs - Progressive Engagement” had been selected as the WCO theme for 2016; in the new Strategic Plan, the concept of Digital Customs had been elevated to Strategic Goal level (i.e. the highest level in the Strategic Plan); and Digital Customs had been the topic of one of the breakout sessions at the December 2015 Policy Commission session. The outcome of the breakout session had been a mandate from the Commission to keep working to further develop the Digital Customs concept, which should be discussed in all relevant WCO bodies.

195. The Deputy Secretary General said that, to further develop this concept, the Secretariat had identified the key enablers for a scaleable and sustainable approach by Members to Digital Customs. These included : a digital strategy, with strong political will; a legal basis to implement solutions such as e-transactions and e-signatures; a governance structure with a clear mandate and resources; and an ICT infrastructure, which constituted a sine qua non requirement. The Secretariat had also identified key tasks the WCO should focus on under the umbrella of Digital Customs, and clear links between the Digital Customs concept and the Strategic Plan.

196. As mandated by the Policy Commission, since December 2015 all the relevant WCO bodies (i.e., the Permanent Technical Committee, the Enforcement Committee, the Capacity Building Committee and the Information Management Sub-Committee) had contributed to the further development of the WCO Digital Customs concept and strategy. Moreover, during this period several tools had been

produced under the Digital Customs concept, including a supplement to the Single Window Compendium, the Handbook on Globally Networked Customs, and Data Model Version 3.6.

197. The Deputy Secretary General went on to say that, during the intersession, the Secretariat had also made progress in some new key areas. The first was the collection and dissemination of Members' best practices and innovations in the field of Digital Customs. The input already received was currently being analysed, and would then be made available to all Members. The idea was to create a living repository/observatory of best practices and innovations, and the Deputy Secretary General urged Members to keep sending the Secretariat information about their experiences, for the further improvement of this new tool. The second new area was the development of a Maturity Model on Digital Customs. The rationale behind this was that ICT implementation was a journey which required strong political will and extended beyond a single administration or government, so what was needed was a practical and measurable approach allowing for phased implementation and the gradual consolidation of ICT systems, rather than a "big-bang" approach. The Policy Commission had given feedback on the Maturity Model at its recent session, and its recommendations would be reflected in the ongoing work.
198. Finally, the Deputy Secretary General said that a concrete Work Plan for the next two years had been developed, taking into account the outcomes of the discussions held in the various relevant WCO bodies. The Work Plan reflected the transversal nature of the Digital Customs topic, and covered the development of Standards; engagement and cooperation to enhance electronic interfaces and the exchange of information with key stakeholders; and capacity building. The Policy Commission had provided feedback about the work plan also, highlighting the need for coordination with the Virtual Group which was reviewing the Revised Kyoto Convention, with the TFA Working Group, and with academia.
199. After noting that many aspects of Digital Customs had been discussed earlier in the sessions, in the course of two very interesting presentations by guest speakers Mr. J. DuBois (Microsoft Corporation) and Mr. H. Barthel (GS1 Global Office), the Council :
- took note of the intersessional work on Digital Customs, including the progress made by various WCO bodies as well as the collection of Members' practices for creating a "living repository/observatory" of best and innovative practices on Digital Customs with continued contributions from Members;
 - endorsed the Digital Maturity Model (reproduced in Annex II to Doc. SP0560) and the Work Plan on Digital Customs (reproduced in Annex III to Doc. SP0560) with suggested enhancements, as living documents which could be further enriched by the inclusion of such additional suggestions and elaborations as would be received from Members and relevant WCO working bodies; and
 - encouraged Vice-Chairs to include and enhance work on Digital Customs in their respective regional work plans, as appropriate.

(g) E-commerce

200. The DIRECTOR, COMPLIANCE AND FACILITATION, said that in the past year the WCO Secretariat and Members had participated in a number of different meetings on the topic of e-commerce. In particular, the Organization had been an active participant in the work of the Technical Expert Group on Measuring E-Commerce, alongside the WTO, UNCTAD, UPU, OECD and representatives of the private sector. In the course of these meetings it had become clear that e-commerce was a growing phenomenon which offered opportunities for micro, small and medium sized enterprises (MSMEs), in particular, to enhance their business, but at the same time posed potential threats with regard to the collection of duties and, in some cases, VAT.
201. When examining this issue, the PTC had noted that there were several different types of e-commerce, some of which raised more concerns than others where controls were concerned, and had expressed an interest in further engagement on business-to-consumer and consumer-to-consumer transactions. The Secretariat was seeking to identify what work was being done on this topic by other bodies, and where the WCO could add value. In this connection, she noted that the Secretariat was working closely with the UPU in order to close gaps where possible, and enable Customs administrations to obtain advance information on e-commerce packages at importation.
202. The Director said that the Chairperson would be inviting the Council to adopt a series of proposals from the Policy Commission in this area, including in particular the establishment of a WCO Working Group on E-Commerce, which would be open to interested Members as well as relevant international organizations and private sector representatives. If the Council agreed to the establishment of this Working Group, its first meeting would take place in Brussels from 21 to 23 September. She concluded by indicating that the WCO Secretary General and UPU Director General would be sending their respective Members a joint letter encouraging them to establish MOUs at the national level, in order to facilitate the provision of advance information and data exchange to help Customs better address the risk management issues associated with e-commerce.
203. The Delegate of CHINA said that she welcomed the WCO's initiative in the area of e-commerce, and the establishment of a Working Group on this subject. While the rapid development of e-commerce presented new challenges, it also brought opportunities, including the opportunity for Members to look at how to remain up-to-date and able to accommodate this new development in trade. She said that China Customs had been working actively to facilitate the healthy development of e-commerce since 2012, and had developed a unified import and export clearance system for e-commerce goods, which involved sharing information with e-commerce businesses and also with other related agencies. Under this system, paperless clearance had been achieved, covering areas such as business registration, declaration, inspection, duty collection and clearance. China Customs would be very pleased to share experiences with other Members in this area, and looked forward to participating in the new Working Group.
204. The Delegate of NEW ZEALAND said that New Zealand Customs welcomed the work done to date on e-commerce, including the work of the Technical Expert Group on Measuring E-Commerce. She warmly welcomed the establishment of a WCO Working Group on this important subject, as international cooperation was critical to finding solutions to the challenges presented by e-commerce. She also indicated that New Zealand Customs was exploring alternative revenue collection

mechanisms to overcome revenue leakage affecting the country's tax system, adding that there was a need to develop an international system such as offshore suppliers' registration to enable the collection of revenue and, even more importantly, to inform risk management well before goods crossed the border. All Customs administrations were facing the challenges of inconsistent, inaccurate or incomplete data, and she encouraged countries to work towards the adoption of the WCO Data Model 3 standard.

205. The Delegate of AUSTRALIA also expressed his strong support for the WCO's e-commerce initiative. Australia was already part of the Working Group on e-commerce in the UPU environment, and would be happy to participate in the work of the proposed new WCO Working Group.
206. The Delegate of the DOMINICAN REPUBLIC also welcomed the establishment of this new body. There was a need to gain a better understanding of the problems posed by the e-commerce phenomenon, which in the Dominican Republic was causing a Customs revenue leakage of approximately 6 %.
207. The Delegate of SPAIN said that her Administration was in favour of the WCO's e-commerce initiative, and was fully aware of the need to take action in this area. The opportunity to purchase goods online, together with the advances made in respect of online payment, meant that nowadays many young people were more likely to buy online than visit a physical shop. This was very positive from the perspective of international trade, but posed a big problem for Customs, because the streamlined online process, coupled with modern distribution methods, meant that Customs lacked information about business-to-consumer sales, in terms of not only the websites that sold the goods themselves, but also the payment systems used to purchase them. Both were equally important; thus, there was a problem not only with revenue leakage, but also with information leakage.
208. The Delegate of ALGERIA said that e-commerce was an important and sensitive issue, which was beginning to pose real problems for Customs administrations around the world. After centuries of dealing with physical goods, Customs now had to deal with a new reality brought about by the growth in IT and the trade in virtual goods (software), and to some extent was failing to do so. There was a real risk in terms of revenue collection, especially for the many countries which depended on Customs' revenue as a direct contribution to the national budget. In these circumstances, there was a need to develop IT systems. Algerian Customs, for its part, had included in its Strategic Plan for 2016-2019 a very ambitious development project to redesign its IT system in view of the developments regarding e-commerce. Thus, the current IT system, which was 20 years old and had become completely obsolete, would be overhauled in its entirety; one feature of the new system would be a gateway to the IT systems of other countries in the region, or indeed further afield. With this in mind, Algerian Customs hoped to contribute to the work of the new Working Group, and at the same time to enrich its own experience in this area. Also, the Administration would like support from the WCO for the implementation of this project, which would also be of benefit to other countries in the region, and internationally.
209. The Delegate of INDONESIA thanked the Secretariat for its work on this issue, and said he agreed with previous speakers that the increasing transaction value of e-commerce goods was creating challenges for Customs in terms of both security and revenue collection. There were fears that this mode was being used by transnational organized crime for smuggling, for trafficking in drugs and weapons, and for money laundering. Where revenue collection was concerned, Indonesia was suffering

increasing leakage of duties and taxes, especially through the splitting of consignments and the undervaluation or misdeclaration of e-commerce goods. The Customs valuation of intangible goods traded online was another source of concern, it being noted that such goods were particularly difficult to value where tradenames, logos, images, patents, copyrights and software were often transferred in bundles with tangible products, sometimes making them difficult to detect. In this context, the standardization of Customs valuation methods for intangible products was crucial. Finally, the delegate said that Indonesian Customs was currently working with the national Postal authority to improve the supervision of e-commerce goods through the electronic exchange of data from goods manifests.

210. The Delegate of CANADA expressed her strong support for the creation of the new Working Group, and said that Canada was currently working on the development of an e-commerce strategy. Specifically, it was looking at how to handle goods arriving by post and courier, and seeking innovative solutions for risk assessment, revenue collection and the release of e-commerce goods. Canada Customs was very supportive of the automation of Postal/Customs operations by encouraging greater exchange of electronic pre-arrival information between Customs and Post worldwide. Canada Customs believed that advance data from the Post and couriers would be key to a successful outcome in this area, and encouraged the WCO to look at ways to accelerate the sharing of this information with Customs' global partners. It would be happy to work with the Organization on this.
211. The Delegate of the UNITED KINGDOM expressed his appreciation of the work done on this topic since the Policy Commission's December 2015 session. The growth in e-commerce traffic, and the way in which goods were now purchased and moved around the world, increased the risk to revenue as well as the risk of fraud and abuse. E-commerce was driving many of the world's economies and Customs should facilitate it, but at the same time this new type of trade had created great new opportunities for those wishing to steal Customs revenue. The United Kingdom greatly welcomed the creation of the Working Group, and looked forward to participating fully in its work.
212. The Observer for the GLOBAL EXPRESS ASSOCIATION (GEA) welcomed the WCO's outstanding efforts to monitor the work being done in other fora and make documents and information available to all stakeholders. He agreed that the establishment of the Working Group would be important in terms of coming up with practical solutions expeditiously, not only to address the government concerns expressed by previous speakers, but also to address the business opportunities that e-commerce offered to MSMEs - a group identified by many parties as warranting special support. WCO Members, and the Working Group, should ensure that they produced a level playing field for postal and private operators in this area. The express courier industry was fully committed to working with government entities, both within the WCO and bilaterally, on practical solutions for revenue collection and pre-arrival information, and had come up with plenty of ideas on how to provide data for pre-arrival processing. GEA was pleased that the WCO was leveraging its cooperation with the UPU to guide the postal community into the digital age. The Observer repeated his call to Customs administrations for the creation of a level playing field, remarking that it would be very unfortunate if the capabilities, commitment and cooperation of the express courier industry caused it to be placed at a competitive disadvantage.
213. The Observer for the INTERNATIONAL CHAMBER OF COMMERCE and UNITED PARCEL SERVICE (ICC/UPS) said that e-commerce was very important for economic growth, and looked forward to participating in the work of the Working Group. He urged all parties to approach this topic with an open mind. There were certainly

concerns on some issues related to security and revenue collection, but it should be possible to deal with them without compromising the opportunities that e-commerce offered to business. The ICC represented over 6.5 million companies worldwide, and over 30 million through its affiliate associations. Most of these companies were SMEs, whose opportunity to grow was being stifled by the current border procedures which were not tailored to the needs of SMEs, particularly where the cost of clearing goods through borders and low “de minimis” levels were concerned.

214. The Observer suggested that a modest loss in revenue collection from small e-commerce shipments might be more than offset by the economic benefits derived from job creation. In this connection, speaking now on behalf of UPS, he said that around the world, just 22 additional packages per day were enough to generate one new job. Finally, he agreed with the previous speaker on the importance of advance electronic data, remarking that UPS members were concerned about their rights in this regard, and the violations associated with goods moved by other operators that did not provide advance data.
215. The CHAIR OF THE PRIVATE SECTOR CONSULTATIVE GROUP (PSCG) said that the PSCG had set up a Working Group which, in its Report to the SAFE Working Group, had suggested that a Working Group on E-Commerce be established. The PSCG looked forward to working with this new body, and wished to draw attention to the need to move forward with the speed that this topic required.
216. The Observer for the INTERNATIONAL FEDERATION OF FREIGHT FORWARDERS ASSOCIATIONS (FIATA) said that FIATA was fully committed to this initiative and could be relied upon to participate fully, both as a member of the PSCG and in its own right. He also appreciated the transparency shown, and welcomed the valuable material which the Secretariat had shared with participants on this subject.
217. Responding to these interventions, the DIRECTOR, COMPLIANCE AND FACILITATION, expressed her appreciation to all those who had endorsed the establishment of a Working Group on E-Commerce and volunteered to participate in its work. She added that although the Compliance and Facilitation Directorate was leading the work in this area, it was working very closely with colleagues in the Tariff and Trade Affairs Directorate as there were a number of valuation- and origin-related issues that the Working Group would need to address. The point raised by New Zealand regarding alternative methods of revenue collection was one of the topics the Working Group would be addressing; “de minimis” levels was another.
218. In conclusion, the Council :
- took note of the work accomplished during the intersession concerning e-commerce, from both facilitation and control perspectives;
 - endorsed the establishment of a Working Group on E-Commerce, together with its Terms of Reference, to carry out future collaborative work in the area of e-commerce;
 - called upon Members to consider prioritizing the implementation of an electronic interface between Post and Customs at the national level by using joint WCO-UPU messaging standards, and tasked the Secretariat to enhance engagement with the UPU on the related future collaborative work, including the issuing of a joint letter and the updating of the existing Memorandum of Understanding;

- encouraged the Secretariat to continue enhancing its cooperation with the OECD, WTO, UNCTAD and other relevant stakeholders, including new and emerging e-commerce actors, with a view to harmonizing and leveraging synergies; and
- requested Members to share working experiences and practices in the area of e-commerce, particularly by responding to the Secretariat's ongoing survey on the subject.

(h) Security initiative - Follow-up to Punta Cana Resolution

219. The SECRETARY GENERAL recalled that during his oral report to the Council on the implementation of the Strategic Plan, he had given an extensive description of the December 2015 Punta Cana Resolution and the actions which had followed it, including the development of the WCO Global Counter-Terrorism Strategy and the Guidance on the use of PNR/API, both of which had been endorsed by the Policy Commission at its recent session.

