



COMCEC

Standing Committee
for Economic and Commercial Cooperation
of the Organization of Islamic Cooperation (COMCEC)

AUTHORIZED ECONOMIC OPERATOR PROGRAMS IN THE ISLAMIC COUNTRIES: ENHANCING CUSTOMS-TRADERS PARTNERSHIP

COMCEC Coordination Office
October 2018

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**Authorized Economic Operator Programs
In the Islamic Countries:
Enhancing Customs-Traders Partnership**

**COMCEC Coordination Office
October 2018**

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LIST OF ACRONYMS

AEO	Authorized Economic Operator
AO	Authorized Operator
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of South East Asian Nations
ATS	Authorized Trader Status
C-TPAT	Customs-Trade Partnership Against Terrorism
CBP	Customs and Border Protection
CBSA	Canada Border Services Agency
CCP	Customs Compliance Program
CEFTA	Central European Free Trade Agreement
CIP	Compliance Improvement Plan
CP	Compliance Program
CRM	Client Relationship Management
CSA	Customs Self-Assessment
CSI	Container Security Initiative
EAC	East African Countries
FTA	Free Trade Agreement
GL	Golden List
GCC	Gulf Cooperation Council
ISCM	Integrated Supply Chain Management
MRA	Mutual Recognition Agreement
NACSS	Nippon Automated Cargo and Port Consolidated System
OECD	Organization for Economic Co-operation and Development
OGA	Other Government Agencies
PAA	Post-Authorization Audit
PCA	Post-Clearance Audit
PIP	Partners in Protection
PMI	Project Management Institute
QIZ	Qualified Industrial Zone
SADC	South African Development Community
SAFE	Standards to Secure and Facilitate Global Trade
SL	Silver List
SMEs	Small and Medium Size Enterprises
SST	Smart and Secure Trade Lane
TF	Trade Facilitation
TFA	Trade Facilitation Agreement
TPS-OIC	Trade Preferential System among the Member states of the OIC

UCC	The Union Customs Code
URA	Uganda Revenue Authority
WCO	World Customs Organization
WTO	World Trade Organization

EXECUTIVE SUMMARY

The objective of this study is to improve awareness on the AEOs and learn from the international AEO best practices; explore the state of the play in the OIC members' AEO programs including their implementation and trade facilitation impacts; provide policy options for designing/implementing AEO programs in the OIC countries; and lay out actions for MRAs and regional AEO programs in the OIC members.

The SAFE Framework introduced the AEO concept in 2005 as: *“a party involved in the international movement of goods in whatever function that has been approved by or on behalf of a national Customs administration as complying with WCO or equivalent supply chain security standards. AEOs may include manufacturers, importers, exporters, brokers, carriers, consolidators, intermediaries, ports, airports, terminal operators, integrated operators, warehouses, distributors and freight forwarders.”*

This study analyzes AEO program awareness, design and implementation in three best practices in the World, namely Canada, the EU and Japan, and among 57 OIC Member States. As of 2018, 12 OIC Member States have initiated the authorized economic operator program, while 3 countries are in the design stage. On the other hand, apart from the AEO programs there are 9 Customs compliance programs already in operation.

OIC Member States exhibit a great degree of heterogeneity in terms of AEO adoption and implementation. In order to document and analyze the current status of the AEO programs in the OIC members, an extensive amount of data was collected. Data collection includes surveys distributed online and by e-mail as well as secondary source analyses (such as collecting information from relevant webpages and quantifying those). Furthermore, public and private sector interview questionnaires with open-ended questions were designed to complement these surveys for the case study countries.

Survey responses were analyzed by using a convergence matrix, which is frequently used for its straightforwardness. In addition, the convergence analysis offers the possibility of comparison of OIC members with APEC members. The comparator matrix used in this analysis, in essence, is a simple tool to compare different approaches to the AEO concept within a group of countries. The qualitative comparator matrix is composed of 7 major themes and 15 variables for operational AEO programs that are supported by 92 questions.

In the OIC AEO programs the highest levels of convergence are observed for self-assessment mechanism along with physical security and compliance requirements. However, the lowest levels of convergence appear to be in the areas of SMEs, MRAs and types of operators.