220. The Council took note of the progress made since the adoption of the Punta Cana Resolution in December 2015, and endorsed the Guidance on the use of Passenger Name Record/Advance Passenger Information, and the WCO Global Counter-Terrorism Strategy.

(i) Customs-Police cooperation

221. The SECRETARY GENERAL said that as had been revealed during the discussions with guest speaker and INTERPOL Secretary General Mr. J. Stock earlier in the Sessions, Customs/Police cooperation had existed for a long time in the matter of illicit trade, but the new security dimension meant that this cooperation needed to be enhanced further. During the recent Policy Commission session, the Secretariat had presented information on how the WCO and INTERPOL were communicating with each other at senior management level, and were seeking to coordinate their operations so that Customs/Police cooperation could advance at the national level. He also referred to the draft Customs-Police Cooperation Handbook which the Policy Commission had endorsed and was now recommending to the Council. Members were encouraged to contribute their best practices in order to further enrich the Handbook. The objective was that the WCO and INTERPOL would promote the Handbook to national Customs and Police authorities.

222. The Council expressed its appreciation of the work done by the Secretariat, together with INTERPOL, to strengthen Customs-Police cooperation. It endorsed the Handbook on Customs-Police Cooperation as a good starting point for further work, and encouraged Members to share their working practices to further develop the Handbook. The Handbook is reproduced in the Annex to Doc. SP0563.

(j) Customs-Tax cooperation

223. The DIRECTOR, CAPACITY BUILDING, said that the Policy Commission had been discussing this important subject for the past year, and it was recognized that the rapid globalization of trade and of the financial system had brought about significant changes to business operating models, leading to growing volumes of international transactions. The higher volume of transactions increased the potential risk of Customs offences, tax evasion and tax avoidance, putting pressure on both Customs and Tax administrations to enhance their risk assessment and compliance management. Financial crimes, including tax crimes, were commonly associated with other illicit activities and threats, such as money laundering and the financing of terrorism. This meant that a “whole-of-government” approach was required. The WCO was sensitive to this situation and had started work on it. Thus, the PTC, the Technical Committee on Customs Valuation and the Enforcement Committee had developed and approved a set of draft Guidelines to promote Customs-Tax cooperation. Since it was recognized that there was no “one size fits all” solution, the Guidelines were based on principles and practices aimed at promoting Customs-Tax cooperation, and articulated some of the key enablers for successful cooperation such as legal framework, governance, IT, and data security.
224. He explained that the Guidelines also dealt with the exchange of information and exchange mechanisms, explored joint activities (profiling, risk analysis, investigations, examinations) and suggested the adoption of a suitable governance framework, such as an MOU or agreement. The Guidelines constituted a living document; they had been presented to the Policy Commission, which had approved them but had asked the Secretariat to continue working on them in order to articulate what Customs could offer to Tax authorities to help them fulfil their mission, and vice-versa. The Director said that the Guidelines included some examples of working practices provided by Côte d’Ivoire, India, Malaysia, the Russian Federation and Serbia, but he seized the opportunity to urge other Members to contribute their experiences and suggestions.
225. He added that the Guidelines were not the only aspect of the Customs-Tax cooperation initiative. The WCO had a long-standing relationship with the OECD, involving a number of bilateral meetings throughout the year, and there was some work in progress on transfer pricing and Customs valuation, as well as illicit financial flows. The WCO also had a working relationship with the IMF, reflected in bilateral meetings, performance measurement and capacity building activities. The WCO and the OECD would run a Joint European Forum on Illicit Trade on 7 and 8 November 2016, to which all Members were cordially invited.
226. The Delegate of MALAYSIA said he wished to inform the Council that the Royal Malaysian Customs Department (RMCD) and the Inland Revenue Board (IRB) had signed an MOU on joint auditing in 2013. The purpose of the MOU was to enable Customs and Tax officers to conduct joint audits, not only to enhance efficiency on audit but also to enable immediate sharing of information, especially in respect of auditing on corporate tax, Customs duties, and Goods and Services Tax (GST). The fact that both the indirect and direct tax authorities, i.e. RMCD and IRB, were under the purview of the Minister of Finance, eased the way for exchanging information as well as conducting joint activities. Although the IRB Act stated that data on tax payers should be protected, the Minister of Finance had the power to authorize the exchange of information between the RMCD and the IRB. The objective of the joint audit was to ease the burden of businesses with regard to audit operations by the two Government agencies.

227. The Delegate added that his Administration supported and looked forward to the WCO's guidance for strengthening cooperation with the Tax authorities at the national and international levels. It also hoped to gain insights into the challenges and experiences of other Customs administrations in terms of establishing cooperation with the Tax authorities, especially in cases of fraud or criminal activities involving both agencies; it was also interested in addressing legal or regulatory issues, as well as the question of ownership of investigations.
228. The Delegate of INDIA said that his country's Customs Administration, like that of Malaysia, had a cooperation agreement with the Central Board of Direct Taxes. This had proved extremely useful to both organizations and a great deal of synergy had been observed, enabling Customs and Tax to have 360° profiling of most of their assesseees. Moreover, they had carried forward this cooperation to the extent of having a Joint National Conference of Tax Administrators, which had made it possible to build up the synergy even more.
229. The Delegate of CHILE said that, in his country, Customs had recently been working in very close cooperation with the Tax administration as they shared many points in common. He welcomed the work being done, and considered that the approach adopted was the correct one. He highlighted the importance of information exchange and cooperation with other organizations and authorities. In this connection, he recalled that transfer pricing and valuation issues had been discussed earlier in the Sessions, and said it was very important to know how the valuation standards were being applied in respect of transfer pricing, as it appeared that other authorities might be applying them differently from Customs. Chile welcomed the work being done on Customs-Tax cooperation in the WCO, and supported the proposed Guidelines for strengthening cooperation and the exchange of information between Customs and Tax authorities at the national level.
230. The Delegate of SENEGAL said that this was a very important subject for Customs administrations, especially in a context of fiscal transition where Customs taxation was declining and domestic taxation increasing. Customs administrations needed to cooperate intensively with their national Tax authorities to ensure maximum revenue collection for the State. Senegal had taken up this challenge, through the establishment of a Joint Customs/Tax Controls Force under the Ministry of the Economy and Finance. In this connection, he stressed that for the conduct of effective controls by the Customs and Tax authorities, it was very important to have a single identifying number for companies, making it easier to cross-check the Customs (upstream) and Tax (downstream) data. The delegate drew attention to the importance of this collaboration, noting in particular that, in the critical area of valuation, a paradigm shift was required in order to improve Customs controls, and this would only be possible through the auditing of company accounts. Against that background, the importance of Customs-Tax controls could not be over-emphasized.
231. The Delegate of ALGERIA expressed his Administration's support for this initiative, and explained that Algeria's Customs and Tax administrations had a very traditional relationship, which needed to be developed and updated in the light of developments in international trade transactions. The aim was to achieve good tax coverage and a proper balance between facilitation and control, and for this purpose it was necessary to forge stronger ties with the Tax authority. The system now being developed by Algeria involved the use of a tax identification number under which Tax and Customs information was integrated, making it possible to trace and monitor all trade transactions at both import and export. Algeria's legislation also provided for a Joint Controls Committee, which had been expanded in recent years to include the

Ministry of Trade in addition to the Customs and Tax authorities. The Committee operated on the basis of an annual schedule of controls which covered transactions involving both physical and intangible goods. In this connection, the authorities concerned were working to increase the interoperability of their IT systems in the interests of greater effectiveness and efficiency.

232. The Delegate of BOLIVIA said that the relationship between the Customs and Tax administrations was extremely important; it allowed for risk management and enabled transfer pricing issues to be avoided. The conclusion of an MOU between the two administrations was very important in view of the data protection provisions covering taxpayers. The new WCO Guidelines would help countries like Bolivia where Customs and Tax were separate authorities. Customs had no specific taxpayer number, and the Guidelines would be helpful in terms of facilitating AEO accreditation, the current procedure for which was rather lengthy in Bolivia.
233. The Delegate of SPAIN said that the 25th Anniversary of the merger of Spain's Customs and Tax authorities into a single fiscal administration was approaching. There were positive and negative aspects to this merger. On the positive side, all Customs and Tax information was shared in a common database, to which both Customs and Tax officers had access, with Customs and Tax information being filed under a single number for each taxpayer. She believed that the organizational structure employed by a given country was not relevant, provided that where there were two separate General Directorates, there was good information exchange between them. Bolivia's remarks regarding data protection issues were extremely important; where Customs and Tax were two separate administrations there was always doubt as to what information from one authority could be used by the other; this point should be clarified, either by inclusion in an MOU or by some other means.
234. The CHAIRPERSON thanked the Delegate of Spain and previous speakers for highlighting the importance of having a joint Customs/Tax database or some other means of sharing information between the two authorities.
235. Responding to these remarks, the DIRECTOR, CAPACITY BUILDING, thanked delegates for their support for the work being done on Customs/Tax cooperation. He noted that there were still areas in the draft Guidelines that required further development and clarification; in particular, the Guidelines should specifically indicate how Customs could help the Tax authorities to fulfil their mission, and vice-versa. Delegates' descriptions of their national experiences had been very enlightening, and the Director invited the Members concerned to submit contributions in writing with a view to enriching the Guidelines.
236. In conclusion, the Council :
- endorsed the Guidelines for strengthening cooperation and the exchange of information between Customs and Tax authorities at the national level, noting that this was a living document which would be further enriched by the inclusion of more examples of experiences and best practices. The Guidelines are reproduced in the Annex to Doc. SP0564;
 - took note of potential opportunities for cooperation between Customs and Tax authorities at both national and regional level, and encouraged Members to share their related working experiences and best practices; and

- encouraged the Secretariat to continue working with the OECD and IMF with regard to Customs-Tax cooperation, emphasizing Customs' wider role in the global supply chain facilitation and security (non-fiscal) areas, as well as revenue collection.

(k) Protection of cultural heritage - Council Resolution

237. In the light of the interesting discussions which had taken place following the presentation by Ms. M. Fannon, Director of the Smithsonian Institution's Office of International Relations, the CHAIRPERSON invited the Council to consider certain issues related to the protection of cultural heritage, which the Policy Commission had discussed at its recent session.
238. The DIRECTOR, COMPLIANCE AND FACILITATION, referred to recent work by the Secretary General and the Secretariat to increase awareness of this topic and articulate the strategic role of Customs in interdicting the movement of cultural heritage items at borders. One interesting initiative was the ARCHEO platform, whose purpose was to provide support for Members' field officers; at the beginning of the year, the Secretary General had written to administrations, inviting them to identify a contact point for communications with the platform. Another aspect worth mentioning was that the 2015 PICARD Conference in Azerbaijan had included a specific research topic on illicit trafficking of cultural heritage, and the same would apply to the next PICARD Conference, to take place in the Philippines.
239. Turning to the draft Council Resolution on the role of Customs in preventing illicit trafficking of cultural objects, the Director said that the Policy Commission was recommending this draft instrument to the Council for adoption. The draft Resolution recognized the important work done by other agencies in this field, and set out a number of concrete measures to be taken by the WCO and its Members in this regard.
240. The Delegate of SYRIA welcomed this very important new instrument, but considered that despite its comprehensive content it could be further improved by the addition of certain points. Thus, he considered that the draft Resolution should make reference to the need to criminalize the illicit traffic in cultural property through United Nations Security Council Resolution 2199; it should also refer to the parallel market, and require the repatriation of illegally trafficked cultural objects. Another helpful amendment would be to refer to UN Security Council Resolution 2199 in the body of the Resolution rather than in the Preamble, and urge Members to implement that Resolution.
241. The CHAIRPERSON said that it would be difficult to amend the text at this stage, bearing in mind that it had been discussed at length by the Policy Commission, which had recommended it to the Council for adoption. Therefore he suggested that with the agreement of Syria, the points raised should be noted in the Minutes of the Sessions.
242. In conclusion, the Council :
- took note of the updates provided on recent and planned activities in the field of cultural heritage protection; and
 - adopted the Council Resolution on the role of Customs in preventing illicit trafficking of cultural objects. The text of the Resolution is reproduced at Annex II to these Minutes.

(l) Revenue Package Phase III Action Plan

243. The DIRECTOR, TARIFF AND TRADE AFFAIRS, recalled that the WCO Revenue Package had been developed in response to Members' concerns regarding falling revenue returns in the context of the global financial crisis and declining duty rates. The objective was to assist Members with revenue collection. Phase I of the Revenue Package Action Plan had been completed in 2012, and Phase II in 2015. A wide range of tools related to tariff classification, valuation, origin and post-clearance audit had been developed under Phases I and II. All of these tools were available on the WCO website and on CD-ROM, and Members were invited to contact the Secretariat if they required any assistance with their use.
244. Moving on to the proposals for Phase III of the Revenue Package Action Plan, the Director explained that this Phase consisted of two parts. Part 1 was concerned with assisting Members in the use of the Phase I and Phase II tools. Part 2 was focused on the development of new materials and initiatives in the areas of : Customs-Tax cooperation, assisting least-developed countries (LDCs) with Origin certification, post-clearance audit, fragile borders, the control of mineral resources, and Customs laboratories. Phase III was scheduled for completion in June 2018. The Action Plan had been endorsed by the Policy Commission at its recent session, and was now being presented to the Council for approval. The Director added that updates and progress reports would be presented to the Policy Commission at future sessions, and the work done would also be presented to the Working Group on Revenue Compliance and Fraud.
245. The Council approved the proposed Action Plan for Phase III of the Revenue Package, which is reproduced in the Annex to Doc. SP0566.

(m) Report by Working Group on Governance

246. The CHAIRPERSON recalled that certain governance matters related to elections in the WCO had been raised at the Policy Commission's December 2014 session in Brazil. These matters had been pursued further at the Commission's December 2015 session in the Dominican Republic, where it had been decided that a Working Group on Governance, to be chaired by the European Union, would examine them in more detail. The Working Group, consisting of the six regional Vice-Chairs plus two Members per region and the Secretariat, had met on 8 March and, taking account of further discussions at the regional meetings, had produced its report to the Policy Commission on 30 June. The Policy Commission had discussed the recommendations contained in the report at its recent session, and had reached agreement on a number of aspects which he would now present to the Council for adoption.
247. The first Policy Commission recommendation that the Chairperson put to the Council was that WCO Directors continue to be elected rather than appointed. The Council adopted this recommendation.

248. Secondly, regarding the election of the WCO Council Chairperson, the Policy Commission was recommending that :
- candidates for the office of WCO Council Chairperson should be designated Heads of Delegation;
 - the Council Chairperson should be elected for a term of one year plus possible re-election for a second one-year term with, in exceptional cases, the possibility for the Council to re-elect the incumbent for a third one-year term at its discretion;
 - candidacies for the office of Council Chairperson should, in principle, be notified to the Council at least two weeks prior to the Council Sessions.
249. The Delegate of BAHRAIN, in his capacity as Vice-Chair for the North of Africa, Near and Middle East (MENA) region, said that the Members in his region had discussed the outcomes from the Working Group on Governance during their recent regional meeting, and had proposed, in the context of candidacies for the office of Council Chairperson, that the expression "Heads of Delegation" be elaborated on in order to ensure that candidates were high-profile officials, in keeping with the high status of the office. They therefore wished to insert the qualification that the Head of Delegation should be the person who holds the highest position in managing the day-to-day operations of the organization. Their particular concern in this respect was that some Council delegations were headed by Customs Attachés.
250. The Delegate of the RUSSIAN FEDERATION drew attention to the relevant provisions of the Convention establishing the Customs Co-operation Council, which stated in particular that each Member should nominate one delegate to be its representative on the Council (Article II (c)), and that the Council should elect a Chairman from among the delegates of Members (Article VI (a)). Consequently, it was the sovereign right of each Member to designate the person who would represent it in the Council, and the Council was free to elect any of those designated persons as its Chair. These principles were also reflected in another of the Organization's basic texts, namely the Council's Rules of Procedure. The delegate believed that the Council could not simply decide, at the request of one region, to overrule the Convention. Moreover, it was important to understand that if the MENA region's proposal was accepted, all meetings would have to be attended by the Members' highest-ranking Customs officials - this would be tantamount to intervening in the Member countries' affairs by dictating who they could send to represent their country. He believed this to be unacceptable in terms of international law. Finally, the delegate remarked that in practice, if for some reason a country chose to put forward a Customs Attaché or junior official for election as Council Chair, then that person would simply not be elected by the Council. For these reasons, he proposed that the MENA region's proposal not be accepted.
251. The Delegate of URUGUAY expressed his support for the points raised by the Delegate of the Russian Federation, adding that although the MENA region's proposal had been presented as a supplement to the Policy Commission's recommendation, in fact it contradicted that recommendation. He argued that it was not up to the Council to identify who was responsible for managing the day-to-day operations of a country's Customs administration. Finally, he was confident that the 180 Council Members were judicious enough not to elect a Customs Attaché as Council Chair, should such a candidate be put forward for election.

252. The Delegate of AZERBAIJAN expressed his support for the statement made by the Delegate of the Russian Federation.
253. The Delegate of BAHRAIN indicated that the MENA region's discussions on this subject had been based on the recommendations of the Working Group on Governance, rather than those of the Policy Commission. That said, he considered that the explanations given by the Delegate of the Russian Federation, which were based on the Organization's legal texts, had much more force than the arguments which had emerged from the MENA regional meeting, and therefore he would align with the rest of the Organization and withdraw the proposal.
254. The CHAIRPERSON thanked the Vice-Chair for the MENA region for his constructive attitude, and suggested that the Organization might perhaps return to this matter at some time in the future.
255. Following this discussion, he reiterated the Policy Commission's recommendations that :
- candidates for the office of WCO Council Chairperson should be designated Heads of Delegation;
 - the Council Chairperson should be elected for a term of one year plus possible re-election for a second one-year term with, in exceptional cases, the possibility for the Council to re-elect the incumbent for a third one-year term at its discretion;
 - candidacies for the office of Council Chairperson should, in principle, be notified to the Council at least two weeks prior to the Council sessions.
256. The Council adopted these recommendations.
257. Moving on to the Policy Commission's recommendations concerning the procedure for elections to the five elected posts in the WCO (Secretary General, Deputy Secretary General and Directors), the CHAIRPERSON said that the Policy Commission was recommending that :
- a clear profile of the post to be filled should be published, so that candidates could be assessed against it;
 - the nomination procedure (i.e., date of publication of notice of vacancy, deadline for receipt of candidacies, etc.) should remain unchanged;
 - only Heads of Delegation and candidates should be present for the voting;
 - the voting procedure applicable for the first time at the June 2015 elections should be adopted (i.e., in the event that no candidate received more than 50 % of the votes cast in the first round of voting, there would be a second and final round involving the two highest-placed candidates only);
 - only the results of the final round of voting should be announced, at the end of the process.
258. The Council adopted these recommendations.

259. The CHAIRPERSON said the next aspect to be considered was the age limit for elected posts in the WCO. Here, the Policy Commission was recommending that :

- Directors should be below the age of 65 at the time of taking up their post, but should be allowed to complete their term beyond the age of 65; and
- for the posts of Secretary General and Deputy Secretary General, there should be no age limit.

260. The Council adopted these recommendations.

261. The CHAIRPERSON then moved on to the final issue, namely the terms of office for WCO elected posts. In this connection, the Policy Commission's recommendation was that in the case of Director posts, the status quo should be maintained, i.e., a five-year term with a possible extension of two or three years in exceptional cases. The Council adopted this recommendation.

262. For the posts of Secretary General and Deputy Secretary General, however, the CHAIRPERSON explained that the Policy Commission had not been able to arrive at a consensus where terms of office were concerned. Therefore, the Policy Commission had agreed to present to the Council for its consideration the options of either maintaining the status quo (i.e., no limitation on the number of terms of office), or establishing a limit of a maximum two five-year terms (i.e., ten years' service maximum). The Policy Commission recommended that if the Council decided to establish a new rule limiting the number of terms, it should define the date when this would take effect, i.e., immediately or as from 2020.

263. The Delegate of NORWAY said that his Administration would prefer the compromise solution put forward in the Policy Commission, i.e., a maximum of two five-year terms for the posts of Secretary General and Deputy Secretary General, but with this provision not entering into effect until 2020; this postponement would give Members time to adapt to the new regime, as well as preventing the matter from becoming a personal issue.

264. The Delegate of BURUNDI said that given the decision not to have an age limit for the posts of Secretary General and Deputy Secretary General, for the sake of good governance there should be a limit to the number of terms of office; his Administration would support a maximum of two five-year terms, with effect from 2020.

265. After remarking that good governance was key to producing good results, the Delegate of SLOVAKIA, presenting the coordinated position of the European Union (EU) and its Member States, said that the EU supported the introduction of the standard of a limited functional term for the posts of Secretary General and Deputy Secretary General, which was the practice in other international organizations; specifically, there should be two five-year terms. With regard to when this change should take effect, application for the next elections would be preferable. At the same time, the EU and its Member States wished to emphasize their recognition that any change in the election standards would have to be agreed by the entire Council.

266. The Delegate of JAPAN said that, firstly, the proposal to introduce a limit implied a significant change in WCO governance, and Japan firmly believed that such an important amendment needed to be approved on a consensus basis. The pros and cons of the proposal, which if adopted would bring about a change in the relationship between the Secretariat and the Members, would need to be studied further, along with

- the best practices of other organizations. Therefore, Japan considered that it would be premature to decide on this matter now. In any event, as there was no convincing rationale for the new proposal, Japan would support maintenance of the status quo. Japan believed that the vast majority of the Members were satisfied with the management team's past achievements, and that the team had proved its competence for the future. Therefore, in Japan's view the Council should make it clear that the current debate on governance was not applicable to the incumbent Secretary General and Deputy Secretary General.
267. The Delegate of MEXICO said that, in its capacity as Vice-Chair for the Americas/Caribbean region, Mexico had carried out various consultations on this very important issue; exchanges had been frank but respectful, and always conducted in a democratic spirit. The outcome was that the region was in favour of very clear rules as referred to in the Policy Commission Report, i.e., a maximum of two five-year terms, totalling ten years' service maximum.
268. The Delegate of NIGERIA agreed with the Delegate of Japan that no rationale for replacing the current unlimited number of terms by a maximum of two five-year terms had been presented; in the absence of a convincing argument in support of this proposed change, he was in favour of maintaining the status quo. There was no indication that the current system was not working, and if the Members were not satisfied with the performance of a Secretary General or Deputy Secretary General who was standing for re-election, they could simply elect one of the other candidates instead.
269. The Delegate of BRAZIL made a statement on behalf of the BRICS countries (Brazil, Russia, India, China and South Africa), expressing their support for a maximum of two terms for the Secretary General and Deputy Secretary General, to be implemented immediately. If a vote was required on this issue, it should take place by secret ballot. Commenting on behalf of Brazil, the Delegate said that his support for limiting the number of terms was related to the concept of renewal; given that the incumbent always had a certain advantage during any electoral process, limiting the number of terms should encourage more candidates to come forward for election. He emphasized that he did not wish to downplay the excellent work being done by the current Secretary General and Deputy Secretary General, but felt that new procedures limiting the number of terms would offer the possibility of developing the Organization. Where the timing was concerned, as no electoral campaign was currently underway there was no risk of a change in the rules taking anyone by surprise - in fact, it was not yet known who the candidates might be in 2018 or 2019. Therefore, Brazil considered that the new rule should apply with immediate effect.
270. The Delegate of BAHRAIN, in his capacity as Vice-Chair for the North of Africa, Near and Middle East region, said that the region's Members supported a limit of two five-year terms for both positions, with the application of this new rule to be deferred until after the next elections to these posts had taken place.
271. The Delegate of JAMAICA said that her Administration saw no reason to limit the number of terms of office for the posts of Secretary General and Deputy Secretary General; the WCO was a Member-driven Organization, in which Members would simply elect a different candidate if they were dissatisfied with the incumbent's performance, or if a better-suited candidate came forward. Also, Jamaica was not in favour of limiting total service in elected posts to a maximum of ten years, inclusive of service across all posts, as this could have the effect of limiting much-needed

cross-cutting experience and perhaps eliminating some of the best candidates for a post.

272. The Delegate of KAZAKHSTAN said he was grateful to the leadership of the WCO and highly appreciated their work, but like most of the previous speakers he favoured two terms of office for the leading posts in the WCO, as this would allow the Organization to maintain its dynamism, as well as its profile and role among other international organizations; it would also help to modernize the Organization and ensure that its Members' needs were taken into account.
273. The Delegate of CAMEROON, speaking as Vice-Chair for the West and Central Africa region, emphasized the need to avoid politicizing this issue, and said that his region considered that there should be no limit to the number of terms for the posts of Secretary General and Deputy Secretary General. Noting that earlier in the discussion the provisions of the Convention establishing the Customs Co-operation Council had provided the basis for resolving a difference between delegates, he argued that the Convention could be of assistance in this case also. Its authors had not placed a limit on the number of terms of office for the Secretary General and Deputy Secretary General, and history had proved them right as the Council had, on a number of occasions, reappointed incumbents. Arguments had been made about the need to transpose certain democratic best practices to the WCO, but international organizations had their own peculiarities, and a system of governance which worked well for one organization might not work well for another. The WCO's focus was very much on Customs matters, and in this purely technical organization the most important thing was to have a system of leadership that gave priority to competence and the ability to deliver concrete results in the long term. The region believed that the strength of the WCO lay in the unity and diversity of its Members and their desire to strive for consensus in decision-making. This could be seriously affected by the introduction of a governance system that left room for politicking and distractions from the technical issues.
274. The Delegate of URUGUAY said he was pleased that the Council was discussing this sensitive, but very important issue; every Organization needed to give some thought to the issue of whether or not to make changes. He agreed with the position expressed by the BRICS countries. With all due respect he had to say that he did not agree with some of the ideas expressed during the discussion. It was inevitable that politics enter into the matter, because politics was part of everything - even changes adopted in the areas of the HS or Valuation had political connotations. The purpose of the Council was to discuss the policies and politics of the Organization. The Delegate also disagreed with the view that just because a system was working, it should not be changed - this should not be used as an excuse to maintain the status quo. Drawing on the works of certain academic experts in organizational change, he argued that change was healthy for any Organization. In his view, two five-year terms would be sufficient for a leader to achieve his or her objectives. In a constantly changing world, the WCO also needed to adapt and change.
275. The Delegate of the UNITED STATES said that it was the right moment to discuss this important matter as there were no elections looming at present. In the electoral process currently taking place in the United States, the incumbent was not permitted to participate because US Presidents were prohibited from running for a third term. The reason for this limitation was that even though, in a democracy, the public were free to elect a different candidate, in practice it was recognized that it was difficult to campaign against an incumbent, who could use his high profile and the power of his office to influence the outcome, giving him an unfair advantage. The United States

believed that the same was true in international organizations, and in recent years had achieved its objective of having limits on the number of terms imposed in a number of organizations. In the WCO, ten years as Secretary General was ample time to leave an imprint and shape the Agenda of the Organization. As previous speakers had said, change was good; the same applied to geographical diversity. For these reasons, the United States was in favour of a maximum of two terms. The Delegate then repeated the suggestion he had made in the Policy Commission, namely that if the Council voted in favour of this change, it could if necessary also decide to defer implementation for a few years, in order to remove any risk of this being perceived as a personal issue.

276. The Delegate of BELARUS said the Council of Heads of Customs of the Commonwealth of Independent States (CIS) countries believed that the proposal currently being discussed would enhance the application of democratic principles in the Organization and promote more active involvement in its activities by the Members. Consequently, the coordinated position of those countries was that they would support a maximum of two five-year terms for all elected posts in the Secretariat, including the posts of Secretary General and Deputy Secretary General.
277. The Delegate of PAKISTAN said it was unfortunate to see a division among the Members on a governance issue. The Organization's decisions needed to be taken by consensus so that they had broad ownership and could be implemented with very strong resolve. In his view, the best option might be to ask the Policy Commission to evaluate the proposal with more cogent reasoning, and firm up a preferred option for presentation to the Council next year, following broader consultations with the Members via the regional groupings. Next year would not be too late for a decision, as there would still be ample time before the next election.
278. The Delegate of SERBIA said that his Administration appreciated all the efforts made by the Working Group on Governance and the Policy Commission, and had listened carefully to the interventions made during the discussion; nevertheless it was not clear why, if the Council did decide to introduce new rules, there should be any reason to postpone their implementation until 2020. That said, Serbia fully agreed with the position stated by the Delegate of Slovakia.
279. The Delegate of INDONESIA considered firstly that more time was needed to study this important and delicate issue, and it would be preferable to maintain the status quo at present. Secondly, for the office of Council Chair it had been decided that there should be two one-year terms, plus a third in exceptional circumstances, and a similar approach for the posts of Secretary General and Deputy Secretary General might be a possible option, i.e., two five-year terms, plus an extension in exceptional circumstances.
280. The Delegate of HUNGARY reiterated the EU position as expressed by the EU Presidency (i.e., the Delegate of Slovakia) : two five-year terms, to take effect immediately.
281. The Delegate of VIETNAM said that having read through the Policy Commission Report carefully, he felt the reasons for the proposed change had not been made clear, and therefore he was not convinced of the need to change. The most important thing was the quality of the WCO's work, and all was well in that regard. Therefore, he agreed with the Delegates of Nigeria, Jamaica and Cameroon that it would be preferable to maintain the status quo.