Compared to the APEC AEO programs, the OIC AEO programs exhibit higher levels of convergence in terms of self-assessment mechanism; physical security and compliance requirements; application, verification and authorization procedures; benefits of AEOs, partnership initiatives, training of Customs officials, types of operators and SMEs. Meanwhile, the APEC AEO programs perform better convergence in terms of suspension and revocation procedures, Customs organizational structure, electronic promotion of the program, post-authorization audit and MRAs.

When the trade facilitation impacts of operational AEO programs in the OIC region are considered, it is observed that average time and cost to import and export during 2014-2017 is much lower for the countries implementing an AEO program compared to the ones without an AEO program. Nonetheless, time to export and import on average for the AEO programs in the OIC region is much higher than the best practice countries.

The synthesis of the best practice experiences, country convergence analysis and three case studies conducted during this study identified the success factors in the OIC AEO Programs as follows:

- Active participation of at least one best-practice-developed country in the design process of the AEO program
- Regional AEO design and implementation to align the programs from their inauguration
- Development of bilateral/subregional/regional MRAs to increase the benefits to the AEO certificate holders and reduce the costs of designing the agreement
- Consultation with Customs prior to application
- Awareness about the importance of private sector partnership
- Adoption of Client Relations Management

Challenges in the design and implementation of AEO programs in OIC countries emerged as a result of the analyses conducted are as follows:

- Lengthy AEO approval times
- Difficulties in communication of Customs Authority with private sector
- Difficulties in communication of Customs Authority with other government agencies
- Employing existing staff for the AEO design/implementation, which causes scarcity or misallocation of resources
- Lack of sustainable and regular training programs
- Difficulties in identification of tangible benefits
- Scarce participation of SMEs
- Insufficient number of MRAs
- Low level of data security

The policy recommendations emerging as a result of this study are discussed at length at the end of the report. Note that those recommendations are not tailor-made to each country and should be used with caution. In other words, no single prescription should be used for every AEO program.

1. CONCEPTUAL FRAMEWORK

This chapter aims to introduce the concept of authorized economic operator (AEO). The first section discusses the AEO concept from a historical perspective followed by the guiding principles of design and implementation procedures of an AEO program. The third and fourth sections lay out the benefits of the AEO status and its contribution to more trade. The last two sections discuss the benefits of mutual recognition agreements (MRAs) and the involvement of small and medium sized enterprises (SMEs) in the AEO programs.

1.1. The Authorized Economic Operator Concept and Its Brief History

In the last three decades, the world has witnessed a whirlwind of technological progress in information and communication technologies, globalization of the supply chains and an ever-increasing number of stakeholders in international trade. Meanwhile, the resulting new ways of doing business came under increasing threats and risks that require more resources, knowledge, experience, skills and technology than a private company can alone possess (Campos et al, 2017). As a result, along with these companies, Customs Authorities started to search for ways to improve their processes and technologies to develop and sustain quicker, smoother and safer movement of goods across borders.

Trade Facilitation (TF) has come up as the answer to the problem of increasing levels of uncertainty in global supply chains. The principal objective of any TF measure is to increase the flow of goods, services and people across countries without abandoning the security of these flows or the ability of governments to collect border taxes (Moisé, 2013). One such measure is AEO program which is the subject matter of this report.

The AEO concept is built on the Customs-to-Business partnership model introduced by the World Customs Organization (WCO). Accordingly, to guarantee the common objectives of trade facilitation and supply chain security, traders *voluntarily* meet a broad range of criteria and cooperate with Customs Authorities. The success of an AEO program, consequently, depends on the nature of the relationship between Customs and the AEO which should be based on the principles of mutual transparency, impartiality and accountability. In other words, the Customs Authority expects the AEO to comply with Customs legislation and in return the AEO expects Customs to provide support to achieve this.

1.1.1. Antecedents

The earliest AEO program in the world belongs to Canada, called as the Partners in Protection (PIP). It is a cooperative program between private industry and the Canadian Customs to enhance border and trade chain security. This program was launched in 1995 as a voluntary program and will be discussed as a case study in the next chapter.

The second AEO program has been implemented by the US since 2002 a plethora of security measures were put into use by the US government such as Container Security Initiative (CSI), Customs-Trade Partnership against Terrorism (C-TPAT), Maritime Transportation Security Act as well as Smart and Secure Trade Lane (SST).

To sum up, the main two duties of Customs Authorities all around the world were collecting taxes and combating illegal trade before C-TPAT. However, after the 9/11 attacks, domestic security has become another duty of Customs worldwide.