282. The Delegate of SENEGAL said that his Administration's sole concern was that the WCO should function well. Whenever the Organization had to address major topical issues, it always sought to achieve consensus. Based on what he had heard so far, the tendency seemed to be towards limiting the number of terms, but for the sake of achieving consensus - an objective he regarded as vital - he proposed that implementation of this change be deferred until 2020.
283. The Delegate of AUSTRALIA said that on the binary question of whether to maintain the status quo or adopt a change, his Administration had a bias towards a change. However, there were two fundamental flaws in the proposition that was before the Council. Firstly, no evidence presented to the Council was compelling enough to provide a rationale for this change, and secondly, even assuming there was such a rationale, the model before the Council was a single one, with no comparative analysis of benefits or disadvantages. Therefore, he agreed with some previous speakers that the Council should take a little more time to address these flaws, and perhaps achieve a consensus.
284. The Delegate of SOUTH AFRICA said that his Administration supported the BRICS position of two five-year terms with immediate effect. Governance set out the guidelines, principles, spirit and letter that defined the soul of the Organization. Accordingly, with clear democratic and accountable principles, the WCO would be relevant and forward-looking. South Africa was of the view that there should be time limits for both positions, as this would be in line with the principles governing modern democratic institutions, as well as promoting continuous renewal and giving practical expression to democratic values such as enhanced accountability and transparency.
285. The Delegate of CUBA said that having been present for the discussions in the Policy Commission, he had had the opportunity to analyse this matter and saw no reason to limit the number of terms of office of the Secretary General and Deputy Secretary General. The Organization was working properly, and the Council had the opportunity to elect candidates to those positions. Cuba wished to align itself with delegations that had spoken of the need for a consensus, and believed that more time might be needed to study this matter.
286. The Delegate of the ISLAMIC REPUBLIC OF IRAN said that his Administration, one of the WCO's most long-standing Members, wished to associate itself with the comments made by the Delegate of Nigeria in support of maintaining the status quo. The important thing was the functioning of the WCO, and there was no need to limit the terms of office of the Secretary General and Deputy Secretary General. There were a number of bodies, such as the Council and the Audit Committee, which could control all aspects of the Organization's governance.
287. The Delegate of BOTSWANA said that his Administration wished to associate itself with the sentiments expressed by the Delegate of Australia. This very delicate matter required careful study and proper consideration before a decision could be taken by the Council. Also, as had already been pointed out, the WCO had attained its current level because of the manner in which it had conducted its business, with the emphasis on technical competence.
288. The CHAIRPERSON said that three clear trends were discernible from the interventions made, i.e., defer the decision, maintain the status quo, or adopt a new rule (applicable with either immediate or delayed effect); the third option appeared to predominate, although of course only a small proportion of the Members had expressed their views, with some speaking for a group of countries and others

individually. As the different views had been clearly expressed and carefully argued, he saw little prospect of the changes of opinion which would be needed in order to arrive at a consensus. In these circumstances, it would seem difficult to avoid putting the matter to a vote. Along the lines suggested by the Policy Commission, such a vote would involve deciding between maintaining the status quo and establishing a new rule limiting the number of terms. If the decision was to establish a new rule limiting the number of terms, there would need to be a second ballot to determine whether the new rule should come into effect immediately or as from 2020 (i.e., after the next elections to the posts of Secretary General and Deputy Secretary General).

289. At the request of the Chairperson, the HEAD OF ADMINISTRATION AND PERSONNEL explained the procedure for conducting a vote in the Council. In particular, he stated the legal opinion that Rule 21 of the Council's Rules of Procedure was applicable; Rule 21 states that "... decisions shall be taken by a majority of not less than two-thirds of the Members present at the meeting and entitled to vote. The Council shall not take a decision on any matter unless more than half of the Members entitled to vote on that matter are represented.". He said the latter condition was undoubtedly fulfilled, as more than 150 of the Organization's 180 Members were present at the Sessions.
290. After inviting delegates to note that a two-thirds majority would be required in order to introduce a new rule, the CHAIRPERSON asked whether any clarifications were needed.
291. There followed an exchange concerning the mechanics of the two-stage voting procedure; the Delegate of JAPAN was concerned about how, if the two-thirds majority for a new rule was achieved, the second ballot would be organized to determine whether the new rule should come into effect immediately or as from 2020. The CHAIRPERSON explained, following consultations with the Secretariat, that a vote to change the status quo would need to be carried by a majority of at least two-thirds; if that vote for change was carried, then a second vote to determine when the change should apply would be taken by an absolute majority, because it was no longer a question of whether to change the status quo.
292. This exchange prompted a discussion, initiated by the Delegate of NORWAY, about whether it would be feasible to organize a vote in which the three different alternatives were presented on the same ballot paper. His concern was that, for some delegates, the decision on whether or not to vote for change in the first stage of the voting would depend on when that change would come into effect - an unknown quantity until the second stage of voting had taken place. Given the complexities of the situation, he wondered whether it might be preferable to return to this matter at the next Sessions.
293. The Delegates of URUGUAY, MEXICO and GUATEMALA said they were not in favour of deferring the matter until the following year. The options to be voted on had been set out clearly by the Policy Commission, and the rules governing the voting procedure had been properly explained by the Secretariat.
294. The Delegate of BURUNDI suggested that a vote could be avoided if there was consensus (which was not the same thing as unanimity) among the Members; judging by the interventions made during the discussion, he believed that the degree of support for limiting the number of terms of office was sufficient to constitute consensus. The Delegate of SINGAPORE responded that only 25 delegates had spoken during the

discussion, and the silence of the remaining delegates could not be interpreted as acceptance of any particular viewpoint.

295. The CHAIRPERSON then read out the texts of two ballot papers prepared by the Secretariat, and ascertained that there was consensus within the Council in favour of the two-stage voting procedure as proposed, to be conducted at the present Sessions.
296. The Delegate of AUSTRALIA said that, as a robust and liberal democracy, Australia would abide by the Council's decision in this matter; however, he wished to point out for the record that if the Council felt compelled to vote now on the options presented, this would preclude it from further considering other options.
297. After voting had taken place on the initial question of whether delegates favoured maintaining the status quo or establishing a limit to the number of terms, to a maximum of two five-year terms, i.e., ten years' service maximum, the CHAIRPERSON announced that a total of 146 Members had been present and entitled to vote, meaning that the two-thirds required for change was 98. 48 Members had voted for the status quo and 97 for change. Consequently, a two-thirds majority in favour of change had not been attained, and therefore the status quo would be maintained.
298. The Council took note.
299. The Delegate of AUSTRALIA, who requested that his statement be placed on record, said although present, he had not cast a vote because, notwithstanding that his Administration had a bias towards change, in the absence of a comprehensive comparative analysis it could not countenance the options as presented on the ballot paper.
300. The CHAIRPERSON invited the Council to note that this was the last of the issues to be decided upon in relation to the Report by the Working Group on Governance.

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

301. The DEPUTY SECRETARY GENERAL said that there were two key instruments to be discussed and, hopefully, approved by the Council in relation to the Strategic Plan - the Strategic Plan for 2016-2019, and the Operational Plan for 2016/2017. The new Strategic Plan for 2016-2019 represented continuity, in that it still reflected the Members' priorities well, and in a balanced manner. At the same time, there were changes in some key areas. Firstly, the Punta Cana Resolution had been incorporated, to ensure that combating crime and terrorism remained high in the Organization's priorities; secondly, the concept of Digital Customs had been elevated to the level of a Strategic Goal; and thirdly, a new WCO Value - inclusiveness - had been identified.
302. The Deputy Secretary General went on to say that the three-year Strategic Plan was complemented and supported by annual Operational Plans, containing Tactical Activities, Key Performance Indicators and financial implications. For the latest Operational Plan, all three elements had been updated following a forward-looking cycle which had started at the December Policy Commission session, where the very first draft of the Operational Plan had been discussed. The feedback received from the Policy Commission had been incorporated in the Plan during the "January Away Day" - a strategic planning meeting held each year for the WCO senior management team. In

February the Audit Committee had discussed and approved the Key Performance Indicators, and in April the Finance Committee had discussed the financial implications of the Operational Plan. Finally, the Policy Commission had examined the Strategic Plan and the Operational Plan at its recent session, and had recommended them to the Council for adoption.

303. The Council adopted the three-year WCO Strategic Plan for the years 2016/2017 to 2018/2019, and the Operational Plan for 2016/2017, as set out at Annexes III and IV to these Minutes, respectively.

(o) Audit Committee Report

304. The CHAIRPERSON OF THE AUDIT COMMITTEE, Mr. Ruslan Davydov (Russian Federation), began his presentation by referring to the preparatory work leading up to the Audit Committee's most recent session. Thus, the external Audit on Members' involvement in WCO activities had been supported by Steering Committee meetings. Next, the internal Audit on IT Security had been conducted by the WCO's Internal Auditor, and this had been followed by the First Meeting of the Audit Committee's Steering Group (composed of Customs Attachés based in Brussels), in October 2015. From October 2015 to January 2016, an online risk tracking survey had been conducted, on risk themes which included : expertise and knowledge; implementation of WCO instruments; business intelligence; and financing the Organization. In October 2015 and April 2016, Mr. Davydov had attended the WCO Finance Committee sessions as an Observer. In December 2015 he had presented a report to the Policy Commission. These preparatory activities had culminated in the Audit Committee's Tenth Session, which had taken place in February 2016.
305. Mr. Davydov went on to explain that, at the Tenth Session, the Audit Committee had reviewed the work done during the intersession, emphasizing the importance of the efforts made by the Steering Group to develop a continuous risk assessment and mitigation plan, and compile a report on the Internet-based risk survey. The Audit Committee had tried to provide for continuity in the work. He had assumed the Chair of the Audit Committee after Australia had presided for several years and done excellent work in leading the Committee. The Committee had acknowledged the significant effort made in establishing the main principles of corporate risk mitigation and risk control, and had welcomed several developments in the WCO's audit capabilities. The Audit Committee had also undertaken a number of technical tasks, including a review of the Key Performance Indicators in the Strategic Plan.
306. Next, the Audit Committee Chairperson briefly described some of the activities undertaken by the Audit Committee, remarking that one of the most important of these was the external Audit on Members' involvement in WCO activities. The external Audit had shown that the lack of Member involvement in WCO activities was one of the major risks facing the Organization. The Audit had been aimed at identifying the root causes that might hinder Members' involvement and defining recommendations to ensure the highest level of Members' involvement in WCO activities. The study, carried out through questionnaires and interviews of WCO Members, the Secretariat and regional structures, had demonstrated generally positive results, as well as showing room for improvement. One important recommendation of the Audit Committee stemming from the Audit on Members' involvement was that the use of languages other than English and French in the WCO's activities should be further explored. The Finance Committee had supported the Audit Committee's proposal in this regard, and it had been moved forward to the Policy Commission. Mr. Davydov noted that the Council

would hear more about this later in the Sessions, from the Chair of the Finance Committee.

307. He went on to inform the Council that the Audit Committee had endorsed the outcomes of an internal Audit on "IT Security", which had been submitted to the Policy Commission for approval. The Audit Committee's assessment was that the level of IT security in the WCO was of a very high standard, and Mr. Davydov complimented the Secretariat on the efforts made in this very important area.

308. Turning to future developments, Mr. Davydov said that the Audit Committee had reviewed the Audit Plan for 2016/2017 and, after some discussion, decided to request a future audit on the WCO's interaction with other international organizations, as well as the involvement and effectiveness of WCO regional structures. This work was already underway, with the preparation of questionnaires which would be transmitted to the Secretariat and the regional structures for completion. The aim was to conduct benchmarking, in order to ascertain how the WCO compared to other organizations in this regard.

309. Mr. Davydov concluded his report by indicating that the next meeting of the Audit Committee would take place in February 2017.

310. The CHAIRPERSON thanked the Chairperson and members of the Audit Committee, as well as the Internal Auditor, for their excellent work. At his invitation, the Council adopted :

- the Report of the Audit Committee (Doc. SA0099);
- the external Audit on Members' involvement in WCO activities;
- the internal Audit on IT Security; and
- the Audit Plan for 2016/2017.

(p) Status of WCO regional bodies

311. The SECRETARY GENERAL said that during the recent Policy Commission session, the Delegate of Cameroon, as Vice-Chair for West and Central Africa, had raised the issue of the legal and diplomatic status of WCO regional bodies, including the Regional Offices for Capacity Building, Regional Training Centres and Regional Intelligence Liaison Offices. The problem identified by Members in the West and Central Africa region was that because the legal status of these regional bodies was not clear, the Customs officials working there, who were seconded from their home administrations, did not have a clear legal status either; therefore, they found it difficult to obtain diplomatic status, and often encountered problems in respect of obtaining entry permits, residence permits, etc. The region had suggested that this problem be addressed in a structured manner.

312. The Secretary General added that this was a transversal issue, affecting not just West and Central Africa but all six WCO regions. Therefore, the Policy Commission had agreed that the West and Central Africa region would prepare a paper for in-depth discussion at the next Policy Commission session in December 2016. If it was deemed appropriate, the Secretariat could be tasked with carrying out a more detailed study for consideration by the Policy Commission in July 2017.

313. The Council took note.
314. After noting that two of the items discussed by the Policy Commission at its 75th Session, namely Publications Policy and Use of the Organization's Reserves, would be taken up under Agenda Item 7 (Budgetary and Financial Matters), the Council adopted as a whole the Reports on the Policy Commission's 74th and 75th Sessions.

6. TECHNICAL MATTERS

(a) Tariff and Trade Affairs

Introduction

315. The DIRECTOR, TARIFF AND TRADE AFFAIRS, reported on the WCO work in the three main areas of responsibility of the Tariff and Trade Affairs Directorate, i.e., Nomenclature, Customs Valuation and Origin. He informed the Council that, with the work done both by Member administrations and by the Secretariat over the past year, all WCO Strategic Goal tasks with regard to Tariff and Trade Affairs had been successfully accomplished.
316. The Director provided background to the Revenue Package programme which had been developed in response to falling revenue returns in the context of the global financial crisis and declining Customs duty rates. He referred to the wide range of materials developed under Phases I and II and outlined the two-part Action Plan being proposed under Phase III, which had been approved by the Policy Commission. The first part focused on the provision of assistance to Members in applying the tools and materials developed under Phases I and II; the second part set out a number of new initiatives in the following areas : closer cooperation between Customs and Tax, origin, post-clearance audit, fragile borders, control of mineral resources and Customs laboratories. This was due for completion in 2018.

(i) Nomenclature and Classification

317. The DIRECTOR, TARIFF AND TRADE AFFAIRS, then turned his attention to Nomenclature-related activities. He recalled that the Harmonized System (HS) had been implemented in 1988. The HS was administered by the WCO and used by more than 200 countries or economies. So far, five major revisions of the HS had been concluded. There were currently 154 Contracting Parties to the HS Convention, which showed that the HS remained the most successful WCO instrument in terms of the number of Contracting Parties.
318. After Sierra Leone and Djibouti, which had acceded to the HS Convention last year, Oman was the newest Contracting Party, having joined the HS Convention in May 2016.
319. Concerning the status of the HS, the Director pointed out that the version currently applied was the 2012 edition. He said that 118 out of the 154 Contracting Parties had notified the Secretariat that they were applying the HS 2012 edition. The 2017 edition of the HS would take effect from 1 January 2017. He recalled that the fifth HS Review Cycle had been completed and adopted by the Council in 2014. The Council had also adopted some additional amendments in 2015.