1.1.2. WCO SAFE Framework

Following the inception of the C-TPAT, in 2002, the WCO started searching ways to achieve the dual goals of achieving supply chain security and trade facilitation. This search process resulted in WCO's adoption of the Customs Guidelines on Integrated Supply Chain Management (ISCM Guidelines) in 2004 to reduce risks related to cargo that is most vulnerable along the supply chain and to define the roles of stakeholders in the international supply chain.

At the nexus of ISCM Guidelines, insights of the WCO's High Level Strategic Group on security and facilitation and consultations with the private sector stakeholders, the Standards to Secure and Facilitate Global Trade (SAFE) Framework was born in 2005. The SAFE Framework formally defines the concept of AEO as follows:

"a party involved in the international movement of goods in whatever function that has been approved by or on behalf of a national Customs administration as complying with WCO or equivalent supply chain security standards. AEOs may include manufacturers, importers, exporters, brokers, carriers, consolidators, intermediaries, ports, airports, terminal operators, integrated operators, warehouses, distributors and freight forwarders."

The WCO SAFE Framework was developed based on the Revised Kyoto Convention (RKC) that was put into force in 2006. In essence, the AEO concept was originated from the RKC's provisions on "authorized persons." However, the "authorized persons" concept focuses only on the compliance to Customs laws, regulations, or procedures whereas AEOs must comply with security standards too.

Currently, the SAFE Framework stands on three pillars:

The Customs-to-Customs pillar focuses on cooperation among Customs administrations to achieve security and trade facilitation in cross-border flows of goods, services and people.

The Customs-to-Business pillar focuses on cooperation between businesses and Customs administrations to achieve supply chain security and safety by incentivizing businesses to become AEOs.

The Customs-to-Other-Government and Inter-Government Agencies pillar focuses on harmonization of security requirements of border agencies within an economy and internationally.

1.1.3. A Short Summary of Trade Facilitation Measures in WCO Safe Framework

As explained above, the WCO Safe Framework explicitly defines authorized economic operator programs while leaving the standards of custom compliance programs (CCPs) vary. These trade facilitation measures exist under different names such as trusted trader programs, accredited trader programs, Customs self-assessment, performance operators' contracts, privileged partnership programs, etc. The names of these initiatives may be misleading in terms of meeting the requirements of AEO programs defined by the WCO. While some programs lack the expression of "AEO" in their names even though they are categorized as AEOs, some are called as AEO programs yet lack the defining characteristics of an AEO program. Table 1.1 offers examples of such programs.

Table 1.1. Discrepancies in the Naming of AEOs and CCPs

Authorized Economic Operator Programs	Custom Compliance Programs
Customs System of Reliable Operators Argentina	AEO Program Bolivia
Partners in Protection Canada	AEO Program Algeria
Customs Facilitation Program for Reliable Trade Costa Rica	AEO Program Iran
Qualified Economic Operator Uruguay	AEO Program Mauritius
CTPAT USA	AEO Program Mozambique
Golden List Program Jordan	AEO Program Kazakhstan
Australian Trusted Trader Australia	AEO Program Russia
Secure Exports Scheme New Zealand	
Secure Trade Partnership Singapore	
Trans-Kalahari Accreditation Scheme Botswana	

Source: Authors' compilation using WCO (2018).

The WCO Compendium (2018) clearly differentiates CCPs from AEOs. The WCO defines CCP as a Customs facilitation program that requires an operator to sustain an appropriate record of compliance with Customs requirements, a reasonable scheme for managing commercial records and financial solvency.

The main difference between the SAFE AEO Program and a CCP stems from the fact that security requirements such as those prescribed in Annex IV of the SAFE 2015 are not particularly included in a CCP. Moreover, different from the SAFE AEO Program, a CCP does not have to have common specified criteria and standards. Therefore, bilateral/plurilateral/regional mutual recognition of CCPs could be more challenging.

To be precise, in the WCO SAFE context, one can consider a CCP as a stepping stone to the SAFE AEO program. In other words, unless an operator in the supply chain complies with all the requirements of the SAFE Framework, it cannot be granted the SAFE AEO status.

1.1.4. WTO Agreement on Trade Facilitation

Another related initiative is the successfully concluded negotiations on the Agreement on Trade Facilitation (TFA) of the World Trade Organization (WTO) in December 2013. The TFA entered into force in February 2017, following its ratification by two-thirds of the WTO membership.

The TFA Article VII defines authorized operators (AOs) as entities complying with the WTO member's Customs laws, regulations, or procedures. While WTO's AO programs emphasize trade compliance and may include supply chain security as well, SAFE AEO programs must always meet the standards for supply chain security. The TFA and SAFE Frameworks are not substitutes as stated in WCO (2018): "The WCO strongly supports the implementation of an AEO programme and welcomes the growing number of countries implementing AEO as well as various Customs compliance programmes and the Authorised Operator scheme under the WTO Agreement on Trade Facilitation (TFA) as a first step towards the implementation of a full-fledged AEO programme."

1.2. Authorized Economic Operator Design and Implementation Process

As explained in the previous section, business co-operation (*Customs-to-Business*) is one of the main pillars of the SAFE Framework which methodically established the requirements to become an AEO. The core aspects of the AEO design and implementation, exactly as stated in the WCO SAFE Framework 2015, are as follows:

1. *"Demonstrated Compliance with Customs Requirements:* Customs shall take into account the demonstrated compliance history of a prospective AEO when considering the request for AEO status."
2. *"Satisfactory System for Management of Commercial Records:* The AEO shall maintain timely, accurate, complete and verifiable records relating to import and export. Maintenance of verifiable commercial records is an essential element in the security of the international trade supply chain."
3. *"Financial Viability:* Financial viability of the AEO is an important indicator of an ability to maintain and improve upon measures to secure the supply chain."
4. *"Consultation, Co-operation and Communication:* Customs, other competent authorities and the AEO, at all levels, international, national and local, should consult regularly on matters of mutual interest, including supply chain security and facilitation measures, in a manner which will not jeopardize enforcement activities. The results of this consultation should contribute to Customs development and maintenance of its risk management strategy."
5. *"Education, Training and Awareness:* Customs and AEOs shall develop mechanisms for the education and training of personnel regarding security policies, recognition of deviations from those policies and understanding what actions must be taken in response to security lapses."
6. *"Information Exchange, Access and Confidentiality:* Customs and AEOs, as part of an overall comprehensive strategy to secure sensitive information, shall develop or enhance the means by which entrusted information is protected against misuse and unauthorized alteration."
7. *"Cargo Security:* Customs and AEOs shall establish and/or bolster measures to ensure that the integrity of cargo is maintained and that access controls are at the highest appropriate level, as well as establishing routine procedures that contribute to the security of cargo."

8. *"Conveyance Security:* Customs and AEOs shall jointly work toward the establishment of effective control regimes, where not already provided for by other national or international regulatory mandate, to ensure that transport conveyances are capable of being effectively secured and maintained."
9. *"Premises Security:* Customs, after taking into account the views of AEOs and their necessary compliance with mandatory international standards, shall establish the requirements for the implementation of meaningful Customs- specific security enhancement protocols that secure buildings, as well as ensure the monitoring and controlling of exterior and interior perimeters."
10. *"Personnel Security:* Customs and AEOs shall, based on their authorities and competencies, screen the background of prospective employees to the extent legally possible. In addition, they shall prohibit unauthorized access to facilities, transport conveyances, loading docks and cargo areas that may reasonably affect the security of those areas in the supply chain under their responsibility."
11. *"Trading Partner Security:* Customs shall establish AEO requirements and mechanisms whereby the security of the global supply chain can be bolstered through the commitment of trading partners to voluntarily increase their security measures."
12. *"Crisis Management and Incident Recovery:* In order to minimize the impact of a disaster or terrorist incident, crisis management and recovery procedures should include advance planning and establishment of processes to operate in such extraordinary circumstances."
13. *"Measurement, Analyses and Improvement:* The AEO and Customs should plan and implement monitoring, measurement, analysis and improvement processes in order to:
 - a. assess consistency with these guidelines;
 - b. ensure integrity and adequacy of the security management system;
 - c. identify potential areas for improving the security management system in order to enhance supply chain security. "

In essence, the key characteristic of implementing a successful AEO program crucially depends on the collaboration established on both national and international levels between Customs and private sector to create a secure supply chain while preventing terrorism and enabling faster physical trade of goods internationally.

1.3. Benefits of AEOs to Trade Facilitation and Supply Chain Security

AEO programs provide interrelated benefits at the national, Customs and businesses level.