320. At its present Sessions, the Council was being invited to adopt a number of Council Recommendations based on the HS 2017 edition, which were previously based on earlier versions of the HS.
321. What remained to be done, at national level, was the preparation for the implementation of the 2017 edition. All Members were very busy with that work, which included translation of texts, the legislative process in Member administrations, updating of IT systems, and training of Customs officers and the private sector.
322. The Secretariat had updated HS publications, such as the Nomenclature and the Explanatory Notes, which were now available. The Director invited all HS Contracting Parties to ensure the timely implementation of the HS 2017 edition, which was an obligation for a Contracting Party to the HS Convention.
323. At the same time, the Secretariat and the HS Committee had embarked on the next HS Review Cycle for the HS 2022. An update was required in certain sectors, namely high-tech products, chemicals and foodstuffs. So far, the Secretariat had not received many proposals for the Review and the Director invited Contracting Parties to submit proposals as soon as possible, bearing in mind that the entire version of the HS 2022 should be adopted by the Council in 2019; that seemed far away, but time would pass very quickly given the complex process for the revision of the HS.
324. Regarding the work of the HS Committee, the Director said that the HS Committee had held two sessions. At its 56th Session in September 2015, the HS Committee had adopted 28 classification decisions, 3 amendments to the HS Explanatory Notes and 26 Classification Opinions. Eight reservations had subsequently been entered by Contracting Parties in accordance with the HS Convention. At its 57th Session in March 2016, the HS Committee had adopted 326 classification decisions, 15 amendments to the Explanatory Notes and 16 Classification Opinions. Also adopted was a consolidated version of the HS 2017 Explanatory Notes amendments consequential upon the legal amendments to the HS 2017 Nomenclature. Four reservations had subsequently been entered by Contracting Parties in accordance with the HS Convention, of which one had been withdrawn afterwards.
325. With regard to the election of officers, the HS Committee had elected Mr. Sung-Chae Kim (Korea) as its Chairperson for the 58th and 59th Sessions. The Committee had elected Ms. Lu Gan (China) as Chairperson of the HS Review Sub-Committee and Mr. Alexey Shcheglov (Russian Federation) as Chairperson of the Working Party of the HS Committee.
326. Regarding capacity building programmes in the field of the Nomenclature, the Secretariat had covered the HS 2017 edition, Advance Rulings, Classification Infrastructure, Customs Laboratories, and accreditation and use of experts. In total, 11 national seminars, 8 regional seminars and 3 combined events had been conducted.
327. Cooperation on the HS with other international organizations continued and the Director specifically mentioned the World Health Organization (WHO), the United Nations Environment Programme (UNEP), the Food and Agricultural Organization (FAO), the Organization for the Prohibition of Chemical Weapons (OPCW), and the International Chamber of Commerce (ICC).

328. He further informed the Council that the classification advice issued by the Secretariat had become part of the Directorate's daily work. Last year, 117 pieces of classification advice had been provided to Member administrations. The questions had focused on the areas of food, chemicals, plastics and rubber, and machinery, which were considered the most difficult Chapters of the HS. In order to improve the service to Members, a "feedback form" had been developed to solicit comments and suggestions from Members about the classification advice provided.
329. The CHAIRPERSON OF THE HARMONIZED SYSTEM COMMITTEE, Mr. Leo Callaghan, presented the work of the HS Committee, pointing out that the role of the Committee was threefold. The first role was to provide information and guidance on the classification of goods in the HS. Numerous classification decisions had been taken since the last Council Sessions and they covered a wide range of products, such as coconut water, powdered alcohol, perforated tubes of plastics, a baby carrier, a laundry ball, a set of railway coaches, hop balls for children and adults, and several parts for mobile phones. Consequently, the classification of these products was now clear and should be uniform world-wide.
330. The second role was to prepare Explanatory Notes, Classification Opinions and other advice on the interpretation of the HS. The major achievement by the Committee in this respect was the adoption of the Explanatory Notes to the HS 2017 edition which were now available. The Explanatory Notes were the official interpretation of the Harmonized System provisions and they were indispensable when classifying goods. More than 40 Classification Opinions had been adopted by the HS Committee and included in the HS Compendium of Classification Opinions for reference by Customs and traders all over the world. The Committee had also updated the Compendium in accordance with the HS 2017 edition.
331. The third role was to keep the HS up-to-date. With the assistance of the HS Review Sub-Committee, work was in progress on the 2022 edition of the HS. From being mainly fiscal-oriented, the updates now also focused on the protection of the environment and society. As examples, he mentioned waste, chemical weapons substances, ozone-depleting substances, detonators, and kits for detecting the Zika virus. A number of these issues had been submitted by other international organizations.
332. With five-year revision cycles, not all requests could be accommodated in a timely manner; hence other means had to be applied. One, for example, was the use of Council Recommendations, and the Council would be invited to adopt a Recommendation to facilitate the monitoring of the international movement of detonators, which were required for the production and use of certain explosive devices used in terror attacks. Two other Recommendations updated by the HS Committee in accordance with HS 2017 were also being presented to the Council for adoption.
333. There were certain sectors in the HS that required updating, in particular, the high-tech sector, and Members' input was required in that respect. While 2022 might seem far away, the amendments had to be adopted by the Council in 2019. Therefore, he urged all administrations, in consultation with national industries, to submit proposals for updating the HS as soon as possible.
334. Finally, the Chairperson of the HS Committee invited all Members to attend the HS Committee meetings. The HS Committee made decisions on the HS classification of many products which all had an impact on traders and Customs around the world. By attending, the Administration would be part of this important

decision-making process, provided the country was a HS Contracting Party. He encouraged Member administrations which were not yet a Contracting Party to accede to the HS Convention. This was free of charge and the Member administration would receive many benefits.

335. The CHAIRPERSON OF THE COUNCIL thanked the Director and the Chairperson of the HS Committee for their reports.
336. With regard to the reservations entered following the 56th and 57th Sessions of the HS Committee, the following Contracting Parties requested, in accordance with Article 8.3 of the HS Convention, that the classification decisions specified below be referred back to the Committee for re-examination :
- MEXICO : Classification of “the “SHARP thin-film solar module, model NA-F GK”” in heading 85.41 (subheading 8541.40), by application of General Interpretative Rules 1 (Note 2 to Chapter 85) and 6;
 - NORWAY : Classification of “Thai Chicken Red Curry” in heading 19.04 (subheading 1904.90), by application of General Interpretative Rules 1, 3 (b) and 6;
 - JAPAN : Classification of “Danone Vitalinea Pro Jordgubb” in heading 04.06 (subheading 0406.10), by application of General Interpretative Rules 1 and 6; and
 - THAILAND : Classification of “seat covers for motor vehicles” in heading 94.01 (subheading 9401.90), by application of General Interpretative Rules 1 and 6.
337. The Delegate of the RUSSIAN FEDERATION stated that his Administration withdrew its reservation. His Administration had recently held negotiations with Turkey and the two Contracting Parties had decided to mutually withdraw the reservations entered concerning the classification of sodium sulphate. One reservation concerned the raw sodium sulphate, the other was about the processed sodium sulphate. The Delegate of the Russian Federation said that he was happy to declare that the Russian Federation withdrew its reservation concerning the classification of “a product containing more than 98.5 % of sodium sulphate” (Product 1) in heading 28.33 (subheading 2833.11).
338. The Delegate of TURKEY said that the issue of the classification of sodium sulphate products had been on the Agenda of the HS Committee for some 14 years. Numerous decisions had been taken by the HS Committee in that regard. It was a matter of the operation of the HS Convention. Now, finally, within the spirit of good cooperation and goodwill between the two countries and their Customs Administrations, they had agreed to settle this issue and to withdraw the reservations. Having heard the Delegate of the Russian Federation withdraw its reservation, the Delegate of Turkey was happy to withdraw, on behalf of the Turkish Administration, the reservation regarding the classification of “a product containing more than 99.2 % of sodium sulphate” (Product 2) in heading 25.30 (subheading 2530.90).
339. The statements of the Delegates of the Russian Federation and Turkey were received with applause and the CHAIRPERSON OF THE COUNCIL thanked both the Russian Federation and Turkey for resolving their classification dispute on sodium sulphate after many years of discussion.

340. The Delegate of COLOMBIA confirmed that the Colombian Administration maintained its reservation on the classification of “certain types of titanium screws for medical applications (implants)” and said that the Colombian Administration would continue to work with the HS Committee with regard to the possible amendment of Note 2 to Section XV of the HS.
341. The SECRETARY GENERAL welcomed the agreement between the Russian Federation and Turkey regarding the longstanding issue of the classification of sodium sulphate, agreement achieved through the spirit of cooperation between the two Contracting Parties.
342. Following these interventions and at the invitation of the Chairperson, the Council :
- adopted certain corrigendum amendments to the HS following the Council Recommendation of 27 June 2014 concerning the amendment of the HS Nomenclature;
 - adopted the following two Council Recommendations as amended consequential upon the Council Recommendations of 27 June 2014 and 11 June 2015 concerning the amendment of the HS Nomenclature :
 - Recommendation of the Customs Co-operation Council on the use of standard units of quantity to facilitate the collection, comparison and analysis of international statistics based on the Harmonized System (24 June 2011);
 - Recommendation of the Customs Co-operation Council on the insertion in national statistical nomenclatures of subheadings for substances controlled under the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction (18 June 1996) (Amended on 25 June 1999, 1 July 2006 and 24 June 2011);
 - revoked the Recommendation of the Customs Co-operation Council of 26 June 2009 on the insertion in national statistical nomenclatures of subheadings for substances controlled under the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction;
 - adopted, in support of Programme Global Shield, the Recommendation of the Customs Co-operation Council on the insertion in national statistical nomenclatures of subheadings to facilitate the monitoring of the international movement of goods required for the production and use of improvised explosive devices (IED);
 - referred the questions of the classification of the following products back to the Harmonized System Committee for re-examination :
 - “Danone Vitalinea Pro Jordgubb” in heading 04.06 (subheading 0406.10);
 - “Thai Chicken Red Curry” in heading 19.04 (subheading 1904.90);

- the “SHARP thin-film solar module, model NA-F GK” in heading 85.41 (subheading 8541.40);
- “seat covers for motor vehicles” in heading 94.01 (subheading 9401.90);
- approved the Reports of the 56th and 57th Sessions of the Harmonized System Committee; and
- took note of the various other HS-related developments which had taken place since the previous Council Sessions.

(ii) Valuation

343. The DIRECTOR, TARIFF AND TRADE AFFAIRS, summarized the work of the Technical Committee on Customs Valuation (Technical Committee) at its 41st and 42nd Sessions, held during the past year. He announced that the Technical Committee had finalized one technical question resulting in a new Technical Committee instrument (Case Study 14.1 - Use of transfer pricing documentation when examining related party transactions under Article 1.2 (a) of the Agreement), which was appended to the Chairperson’s Report. He commented that this was the first case study on this topic, representing an important step forward and provided guidance on the management of Customs valuation in an increasingly complex trade landscape, whilst strengthening cooperation with Tax authorities.
344. He then provided a summary of the current work being conducted by the Technical Committee and reported that the Committee would continue to be chaired by Ms. Yuliya Gulis from the United States for a further year. She would be supported by Vice-Chairs from the Democratic Republic of the Congo (Mr. Jean Ngoy Katshelewa) and the Netherlands (Mr. Jan Birkhoff).
345. Regarding capacity building activities in the field of Customs valuation, 12 missions had been conducted, including an accreditation workshop for the East and Southern Africa and West and Central Africa regions, diagnostic missions in Cameroon, Swaziland and Togo, and national workshops in El Salvador, Ghana and Georgia. Sub-regional workshops had also been held in Belarus and the Islamic Republic of Iran.
346. He also reported that the Valuation Sub-Directorate had responded to 11 technical questions posed by Members in the last 12 months.
347. The CHAIRPERSON OF THE TECHNICAL COMMITTEE ON CUSTOMS VALUATION, Ms. Gulis, highlighted the new instrument, Case Study 14.1, concerning the interaction between Customs valuation and transfer pricing which was one of the key challenges facing Customs valuation and was also of high importance to the business community. The issue concerned the extent to which transfer pricing information could be both relevant and useful to Customs administrations. She also referred to the WCO Guide to Customs Valuation and Transfer Pricing which provided helpful guidance in this area.
348. She noted that, as the Committee operated under World Trade Organization rules, it could be challenging to reach consensus where Members held differing opinions on the outcome of technical questions raised by Members. This had been the case with several questions examined in the last year, including questions raised by Japan and Uruguay. In such instances, the question was removed from the Agenda

and placed into the Conspectus of Valuation Technical Cases. Other technical questions remained under consideration and would be examined further at the next session of the Technical Committee.

349. The Chairperson of the Technical Committee stated that the Committee had considered means to improve the efficiency of the Committee and, to this end, had amended and updated the existing working procedures of the Committee. Included in the update was a commitment to release all working documents of the Committee via the WCO Public website, which reflected the general policy of the WTO. The Committee had also agreed that summaries could be prepared of technical questions on which consensus could not be reached in order to capture the outcomes of the discussions.
350. The CHAIRPERSON OF THE COUNCIL thanked the Director and Chairperson of the Technical Committee for their reports. He raised the possibility of the various technical committees introducing a rule to limit the duration of discussions on technical questions, for example three years, before dropping the matter. In response, the DIRECTOR, TARIFF AND TRADE AFFAIRS, noted that this was an important but difficult matter. The issue of speeding up the decision-making process had been discussed previously by the Technical Committee and the Harmonized System Committee, but no consensus could be reached. He pointed out that the Chairpersons of the relevant committees had worked hard to resolve long-standing issues, as demonstrated by the successful conclusion of Case Study 14.1 and the adoption of numerous classification decisions. Further efforts would be made in this regard.
351. At the invitation of the Chairperson, the Council :
- approved Case Study 14.1;
 - approved the Reports of the 40th and 41st Sessions of the Technical Committee on Customs Valuation, contained in Docs. VT0994E1c and VT1011E1c respectively;
 - took note of the draft Report of the 42nd Session of the Technical Committee on Customs Valuation, contained in Doc. VT1051E1a;
 - took note of the other Valuation-related developments referred to in the Technical Committee Chairperson's written Report.

(iii) Origin

352. In relation to Origin, the DIRECTOR, TARIFF AND TRADE AFFAIRS, reported that the Technical Committee on Rules of Origin (TCRO) had held its 34th Session on 2 February 2016.
353. The Secretariat had focused on the implementation of the WCO Action Plan on Preferential Rules of Origin, including the development and update of the Database on Preferential Rules of Origin established to help Members deal with the challenges posed by the proliferation of free trade agreements (FTAs) and different preferential rules of origin.
354. The Secretariat had further developed the Comparative Study on Preferential Rules of Origin, and a comparison of the Trans-Pacific Partnership Agreements with the existing origin models had been published on 11 July 2016.

355. The TCRO had also looked into the WTO Ministerial Decision on Rules of Origin for Least Developed Countries (LDCs). The Decision, adopted in December 2015, called for simpler and more transparent rules of origin in order to facilitate the market access to preference-granting countries for products originating in LDCs.
356. The TCRO had elected Ms. Nsikan Patrick Umoh from Nigeria as Chairperson. She would be assisted by Mr. Hardeep Batra from India as Vice-Chair.
357. The Secretariat had continued to conduct technical assistance and capacity building activities covering key concepts and economic implications of rules of origin, advance rulings and origin infrastructure. In total the Secretariat had conducted 13 technical assistance missions, including 1 global workshop held at the WCO Headquarters, 2 regional/sub-regional workshops, 7 national workshops and 3 workshops combining rules of origin and other Revenue-Package-related issues.
358. The Secretariat had also continued its cooperation with other international organizations on rules-of-origin-related issues, including the World Trade Organization, the United Nations Conference on Trade and Development and the International Chamber of Commerce.
359. The CHAIRPERSON OF THE TECHNICAL COMMITTEE ON RULES OF ORIGIN, Ms. Umoh, highlighted that the TCRO and the WCO Secretariat had worked relentlessly to support Members with the management, understanding and application of preferential rules of origin. The TCRO and the Secretariat had been responsive to requests from Members and from the WTO Committee on Rules of Origin and had also, under the Revenue Package, developed guidelines related to Origin, including Guidelines on Preferential Origin Verification, Guidelines on Origin Certification, Guidelines to Counter Origin Irregularities, and a Guide to Ensure Consistency between the HS and Rules of Origin.
360. The TCRO Chairperson stressed that the guidelines were particularly important to the African continent in the light of the Continental Free Trade Area initiative for African Union Members, the proper implementation of FTAs including the certification system, and the promotion of advance rulings systems as required by the WTO Trade Facilitation Agreement.
361. She concluded by mentioning that having a TCRO Chair from an African country was an acknowledgement by the international Customs community of the contribution by the African continent to the international trading stage. Forty-three out of the 54 African countries were Members of the WTO, representing more than one quarter of the WTO membership. Having an African Chair of the TCRO contributed to promoting the review of the role and application of rules of origin in the African regions via regional and multinational trade agreements.
362. The CHAIRPERSON OF THE COUNCIL thanked the TCRO Chairperson and the Members for the good work accomplished.
363. The Delegate of KOREA informed the Council that its 15th FTA, with Colombia, would come into force on 15 July 2016. Korea was actively promoting the private sector's utilization of FTAs by putting in place various policies to support their origin management. Korea was also making efforts to coordinate the diverse rules of origin in different FTAs. As part of these efforts, the Global Origin Conference had been launched in 2015 in the presence of the WCO Secretary General. The Conference was to be held every two years from 2017 as a WCO event, with support from the

Korean Customs Cooperation Fund (CCF Korea). Korea would continue to support collective efforts by sharing experience in the area of rules of origin.

364. At the invitation of the Chairperson, the Council :
- took note of the ongoing efforts in the negotiations for the harmonization of the non-preferential rules of origin;
 - took note of the work carried out by the WCO Secretariat in relation to the WCO Action Plan on preferential rules of origin.

(b) Capacity Building

365. The CHAIRPERSON introduced the topic of capacity building and invited the Director, Capacity Building, to bring participants up to date with activities and results in this area.
366. The DIRECTOR, CAPACITY BUILDING, opened this Item by reminding participants that the WCO was the global centre of Customs expertise. He described how the WCO was responsible for the identification and dissemination of good practices and standards related to Customs administrations, noting that such standards and good practices would only truly become international or global if they were understood, adopted and implemented by administrations. He noted further that it was the effective implementation of standards that made the WCO relevant, dynamic and responsive to governments and societies.
367. The Director then set out the Capacity Building Directorate objectives, which were to :
- Realize the implementation of Customs international standards and best practices, applying the WCO's guiding principles and strategies.
 - Foster result-oriented methodologies at the strategic organizational level.
 - Facilitate resource mobilization and management of technical expertise support.
 - Engage and coordinate with Members and funding partners to design and implement development assistance and technical support.
 - Promote regional and international cooperation and coordination to seek harmonization of capacity building activities using WCO tools and instruments.
 - Continually learn from beneficiary Members as they developed.
 - Maintain the WCO as the principal capacity building organizational partner for Customs reform and modernization.
368. He explained that successful capacity building was more about the Members' capability, particularly the extent to which recipients were able to absorb external support and endure change, and less about what and how much the WCO could offer. He then advised that his presentation would highlight information on some of the services the WCO offered under the Capacity Building Directorate portfolio. He emphasized that, although the Capacity Building Directorate played an important role in this agenda, capacity building support was in fact delivered by the entire Secretariat,

including the Secretary General, the Deputy Secretary General, the three Directorates and all the technical staff, as well as partner administrations that provided both financial and human resources. All this was done in a cooperative and corporate manner.

369. Before introducing several examples of capacity building services, the Director pointed out that this year the Capacity Building Directorate had reached its tenth year. He referred back to the first Capacity Building Committee (CBC) meeting, when from the outset, three major ingredients for success had been identified : Political Will, People and Partnerships.
370. Beginning with "Political Will", the Director informed participants that the WCO currently offered a range of services to support Members seeking to secure political support for Customs reform and modernization. Support might be in the form, inter alia, of a *National Policy Dialogue* with management and political masters, a *Diagnostic* mission that resulted in a report to inform decision-making, or assistance for *strategic planning* or *strategic management*. This financial year, the WCO had developed a new tool known as the *Institutional Assessment Tool*, which was a product of the WCO INAMA Project for use by Members to self-assess their enforcement capabilities both in general and in the context of the 1973 Convention on International Trade in Endangered Species (CITES).
371. The Director then highlighted the Leadership and Management Development (LMD) Programme and stated that this financial year, the programme had been delivered in Mauritius, Cameroon, Tanzania, Madagascar, Botswana, South Africa, Haiti, Lesotho, Serbia and Mexico. Taken together, this had benefited around 200 senior and promising middle-level Customs managers. LMD workshops were also delivered to the Fellows and Professional Associates in the Fellowship Programmes and as part of the Executive Programme on Customs and Business Administration delivered in partnership with Korea. So far, a total of 56 LMD workshops had been delivered and recently the materials had been reviewed and updated. In addition, this year had seen the introduction of a monitoring and evaluation tool for the LMD Programme using the CLiKC! Platform, as well as several "impact analyses". This consisted of re-visiting participants four to six months after the respective workshops. It also involved conducting "360 degree" evaluations asking the participants, their line managers, their colleagues and at least two of their staff to assess the overall impact. The results so far indicated an average score of 8.1 on a scale from 1-10, with 10 being outstanding. The "360 degree" process showed tangible improvements in awareness, attitude, skills and behaviour.
372. The Director then highlighted several "People" services available to Members. First was *The Framework of Principles and Practices on Customs Professionalism*. He described how this provided guidance on Customs Strategic Human Resource Management (HRM), in relation to recruitment, job profiling, promotion, training and development, and career paths in Customs. Secondly, he highlighted the launch of the *People Development Diagnostic Tool* as a practical instrument to support Members with their HR transformation process and the adoption of a competency-based approach for all HR processes and capacities. *The People Diagnostic Tool* had been piloted in Namibia, Peru and Tunisia, and was used by other Members, including under the WACAM project. He congratulated Gambia and Gabon for their presentations at the most recent CBC on progress achieved in their HR reform process using the WCO tools.
373. The next service area highlighted was in the area of CLiKC!. The Director reported that the Website now had more than 21,000 registered users. This

represented an increase of 8,000 since the previous Council Sessions. More than 100 new users had been registered every month and around 300 connected daily. Statistics showed that the online e-learning courses had attracted more than 180,000 views since the launch of CLiKC!. This year, two new e-learning courses had been developed - on Transit and an overview of the Trade Facilitation Agreement (TFA). The Director then informed participants of some of the findings from a survey that evaluated the CLiKC! platform. As a result, the new CLiKC! version was expected to be released in September 2016 with enhanced navigation and design. He thanked China for a presentation at the most recent CBC explaining how it delivered training designed for officers using mobile devices. Turning to the Virtual Customs Orientation Academy (VCOA), he stated that the main objective was to provide newly recruited Customs officials with a 14-week development opportunity through six highly interactive modules supported by on-line tutoring. The VCOA addressed core Customs competencies, the concepts of clearance procedures and practices, international standards and conventions, and how to apply them in the workplace. The Fourth VCOA Session would start in September 2016.

374. Under the third area of “Partnerships”, the Director highlighted the Stakeholder Engagement programme that contained modules for stakeholder consultations, negotiations and conflict management. This material has been used to support a number of Members. He gave, as an example, the case of Cape Verde Customs where a consultative forum with other agencies and the private sector had been established. This initiative had led to the establishment of the Cape Verde National Trade Council, that was now responsible for the implementation of the TFA, in which Customs played a prominent role.
375. The Director then discussed the topic of integrity and highlighted a number of ongoing initiatives and projects. First, he highlighted work by a number of Members which used ASYCUDA and were also assessing the implementation of ASYPM, which is a performance management system that could enhance monitoring capacity to support integrity initiatives. He cited the example of Cameroon where ASYPM had been used successfully. He reminded participants that the Secretary General and Mexico had also reported the development of the integrity agenda under the G20 Anti-corruption initiative. He referred to the Integrity Sub-Committee agenda and thanked the Australian Department of Immigration and Border Protection for its presentation that had highlighted the need for a comprehensive and holistic approach to integrity issues. He reported that a major message from the joint session of the CBC and the Integrity Sub-Committee had been that many of the reform and modernization programmes focused on Customs core business processes to meet the goals of trade facilitation, revenue collection, protection of society or enforcement. However, for many Members he urged that broader needs of institutional strengthening should be considered. The joint session had found that without securing the fundamental capacities, especially adequate human resource management that led to Customs professionalism, both the integrity agenda and the development agenda were at risk. Concluding in this respect, he sought more examples and practices related to lifestyle audits, mobilization and rotation of officers, and integrity communication practices.
376. The Director then informed participants that, during the financial year, the WCO had delivered 417 activities, an increase of 19 % in relation to the previous year. The WCO had also reviewed internal policies and procedures for expert management, mobilization and deployment. He confirmed that the WCO had also taken note of requests from both the CBC and the Policy Commission to continue enhancing transparency and governance over expert deployment, especially with regard to planning, delivering and monitoring of results.

377. In conclusion, the Director highlighted the Mercator Programme which had been launched to support the implementation of the TFA, using the WCO's instruments and tools. He clarified that, although the focus of the Mercator Programme was trade facilitation, it covered many standards that were also relevant for the compliance and enforcement areas of Customs, e.g. intelligence-based risk management, post-clearance audit, advance receipt of information, automation and non-intrusive inspection. He described the Programme as how to create more efficient and effective Customs administrations and therefore it was necessary to consider that as Customs facilitated legitimate trade, the administration was able to better allocate resources and focus on relevant risks. During the first two years of the Mercator Programme, the WCO had established the TFA Working Group, adopted a variety of new instruments and tools, organized awareness-raising workshops in all six WCO regions, and delivered some 180 tailor-made missions in approximately 70 countries. He acknowledged the guidance of the Secretary General, and reported that the Capacity Building Directorate and the Compliance and Facilitation Directorate were working closely on the tailor-made assistance for countries and regional initiatives. Finally, he called for the engagement and commitment of all Members to take part in the Mercator Programme, both as a beneficiary and as a partner to support delivery.
378. The CHAIRPERSON OF THE CAPACITY BUILDING COMMITTEE, Mr. Per Arvid Nordli (Norway), stated that the Seventh Session of the CBC had taken place from 11 to 13 April 2016 and more than 190 delegates from 72 countries had attended. This indicated that the Committee remained an important forum for discussions, sharing of practices and visualizing development needs. The theme of the meeting had been "The Future of Customs Capacity Building for Sustainability". One of the key issues was dealing with the question "what are the organizational development needs as Customs moves towards digital Customs and technologies?". This had led to a useful discussion and examples where Customs needed to be vigilant in capacity building to deal with e-Customs, e-commerce, security, the dark Web and other threats. The Chair of the CBC then referred to the 11th Meeting of the Global Regional Offices for Capacity Building (ROCBs) and Regional Training Centres (RTCs). That meeting had presented Best Practice Guidance for Regional Entities and a Regional Training Evaluation Package, which had been endorsed by the CBC. He also reported that the CBC had endorsed the new WCO Experts Policy after several amendments had been made. For the first time, a joint session had been held with the Integrity Sub-Committee. This initiative had resulted in fruitful discussions on cross-cutting human resource issues. The CBC Chair mentioned future work that would relate to e-commerce, security, Customs-Police cooperation and tailored support. To be able to support future work, he identified the need for a relevant strategy and the CBC had agreed to consider a review of the current strategy beginning with regional reviews and feedback.
379. The CHAIRPERSON OF THE INTEGRITY SUB-COMMITTEE, Ms. Sigfridur Gunnlaugsdóttir (Iceland), gave a brief summary of the 15th Session of the Integrity Sub-Committee (ISC), indicating that the ISC had held its first joint session with the CBC to discuss "Strategic human resource management with a view to promote integrity", that being the central theme of the ISC. The meeting had focused, inter alia, on practical measures to enhance the image of Customs and ensure greater compliance, with integrity at the centre of the development agenda of post-conflict or fragile States. An update on the latest integrity initiatives had been provided and Members' experience of using WCO integrity tools had been discussed.
380. The Chair of the ISC indicated that this session had also been unique due to the holding of the first joint session with the Research Unit on the topic "Coding and

decoding borders at the dawn of the 21st Century". A key point emerging from the meeting was that countries recognized the importance of promoting integrity through transparent human resource management. Focus was placed on lifestyle audits, rotation and communication as a way to enhance integrity, and on the study undertaken by the Research Unit on fragile States to understand the conditions such countries had to work under, in order to provide assistance in the best way possible. A minimum of security needed to be guaranteed in order to be able to assist those countries. The Chair of the ISC added that a number of helpful tools had been developed to assist Members to promote integrity and Members were using those tools. The use of technology in order to reduce fraud had also been discussed. In that context, Academia had shared studies carried out in this area and Customs had shared their practices, such as Passenger Name Record (PNR), Advance Passenger Information (API) and performance measurement. The issue of governance had been raised in relation to the privacy of the information collected.

381. Concluding her report, she invited the Council to take note of the report; to notify the Secretariat of their practices in the area of rotation, lifestyle audits and communication; to take note of the study realized by the Research Unit in order to reflect on the best way to assist fragile States; and to note the progress made in the context of the G20, emphasizing the need to raise policy-makers' awareness of the key importance of integrity.
382. Finally, she also mentioned that the expertise of the WCO and its Members in the area of integrity was being sought by other international organizations, such as the OECD, the OSCE, the UNDP and Frontex. This should inspire a further call for action, to make sure that the WCO kept abreast of the integrity agenda and that should lead the way as far as Customs was concerned in relation to integrity.
383. The CHAIRPERSON OF THE COUNCIL thanked the Director of Capacity Building and his team as well as the two Chairs for the work carried out.
384. All delegates thanked the Director and the Chairs for their report and the work that had been accomplished over the past year.
385. The Delegate of MEXICO indicated that integrity was a cross-cutting issue that should be included in all WCO subsidiary bodies and that this topic should be part of the Capacity Building framework; this was important in particular in the context of the cooperation between Customs and Police. Mexico had taken this agenda to the highest level, and presented it to the G20. He thanked the WCO and, in particular, the Secretary General for their involvement in this context.
386. The Delegate of SOUTH AFRICA indicated that he valued the progress made in the area of capacity building, and that this needed to be kept dynamic and alive for the benefit of all, whether small, large or in-between, as all had to cope with the challenges. South Africa was a beneficiary of capacity building, but also provided experts and would continue to give a helping hand.
387. The Delegate of SWEDEN said that his country was very involved in capacity building, being one of the biggest donors in this area. He congratulated the Director and his staff but indicated that more needed to be done, in particular in the context of the Mercator Programme, and urged good coordination between the TFA Working Group and the CBC. He referred to a meeting in Stockholm on the TFA for European countries that had led to the Stockholm Declaration; the outcome of this meeting was that a lot more needed to be done.