National Level

Through the use of AEO programs countries can enjoy the following benefits:

- Facilitation of legal trade and increased effectiveness in fighting against illegal trade
- Increase in the country's international competitiveness
- Becoming more attractive for foreign investments
- Recognition as a country where foreign trade is fast and easy
- More preference as a trade partner in international markets

- Less costly exports due to safer and faster trade
- Increase in the number of firms operating at efficient international standards, with higher competitive power and better internal control processes

Customs Level

The main role of Customs Authorities was to inspect all the goods flows in the second part of the 20th century (Erceg, 2014). However, the increase in goods flow made this impossible. The new role of Customs became analyzing the risks and diverting the controls to risky transactions. In order to execute their new role efficiently; company's processes, procedures, administration, and internal control should be assessed for checking the management of supply chain and potential risks. For this purpose, many Customs Authorities established risk management units. Moreover, AEO program has been increasingly adopted as a pioneering tool for the Customs to fulfill their new role efficiently. The following are some of the benefits the AEO programs provide to Customs Authorities:

- Easing the workload of the Customs administration
- Enabling Customs to focus more on risky shipments and smuggling activities
- Prevention of congestion at Customs
- Accelerating goods movements and vehicle shipments at Customs

Business Level

Benefits to AEO holders are as follows:

- Faster clearance of goods and fewer physical inspections such as use of green lane
- Prior notification if selected for control
- Incomplete declarations
- Simplified declarations
- Off-working hours transactions
- Reduced guarantees
- Local clearance
- Preferential treatment in customs related transactions
- Withholding tax exemption
- Pre-clearance of cargo
- Deferred payment of customs duties
- Better relations and increased cooperation with the Customs administration (Client relations management)
- Decrease in safety and security vulnerabilities, theft cases and losses
- Decrease in property damage
- Increased reputation and more preference as trusted companies in the domestic and foreign markets
- Increased reliability and communication among supply chain partners
- Reduced procurement costs and increased cooperation with suppliers along with reduced insurance costs
- Increases in domestic and international competitiveness due to cost reduction and time saving
- Preference by foreign investors in business partnerships
- Recognition by international Customs administrations and inclusion into MRAs with third countries.

1.4. How do AEOs Contribute to More Trade?

The benefits listed in the previous section can be considered as the building blocks of increased gains from trade for countries through adoption of the AEO programs. This section discusses the main channels -that emerged in the recent literature- through which these benefits translates in to economic gains overall.

Custom authorities are in charge of the security and safety of the country through regularizing the flow of goods, preventing smuggling, avoiding the loss of revenue and securing the supply chain. This is why such procedures, if they are not efficiently undertaken, can lead to substantially higher trade costs since they affect the whole supply chain in any country. Three main reasons explain why AEOs matter in bilateral trade.

First, the cost of administrative barriers to trade, with inefficient Customs, is particularly high due to complicated, lengthy and redundant procedures. Their cost accounts for 2% to 15% of the value of traded goods (OECD, 2002). Therefore, elimination of these costs would likely to affect both exports and imports in a positive manner.

Second, intra-industry trade and trade in intermediate goods have substantially increased in the last three decades. On the one hand, differentiated products need to be supplied more promptly since the diversity of tastes is sensitive to time. If products are released more quickly, demand should be satisfied more regularly. Thus, the transaction costs and the sellers' margin will be lower which in turn should increase their sales. On the other hand, as a result of an increasing reliance of domestic production on foreign inputs, growth in trade of intermediate inputs outpaced that of final goods. Since the production process critically depends on imported intermediate goods, they should be quickly delivered from Customs. The delivery of these types of trade needs to be quicker and more efficient.

Third, regional and global supply chains have become more interdependent. In fact, multinational firms (MNF) that multiply their production sites are in a dire need to quickly deliver their semi-final goods and intermediate inputs. This helps them use the "just-in-time" production techniques leading to: reduction in their stocks and benefiting from offshoring advantages. Improved trade facilitation would lead to more efficient production lines, rise in domestic production, higher exports and thereby greater benefits from economies of scale.