388. The Delegate of UGANDA thanked the WCO for the assistance provided in the area of LMD as the impact of this Programme could be seen. He called for an evaluation of the WCO in this area. Integrity should be incorporated in all capacity building missions so that it could be emphasized more, given that systems could not be implemented efficiently without integrity.
389. The Delegate of BURUNDI said that capacity building was important for Customs and Tax administrations, in particular in low-income countries, and he welcomed the study undertaken by the WCO on fragile States.
390. The Delegate of GEORGIA indicated that his Administration had benefited from capacity building for years and he highlighted the importance of a result-oriented approach and welcomed the strategic approach used by the Capacity Building Directorate that enabled an administration to focus on outcomes. His Administration valued the Mercator Programme and supported the Capacity Building Directorate's initiatives. Focusing on human resources was important to achieve high levels of integrity.
391. The Delegate of CHINA said that the success of capacity building relied on resources, proper design and implementation. She indicated that CCF/China played an important role and was a provider of resources. Referring to the corporate planning process, she invited the WCO to reflect on the design and implementation process and indicated that some activities identified by CCF/China in the plan had not been implemented. She therefore suggested to carry out an assessment that could be shared with Members in order to provide clues as to where problems might lie, to ensure proper use of donor's money.
392. The Delegate of the UNITED STATES commented on integrity and on a United States initiative launched in March 2015 that consisted in creating an Integrity Advisory Panel comprising multiple representation, of which USCBP was part. The Panel's charter was to identify best law enforcement practices in the area of transparency, including complaints, use of force, etc. The Panel conducted stakeholder interviews and data analysis. The Panel had made 53 recommendations that had been made public and which USCBP was responding to with the view that the process, result and response would strengthen the agency. He encouraged all WCO Members to look into integrity to achieve excellence in the Customs community.
393. The Delegate of the ISLAMIC REPUBLIC OF IRAN indicated that his country was located in a troubled region that needed capacity building to help restore Customs activities. Iran had worked bilaterally with countries in the region and was trying to arrange for trilateral assistance to re-establish Customs activities in the region. It was the responsibility of all Customs Members to help countries in need of capacity building.
394. The Observer for the AGADIR TECHNICAL UNIT explained that the structure he represented comprised Morocco, Tunisia, Egypt and Jordan and was managing the Free Trade Agreement for South-South integration. He thanked the Directors General of Customs of the countries that were part of the Agreement and also thanked the WCO for its support, inter alia in connection with Authorized Economic Operators and Post Clearance, and asked the WCO for further support to be provided.
395. The Observer for the SOUTHERN AFRICAN CUSTOMS UNION (SACU) thanked the WCO and Sweden (SIDA) for the assistance provided.

396. The DIRECTOR, CAPACITY BUILDING, expressed appreciation for the support received for the capacity building agenda, and said that he would follow up on all the comments after the meeting. He thanked the donors - China, SIDA, NORAD, USAID, DFID, Germany, Korea and Japan.
397. The CHAIRPERSONS OF THE CAPACITY BUILDING COMMITTEE and THE INTEGRITY SUB-COMMITTEE thanked the delegates for their feedback and appreciation of the work achieved in the areas of capacity building and integrity.
398. THE CHAIRPERSON OF THE COUNCIL concluded that the Council :
- took note of the Report of the Seventh Session of the Capacity Building Committee;
 - took note of the Report of the 15th Session of the Integrity Sub-Committee;
 - urged Members to notify their practices in the areas of rotation policies and lifestyle audits in order to append them to the Integrity Development Guide;
 - took note of the study realized by the Research Unit in order to reflect on the best way to assist fragile States; and
 - took note of the progress made in the context of the G20, emphasizing the need to raise policy-makers' awareness of the key importance of integrity.

(c) Compliance and Facilitation

399. The DIRECTOR, COMPLIANCE AND FACILITATION, summarized the work which had been carried out by her Directorate and the Committees it served, namely the Permanent Technical Committee (PTC) and the Enforcement Committee (EC) for the financial year 2015/2016. Before starting, she informed the Council that the Chairperson of the EC, Mr. Jeremy Lee (United Kingdom), was not available to present, and that the Chairperson of the PTC, Mr. J.R. Van Kuik (the Netherlands), would present on the work of both Committees.
400. The Director began by providing an abbreviated overview of the main topics dealt with by the Facilitation and Procedures Sub-Directorate in the preceding year. She explained that the Sub-Directorate had focused on supporting implementation of the WTO Trade Facilitation Agreement (TFA) and the Mercator Programme, in particular its "overall" track. Two meetings of the WCO Working Group on the TFA (TFAWG) had taken place and, in this context, she announced that the next meeting of the TFAWG would include a joint day with the PTC in order to focus on the Coordinated Border Management aspects and bring in some of the other key stakeholders.
401. She added that the first round of regional TFA awareness-raising workshops had been completed and that a second round was underway with the first workshop held in Japan in June 2016 for the Asia/Pacific region. With the aim of expanding the pool of experts to support TFA implementation, the Sub-Directorate had taken part in seven accreditation workshops for Mercator Programme Advisors (MPAs). She thanked Members for nominating their technical experts for these workshops and for their valuable work carried out under the Mercator Programme.

402. The Director then briefly informed the Council of the work carried out under the umbrella of the Future of Customs, including the documents produced on the Customs in the 21st Century strategic document and on the various topics listed (i.e. 3D printing, automatic exchange of information, drones, etc.). She also referred to some of the topics already discussed in the Council, such as e-commerce, Customs-Tax cooperation and the TFA. Further topics and areas of work included Digital Customs, performance measurement, Customs-Business partnership, postal traffic, the SAFE Framework of Standards and aviation security.
403. Turning to Compliance and Enforcement, the Director mentioned that work had continued to focus on the listed main high-risk areas for Customs enforcement, as directed by the Policy Commission. She recalled that the Council had already discussed the work in respect of cultural heritage, developments in respect of the Security Programme, and the update on the coordination of international operations.
404. The Director highlighted other areas of work underway, including the development of a Customs investigations training curriculum; in this context, she also mentioned the Customs-Police Cooperation Handbook, which had been endorsed by the Council earlier in the Sessions. She also noted the various training activities delivered as part of the COPES Project and noted that the WCO Intelligence and Information Centre (I2C) had now become operational. Additionally, the Director mentioned some of the cross-cutting topics dealt with jointly by both Committees, such as Digital Customs, Customs-Tax cooperation, API/PNR and e-commerce.
405. She then gave the floor to the Chairperson of the PTC, Mr. Van Kuik, to recapitulate some of the work done by both the PTC and the EC over the past year.
406. The CHAIRPERSON OF THE PERMANENT TECHNICAL COMMITTEE referred to the success of the Joint PTC/EC Meeting held in March 2016, but recalled that the joint sessions of the two Committees were being discontinued for the time being. He underlined the two main topics raised on that occasion, namely Customs-Tax cooperation and Digital Customs, which were both high priority topics of the Council as well. On the latter subject, he said that the presentations made earlier in the Sessions by representatives of Microsoft and GS1 served as a reminder that the Customs of today was not the same as it had been at the end of the last century. The age of digitalization had had a strong impact on Customs procedures and it was time to start examining the supply chain as one continuous process, rather than a process consisting of different fragmented parts.
407. Mr. Van Kuik then referred to the Virtual Working Group on the Future of Customs (VWG FC) and reminded everyone that the Revised Kyoto Convention was the basis for the Customs in the 21st Century strategic document. The VWG FC was headed by the Vice-Chairperson of the PTC, Mr. Mathome Matole (South Africa). Mr. Van Kuik invited delegates to contribute to those discussions and recalled that the Council had agreed two years previously for the PTC to lead more strategic discussions and deal with innovation. In that context, he invited Heads of Delegation to nominate, for the next meeting, delegates who were able to think ahead. He concluded by pointing out that the next meeting of the PTC would involve a Joint Day with the TFAWG on 11 October, while the PTC itself would be held from 12 to 14 October 2016.
408. The DIRECTOR, COMPLIANCE AND FACILITATION, concluded by listing the actions expected from the Council, as indicated in the written reports of the PTC and EC Chairpersons.

409. THE CHAIRPERSON OF THE COUNCIL thanked the Directorate for the excellent work accomplished over the past financial year.
410. With regard to Facilitation matters, the Council :
- approved the Summary Report of the 209th/210th Sessions of the PTC;
 - approved the Summary Report of the 211th/212th Sessions of the PTC;
 - took note of the various PTC-related developments mentioned in the Chairperson's written report;
 - endorsed the Globally Networked Customs (GNC) Handbook;
 - endorsed the Guidelines for Transparency and Predictability; and
 - approved the tools adopted by the PTC in the course of the financial year.
411. Finally, with regard to Enforcement matters, the Council :
- approved the Report of the 34th Session of the Enforcement Committee;
 - took note of the draft Report on the Enforcement Committee's 35th Session; and
 - acknowledged the various compliance and enforcement-related developments mentioned in the Chairperson's written report.

7. BUDGETARY AND FINANCIAL MATTERS

412. The CHAIRPERSON OF THE FINANCE COMMITTEE, Mr. William Williamson (United Kingdom), indicated that the Finance Committee had held its 98th Session on 26 and 27 October 2015 and its 99th Session from 4 to 7 April 2016. He thanked the WCO Secretariat for the active support rendered to him, and for the preparation of all the documents for those sessions. He also thanked Finance Committee Vice-Chairperson Mr. H. Tanaka (Japan) for his support. He then informed the Council of attendance levels at the aforementioned sessions, reporting that all 19 members of the Finance Committee had been present at the 98th Session, and 17 of the 19 members had attended the 99th Session, where at very short notice one member had been represented by another member from the same region. The Reports of both sessions (Docs. SF0407 and SF0431) had been made available on the WCO Members' Web site in a timely manner.
413. The Finance Committee Chairperson reported that the accounts for financial year 2014/2015 had been independently audited and that, in the Auditor's opinion, the financial statements faithfully portrayed the assets, financial situation and results of the Organization, with a certified final result for the financial year at 30 June 2015. The WCO Budget Report for 2014/2015 showed total revenue (including donor funding) of 30,973,334 euro and total expenditure of 29,816,595 euro, resulting in a surplus of 1,156,739 euro. The Finance Committee recommended that the budget surplus be added to the accumulated result which, following this operation, would increase the accumulated result on 30 June 2015 to 9,796,278 euro in the Organization's Reserves. He recalled that this outcome was due to a realization of gains in the Terminal Allowance investment portfolio. He had referred to this fact in his

report to the Council in June 2015, but at that time the gains had not been audited. Were it not for the realization of gains, a balanced budget would have been the outcome for the financial year 2014/2015. He invited the Council to acquit the Secretary General of his financial responsibilities related to the financial year 2014/2015.

414. Turning to financial year 2015/2016, he said that, at the end of March 2016, 62 % of the total general operating expenses (GOE) approved by the Council for 2015/2016 (16,695,426.98 euro) had been spent. This represented 82 % of the pro rata 12 month amount after 9 months, and it was forecast that the financial year 2015/2016 would close with a modest surplus.
415. Moving on to the forthcoming financial year, i.e. 2016/2017, the Finance Committee Chairperson explained that discussions held at the Committee's 98th Session had led to a detailed review of the proposed budget for that year. The Finance Committee had examined the impact of a range of increases in Members' contributions from 1.5 % to 3 %, as always acknowledging the need to reconcile the objectives of limiting increases in Members' contributions, while setting a level of GOE sufficient to run the WCO for the forthcoming year, and achieving a balanced budget. At the same session, the Committee had considered a revised fully costed Strategic Plan that reflected the outcomes of the Management Away Day and the Audit Committee. Following those discussions and review, the Finance Committee had proposed an increase of 1.5 % in Members' contributions whilst setting the GOE at 16,979,250 euro, equivalent to a 1.7 % increase. This would deliver a balanced budget for financial year 2016/2017 and fully fund the planned activities and outputs for the first year of the new Strategic Plan. The Finance Committee had also approved the new Staffing Table for 2016/2017 showing all the budgeted posts. Due to the fact that the Council was meeting in July this year after financial year 2015/2016 had terminated, the Finance Committee Chairperson formally requested the Council to approve, a posteriori, that the allotted budget for 2016/2017 could already be used as from 1 July 2016.
416. The Finance Committee had discussed the proposal by the Co-ordinated Organisations' Committee on Remuneration (CCR) for international staff serving under Co-ordinated Organisation rules in Belgium and in other associated Organizations, such as the WCO. The proposal was an increase of 2.3 % in salaries from 1 January 2016, and the Secretariat had been able to confirm that for the relevant part of 2015/2016 the increase would be covered by the budget and that for 2016/2017 provision had been made for the proposed increase in salary and salary-related allowances, as well as the adjustment to the Terminal Allowance which was funded from the investment portfolio. The "Affordability Clause" did not need to be activated and it had been proposed that the application of the salary scale for Belgium with effect from 1 January 2016, which represented a 2.3 % increase in salaries, should be approved; the daily subsistence and kilometric allowances would remain unchanged.
417. The Finance Committee Chairperson informed the Council that the spending on capital expenditure during 2015/2016 had been 125,000 euro lower than the amount approved by the Council in June 2015 due to prudent and pragmatic financial management of the building maintenance contracts, services and Secretariat-related purchases. For financial year 2016/2017, the Finance Committee had noted the proposals to focus on various important changes and upgrades in the IT environment to keep pace with technological developments and other identified needs. The Council was therefore invited to approve the proposed capital expenditure of 755,000 euro for the next financial year.

418. The Finance Committee, as part of its due diligence review and updating of WCO financial governance, was recommending to the Council, for adoption, the proposed amendments to the Staff Manual and the Technical Attachés Manual presented in the working documents. Also, as required, the five-yearly actuarial study had been carried out to review the adequacy of the provision of the Terminal Allowance paid to WCO post holders at the end of their term of employment, and to present projections for the Terminal Allowance system over the next ten years. In accordance with the standard practice, the consultants undertaking the review (Mercer) had examined the elements based on which the Terminal Allowance was payable to qualifying staff on leaving the Organization and whether the condition of 100 % of the WCO's Terminal Allowance liability was met. The review had concluded that neither the current formula used to calculate the Terminal Allowance nor the percentages related to contributions to the fund should be changed, given that the current provision in the accounts was for 100 % coverage of the Terminal Allowance liability.
419. The Finance Committee Chairperson then turned to the discussions held in relation to the WCO Publications Policy, recalling that since 2008 the WCO had been pursuing the aim of providing its publications free or partially free of charge. He referred here essentially to the sales of the Harmonized System Explanatory Notes (HS EN). The review of the Publications Policy during the recent past had included an independent study in 2010 by an external consultancy company and, in the light of that study, the Council had endorsed the recommendation of the Finance Committee that a "free to Public" policy was not realistic because of the financial impact and therefore a solution should be found on the basis of a "partially free" policy. Following that request, at its 96th Session the Finance Committee had invited the Secretariat to examine whether it was feasible to provide publications free of charge to small and medium sized enterprises. For the Committee's 97th Session, the Secretariat had updated its calculations for providing the HS EN free of charge to : (a) Members only, and (b) micro, small and medium sized enterprises (MSMEs) only.
420. It was pointed out that such a "Members only" proposal would cost 2,655,282 euro, representing a 3.32 % annual increase in Members' contributions, whilst the comparable "MSMEs only" proposal would cost 2,608,311 euro, representing a 3.26 % annual increase in Members' contributions. These figures related to providing the HS EN for free in both scenarios over the next HS cycle (2017-2022). The only sustainable source of funding for either of these policies was through Members' contributions, and the increase required would be significant.
421. At its most recent session, during a short debate the Policy Commission had acknowledged the value attached to free provision of the HS EN, especially for Members under a legal obligation to issue the HS EN to their trade bodies. However, it had been the overriding view of the Policy Commission that an increase in contributions as suggested to provide the HS EN free of charge was not feasible at this time. The Policy Commission had further agreed that it was not advisable to use the Organisation's Reserves for this purpose and recommended that the Council should maintain the current Publications Policy, which meant that the WCO would continue to charge both Members and the public/trade for the Harmonized System Explanatory Notes.
422. The Finance Committee Chairperson then turned to the discussions held on the use of the Organisation's Reserves. He recalled that a minimum of 25 % of the amount allocated as GOE needed to be retained as a provision against unscheduled spending of an emergency nature. This minimum requirement should be maintained. At

present, the Reserves stood at a high level of 9.7 million euro and it was the view of the Finance Committee, which had discussed this issue at its last two sessions, that some excess Reserves should be utilized in a controlled and transparent way for the benefit of the Organization. The Finance Committee had proposed the implementation of a set of Governance Guidelines. It had then considered five proposals, one of which was supported by a sponsored outline Business Case and one of which was proposed through a sponsored non-paper. The Guidelines provided that the excess Reserves could be used to support an initiative that would generate income including seed capital, and to fund exceptional activities with a finite lifespan that could not be funded through normal channels. The excess Reserves could not be used for day-to-day expenditure. Each proposal to spend excess Reserves had to be supported by a business case.