Shorter Time to Trade

This first channel through which AEO boosts exports and imports is shorter time to trade. The study by the Urcioli et al (2013) shows that AEO programs lead to a 29 percent reduction in transit time and 28 percent reduction in delivery time. Indeed, due to less lengthy procedures, Carballo et al. (2016) support that AEO certification was associated with an increase of between 1.8 and 2.8 percentage points in the growth rate of exports by certified firms in comparison with their noncertified counterparts between 2012 and 2014. They show that the effects seem to be stronger on the frequency of shipments and on consumer goods, industrial inputs, and capital goods. They explain this increase by the reduction in the frequency of physical inspections of certified firms' shipments. This is in line with the findings of Morini (2013) and Sa Porto et al. (2013) who argue that, in Brazil, adopting AEO standards prevents conflicting requirements and unnecessary inefficiencies leading to a lower time to trade and hence more exports. At the global level, Sa Porto et al. (2015) find that while the presence of an AEO program and the existence of a Single Window program will improve countries' trade

performance and reduce time to trade, the existence of a Mutual Recognition Arrangement is not necessarily associated with better trade performance. Finally, it is important to note that shorter time to trade exerts a positive effect on the delivery of goods, which improves customer's satisfaction. Indeed, Urcioli et al (2013) show that customer attrition decreases by 26 percent and the number of new customers increase by 20 percent as a result of AEO introduction.

Quality Signaling-Effect

The presence of an AEO certification is perceived as a "quality" mark that provides a signaling mechanism. Indeed, the latter indicates that the firm is reliable and compliant with respect to security and safety standards and hence can be treated as a "secure" trader (Tweddle, 2008). Moreover, this quality-signaling effect help countries diversify the number of their destinations as the presence of an AEO reduces the information barriers that have a particularly significant effect on trade with less familiar countries and fosters a positive reputation with Customs agencies of participating countries or regions.

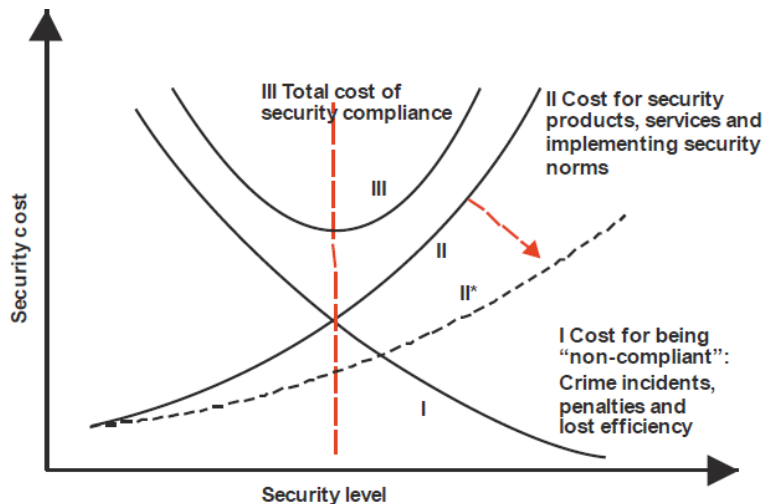
More Supply Chain Programs

AEO holders can coordinate shipments and manage their inventories more efficiently than non-AEO holders, which can help reduce costs especially with "just-in-time" production techniques. The survey conducted by the Cross-Border Research Association (CBRA), presented in Urcioli et al. (2013), proves that AEO programs help improve inventory management as there is a 14 percent reduction in excess inventory and 12 percent reported on-time delivery. Moreover, with improved supply chain visibility, access to supply chain data increases by 50 percent and the timeliness of shipping information increases by 30 percent.

Lower Insurance Premiums

Ahokas and Hintsa (2010) state that one of the benefits of belonging to an AEO program is to increase the supply chain security and hence boost exports. Although supply chain security investments are costly for companies and Customs Authorities, the AEO certificate aims at lowering business costs. Hence, as it is shown in Figure 1.1, companies have to balance costs and benefits of supply chain security. The minimum point of curve III implies the lowest cost for supply chain security compliance. If an AEO program is adopted, security cost is reduced and curve II shifts to the right pointing out a better and more cost-effective measure for improving supply chain security and thereby lower cost of security compliance. This leads to a higher level of security and more exports and imports. Firms reported that security improved and that there is a 38 percent reduction in theft and loss with AEO certification as presented in Urcioli et al. (2013).

Figure 1.1. AEO and Cost of Security Compliance



Source: Ahokas and Hintsa (2010).