423. The Secretariat had proposed the establishment of a WCO Customs Co-operation Fund (CCF) that would not be tied to the conditions of any specific donor. To a certain extent, this would be a replacement for the currently operating Eurocustoms fund, established some years ago, but which was diminishing over the years. This new CCF would provide the WCO with the financial means to support priority requests for Capacity Building that, until now, could not be met.
424. As indicated, the Guidelines did not allow the Reserves to be used to offset day-to-day expenses and reduce Members' contributions or to cover the cost of a partially free Publications Policy. However, they allowed investments which would generate an income for the WCO and would also allow spending on exceptional activities that could not be financed through the regular channels. In both cases, there had to be a finite lifespan of projects financed in this way. Any such use of the Reserves would require a business case from a sponsor, scrutiny by the Finance Committee and agreement from the Policy Commission and ultimately the Council.
425. The Finance Committee Chairperson said that the Russian Federation had introduced a non-paper at the Committee's most recent session and had argued for the introduction of the use of additional languages at the WCO such as Arabic, Portuguese, Russian and Spanish. This was supported by the recent findings of an external auditor in a review of the difficulties Members faced regarding their participation in the work of the WCO, and had come to the Finance Committee with support from the Audit Committee. Whilst the Finance Committee did not believe that the proposal directly satisfied the draft Guidelines, there had been a response from Members in favour of further considering this proposal. Therefore, the Finance Committee had recommended to the Policy Commission that a study, funded from the Reserves, on the use of additional languages be conducted using the services of an external consultant. A report would then be prepared for consideration by the Finance Committee in April 2017 and then go to the Policy Commission in July 2017.
426. At the Finance Committee session, the Secretariat's proposal to establish a WCO Training Academy had been regarded as not yet ripe for consideration, and the Secretariat had been invited to continue to work on this subject with a view to bringing a proposal to the Finance Committee at a later stage.
427. The Policy Commission had discussed those questions earlier in the week and recommended to the Council that the Guidelines on the "Use of the Organization's Reserves" should be adopted, that the establishment of a WCO Customs Co-operation Fund for the amount of 1 million euro per annum for three years should be approved, and also that the proposal that funding of up to 100,000 euro be made available for a study on the use of additional languages in the activities of the WCO should be

approved. The Policy Commission had asked the Secretariat to draw up a document on procedures for use of the CCF, but had agreed that this need not delay a decision to approve the proposal.

428. In closing, the Finance Committee Chairperson thanked the members of the Finance Committee, the Secretariat and the Vice-Chairperson of the Committee for their excellent support, their professional work and their diligence during the last year. The next session of the Finance Committee would be held from 10 to 13 April 2017 and that would be the Committee's 100th Session.
429. The COUNCIL CHAIRPERSON thanked the Finance Committee Chairperson for his work, and for the excellent report he had delivered to the Council.
430. In conclusion, the Council:
- agreed that the budget surplus (1,156,738.93 euro for financial year 2014/2015) be incorporated and that the accumulated result on 30 June 2015 be established as being 9,796,278.45 euro;
 - acquitted the Secretary General of his financial responsibilities for financial year 2014/2015;
 - approved the setting of the general operating expenses (GOE) for 2016/2017 at 16,979,250.00 euro (equivalent to a 1.7 % increase in the GOE);
 - approved a final updated scale of contributions which reflected a 1.5 % increase in the overall contributions for financial year 2016/2017;
 - approved the new Staffing Table for 2016/2017 showing the budgeted posts and indicating the number of Technical Attachés;
 - approved the proposed capital expenditure of 755,000 euro for financial year 2016/2017;
 - adopted Decision No. 345 concerning the budgetary and financial provisions for 2016/2017, reproduced at Annex V hereto;
 - approved the high-level costing of the Strategic Plan as agreed;
 - approved the application of the salary scale for Belgium, with effect from 1 January 2016, which represented a 2.3 % increase in salaries while the daily subsistence and kilometric allowances remained unchanged;
 - adopted the proposed amendments to the WCO Staff Manual, with effect from 1 July 2016;
 - adopted the proposed amendments to the WCO Technical Attachés Manual, with effect from 1 July 2016;
 - adopted the actuarial study and report on the WCO Terminal Allowance coverage;

- took note that the details of expenditure from the WCO budget, voluntary contributions and donor funding were set out in Doc. SF0422, presented to the Finance Committee in April 2016;
- approved, a posteriori, that the allotted budget for 2016/2017 could already be used as from 1 July 2016;
- agreed that the WCO Publications Policy would remain unchanged;
- approved the Guidelines on the Use of the Organization's Reserves, reproduced at Annex VI hereto;
- approved the establishment of a WCO Customs Co-operation Fund for the amount of one million euro per annum for three years, with the proviso that during that period the Secretariat pursue an alternative source of funding should there be a demand or need for the continuation of such a Fund beyond the timeframe specified;
- approved the proposal that funding of up to 100,000 euro be made available from the Reserves for a study on the use of additional languages in the activities of the WCO;
- approved as a whole the Reports on the Finance Committee's 98th and 99th Sessions, as contained in Docs. SF0407 and SF0431.

8. ELECTIONS

431. It was proposed that Mr. Ruslan Davydov (Russian Federation) be elected Chairperson of the Council for 2016/2017.
432. The Council approved the above proposal by acclamation.
433. Mr. DAVYDOV expressed his gratitude for the support he had received and for the trust placed in him. First and foremost, he saw his election as Chair as bringing a great responsibility towards the world Customs community. He truly believed in Customs and in Customs cooperation, which was the core of Customs work. He committed to perform his functions openly, efficiently, diligently and with a sense of fair play. He would work for better engagement of all the Members and all regions in WCO activities, irrespective of their size.
434. The Organization was the Customs **Co-operation** Council and his main goal as Chair would be to provide for better cooperation between Customs world-wide. In times of increased instability, terrorist attacks and economic slowdown, it was important to do everything possible to ensure that the WCO's Vision Statement "Borders divide, Customs connects" was a reality.
435. Mr. Davydov thanked the outgoing Council Chairperson, Mr. Zouhair Chorfi, for the excellent work accomplished over the last two years and wished him well for the future. He recalled that outgoing Council Chairpersons were eligible to attend Policy Commission sessions for a certain period after relinquishing the office of Chair and he therefore looked forward to seeing Mr. Chorfi at the next Policy Commission session.

436. Finally, Mr. Davydov extended an invitation for the Policy Commission to hold its next session in Russia.
437. The CHAIRPERSON then announced that following consultations between the Members in the various regions, it was proposed that the Delegates of Austria, Bahrain, Chile, Côte d'Ivoire, Fiji and South Africa be elected Vice-Chairs for 2016/2017.
438. The Council agreed to the above proposals which were approved by acclamation.
439. 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 Australia, Azerbaijan, Brazil, China, Dominican Republic, Egypt, European Union, Italy, Korea (Republic of), Mexico and New Zealand. It was noted that they would serve alongside a number of delegates elected to the Policy Commission one year previously, namely Angola, Benin, Canada, Cyprus, Denmark, Ghana, Japan, Saudi Arabia, Slovenia, Spain, Uganda, United Kingdom and United States.
440. Following consultations between the Members in the various regions, it was proposed that the following Members be elected to serve on the Finance Committee for 2016/2017 : Burundi, Canada, China, Dominican Republic, European Union, France, Gambia, Germany, Ireland, Japan, Kazakhstan, Korea (Republic of), Malaysia, Paraguay, Saudi Arabia, Spain, Switzerland, United Kingdom and United States.
441. It was proposed that Mr. W. Williamson (United Kingdom) be re-elected Chairperson of the Finance Committee for 2016/2017 and that Mr. H. Tanaka (Japan) be re-elected Vice-Chairperson for that period.
442. Following consultations between the Members in the various regions, it was proposed that the following Members be elected to serve on the Audit Committee : Brazil, Gabon, India, Islamic Republic of Iran, Lesotho, Morocco, Norway, Peru, Russian Federation, Tanzania, Togo and Tunisia.
443. It was proposed that Mr. B. Røse (Norway) serve as Audit Committee Chairperson in 2016/2017 and that the Delegate of the Russian Federation serve as Vice-Chairperson for that period.
444. All these proposals were approved by acclamation.

9. OTHER BUSINESS

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

(i) Revised Kyoto Convention

445. The Delegate of the LAO PEOPLE'S DEMOCRATIC REPUBLIC deposited his country's instrument of accession to the Revised Kyoto Convention (RKC), bringing the number of Contracting Parties to 104.

(ii) Regional Training Centre

446. The Delegate of the RUSSIAN FEDERATION signed a Memorandum of Understanding with the Secretary General for the Regional Training Centre in Russia to include a Centre of Best Practices for training of specialists in Customs technologies.

(iii) Regional Dog Training Centre

447. The Delegate of UKRAINE signed a Memorandum of Understanding with the Secretary General for the establishment of a Regional Dog Training Centre in Ukraine.

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

448. In the course of the Sessions, an Agreement was signed for Phase 3 of the Smart and Secure Trade Lanes (SSTL) Pilot Project involving the European Union, China and Hong Kong China. That Pilot Project had been launched in 2006.

(c) WCO photo competition

449. The SECRETARY GENERAL thanked the 46 administrations that had participated in the 2016 WCO photo competition, the aim of which was to reflect and thus communicate the importance of Customs officers and the impact they were having around the world.

450. The Secretary General announced that the winning entry, as voted for by the Members, was the Bahrain Administration's photograph entitled "Digital Customs is here".

(d) Upcoming event

451. The Delegate of GEORGIA announced that the 2017 WCO IT Conference and Exhibition would be held in Tbilisi. He encouraged all Members to attend that event which would provide a platform for technologically enabled cooperation in support of trade facilitation.

(e) WCO Vice-Chairpersons

452. The SECRETARY GENERAL said that four of the six Vice-Chairpersons would complete their term 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 and their internal coordination and communication within the region. The Vice-Chairs stepping down this year were :

- Cameroon (West and Central Africa region), under whose Vice-Chairmanship much progress had been made in the region, including the holding (in Yaounde) of the first donor conference for the region. The Secretary General expressed his gratitude to the Head of Cameroon Customs, Mr. Edwin Fongod, and his predecessor, Ms. Minette Libom Li Likeng, who was now a Minister in the Cameroon Government.
- Malaysia (Asia/Pacific region), which had always sought to represent the diverse interests and circumstances of the Members in what was, geographically speaking, the largest WCO region. In addition, this year in conjunction with the regional meeting held in Kuala Lumpur, Malaysia had organized a dialogue between Customs and the private sector, also including an exhibition. The Secretary General thanked Dato' Sri Khazali Ahmad, the Director General of Malaysian Customs, and his team for their work for the region.
- Mexico (Americas/Caribbean region), which under the leadership of Mr. Ricardo Treviño, had contributed a great deal both to the region and to the work of the Organization as a whole. In particular, Mexico had provided coordination and impetus for the translation of key WCO documents into Spanish.
- European Union (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 Stephen Quest and his predecessor Heinz Zourek, the European Union had organized numerous conferences and meetings for the Europe region.

453. The Secretary General wished all of the outgoing Vice-Chairs well, and conveyed his best wishes to the incoming Vice-Chairs, namely Austria, Chile, Côte d'Ivoire and Fiji. He looked forward to working with them over the coming year.

(f) Tribute

454. The Delegate of UGANDA took the floor to congratulate the Council Chairperson on his excellent chairing of the current Sessions and the preceding Policy Commission, and also on his able leadership during his two years as Chairperson.

455. The SECRETARY GENERAL also expressed his sincere thanks - as well as that of the Secretariat - to Mr. Chorfi for his leadership and vision for the advancement of the Organization.

456. Mr. CHORFI thanked delegates for having accorded him the privilege of chairing the Council over the past two years. Although he had only joined Customs six years previously, he had benefited greatly from the friendship and affinities of the Customs community during his term of office. He hoped that he had helped bring to the table some key dossiers, such as Digital Customs. Customs was a profession of key

importance to each country and the Customs community world-wide shared many common concerns. He considered that progress had been made in reforms and many other important areas over the past two years. In a normal context this would have been adequate but, in the new context of heightened terrorism, progress was not always sufficiently rapid. Exceptional circumstances required an exceptional response and action. Areas where progress had perhaps not been achieved at the desired rate included mutual recognition and Globally Networked Customs. There was also a need to strengthen partnerships and links, to engage further in reforms and develop tools for performance measurement. The areas of facilitation, compliance and security all involved Digital Customs, the use of databases and the exchange of information, as well as capacity building to bring administrations up to a higher level of performance.

457. Mr. Chorfi concluded by voicing his belief in the Organization's ability to continue to progress. He thanked delegates for the trust and confidence that they had placed in him.

10. DATE AND PLACE OF NEXT SESSIONS AND CALENDAR OF MEETINGS FOR 2016/2017

458. The 129th/130th Sessions of the Council would be held in Brussels from 6 to 8 July 2017, preceded by the 77th Session of the Policy Commission from 3 to 5 July 2017. The 76th Session would take place in Russia from 5 to 7 December 2016 at the kind invitation of the Customs Administration of the Russian Federation.
459. Subject to a number of amendments to the draft that had been circulated, the Council approved the Calendar of meetings for 2016/2017, which is reproduced at Annex VIII hereto.

CLOSURE OF THE SESSIONS

460. The CHAIRPERSON thanked the Secretary General and the Secretariat for the work undertaken to advance the WCO's projects and initiatives. He also expressed his gratitude to all those who had helped ensure the smooth running and success of the Council Sessions. Finally, he thanked delegates for their involvement and engagement.

Z. CHORFI,
Chairperson.

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