1.5. Benefits of Mutual Recognition Agreements

MRA is a tool of realizing Customs-to-Customs pillar of the SAFE Framework of WCO. Aigner (2010) defines the objective of MRA as the recognition of the validation findings and AEO authorizations of one Customs by the other. With MRAs, both Customs Authorities agree to provide substantial, comparable and reciprocal benefits/facilitation to the mutually recognized AEOs. The key point of MRAs is the compatibility of the legislations as well as operational compatibility of both AEO programs.

The importance of MRAs is their role in the globalization of supply chain security and compliance standards. On the private sector side, companies that hold the AEO status of a country that is a part of an MRA will enjoy the same benefits by the other side of the MRA country. On the Customs side, administrations utilize the information from the partner country as an input to their own risk analysis, enabling more focused validations and other compliance benefits.

Benefits of MRAs to the Customs are summarized as follows:

- Closer cooperation with third country Customs administrations
- More information on supply chains and high risk consignments
- Better and more efficient use of scarce resources to high risk transactions

Benefits of the private sector are as follows:

- Reduced time and costs due to priority treatment in cross border inspections
- Competitiveness enhancement due to the increased predictability and precision in goods transactions from the company to the territory of the trading partner.
- Increased security of the bilateral supply chain due to reduced cargo theft
- Reciprocal or comparable compliance benefits

Aigner (2017) points out that many AEOs join the program with the expectation of more mutual recognition agreements of their Customs with major trading partners' Customs, achieving more benefits.

In case an AEO program with MRAs works as designed, export declarations/export controls are expected to serve as import declarations/inspections. However, so far the benefits are limited to reduced risk scores and reduced controls and priority treatment of AEOs.

1.6. SME Participation

One of the primary targets of the WCO SAFE Framework is to ensure the security of the entire supply chain. For this reason, the Framework, defines benefits, however narrow, for businesses that meet minimal supply chain security standards. This point naturally concerns SMEs.

SMEs comprise a vital part of the supply chain in any economy and provide employment to the masses. However, the position of SMEs in regards to AEO certification is indeed a special case. There exist different challenges and benefits for SMEs to get involved in AEO programs.¹

Challenges

One of the main challenges about SME participation in AEO programs is related to reaching and educating the SMEs. Without vibrant, tangible and evident benefits SMEs will have no incentive to make the essential commitments for AEO certification.

Secondly, AEO authorization is a costly endeavor in many countries. The cost side of security investments that are the prerequisites for certification may be disproportionate compared to the anticipated benefits. There are of course solutions to bypass this problem, at least partially. The requirement for personnel screening, for example, might be less costly for an SME with much fewer employees than a large firm.

It is evident that an SME with 3 employees have to comply with the same physical safety/security requirements in principle but this may not mean that the SME have to implement these requirements at the same level as a large multinational corporation. One example for this may be cargo security. While a large firm can ensure the safety by placing the cargo under permanent surveillance cameras, an SME can ensure safety by keeping the cargo in a locked area guarded by security personnel.

Thirdly, the benefits for AEO status for an SME that operates from a remote location from the process portion of a cargo movement may be more difficult to realize. However, a large mass of SMEs exist in the middle ground in a cargo movement, somewhere between the manufacturer and the consignee. An example of such an SME can be a foreign based freight consolidator.

Briefly, the main challenge for SMEs in AEO certification is that these firms focus their attention on the direct expenses of certification and not on the collateral benefits that are expected to accrue from such investments.

¹ WCO Website: Please see http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/facilitation/instruments-and-tools/tools/safe-package/safe_package_x.pdf

Benefits

One of the main benefits of participation in an AEO program for an SME is the status of AEO itself. The status comes with a reputation effect that changes the perception of potential customers about the AEO holder SME.

Compared to larger firms, some of the benefits that seem to be more concrete for SME traders with AEO are as follows:

- Enhanced oversight of the transportation process and activities
- Reduced opaqueness in organizational roles and responsibilities
- Improved human resources practices such as employee hiring and laying off practices
- Better intra-firm security practices
- Enhanced accuracy in transportation information and accounting practices

2. GLOBAL TRENDS AND PRACTICE

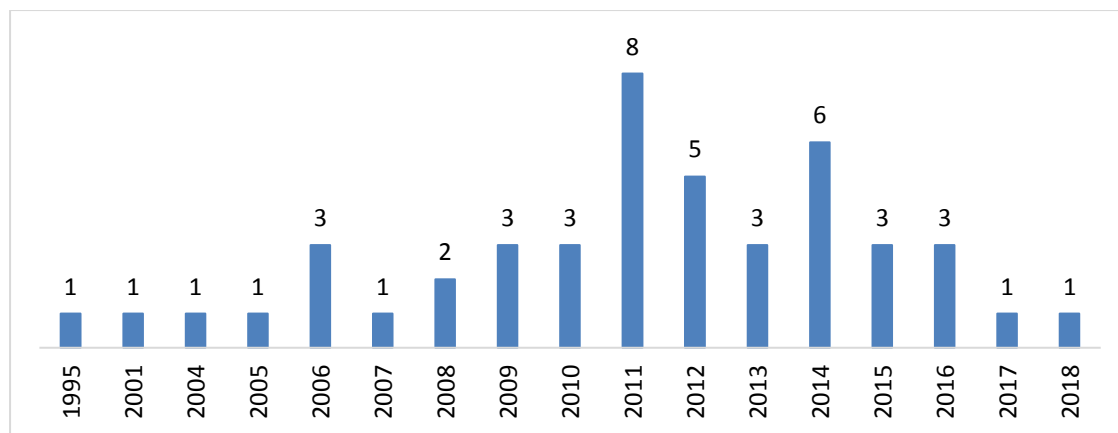
This chapter will first present a general overview of AEOs across the globe and focus on three case studies from different regions (the European Union, Canada and Japan) in order to withdraw the most important recommendations for a successful AEO program.

2.1 Global Trends

The updated edition of the WCO (2018) identifies 46 operational AEO programs, 17 AEO programs under development, 57 MRAs in effect concluded and 35 MRAs and 4 plurilateral MRAs being negotiated. Furthermore, there exist 31 operational CCP and 2 CCPs to be launched. Figure 2.1 shows the development of AEO programs over the years.

The first country implementing an AEO was Canada in 1995. This program was called “Partners in Protection (PIP)/Customs Self-Assessment (CSA)” and it includes 1,838 operators (importers, exporters, carriers {rail, sea, air and highway}, Customs brokers, couriers, warehouse operators, freight forwarders, shipping agents) as reported in WCO (2018). The second AEO was the one initiated by the US in 2001 with 11,605 operators as of 2018. Yet, starting 2011, the number of AEO programs surged: 8 countries in 2011, 5 in 2012 and 6 in 2014 to reach a total of 46 countries having an operational AEO program.

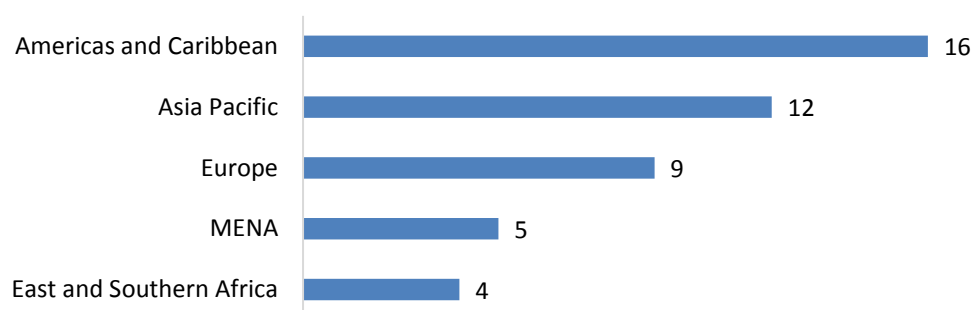
Figure 2.1. Number of AEO Programs (by year)



Source: Constructed by the authors using WCO (2018).

At the geographical level, as it is shown in Figure 2.2, the Americas and Caribbean have the largest number of countries with an AEO program (Argentina, Bolivia, Brazil, Canada, Colombia, Costa Rica, Dominican Republic, Ecuador, Guatemala, Jamaica, Mexico, Panama, Paraguay, Peru, Uruguay, USA) followed by Asia (Australia, China, Hong Kong-China, Israel, India, Indonesia, Japan, Korea, Malaysia, New Zealand, Singapore, Thailand, Vietnam), Europe (Azerbaijan, EU (28 countries), Norway, Switzerland, Turkey, Macedonia, Moldova, Serbia), Middle-East and North Africa (Jordan, Egypt, Tunisia, Morocco and Saudi-Arabia) and East and Southern Africa (Kenya, Uganda, Burundi, Mauritius).

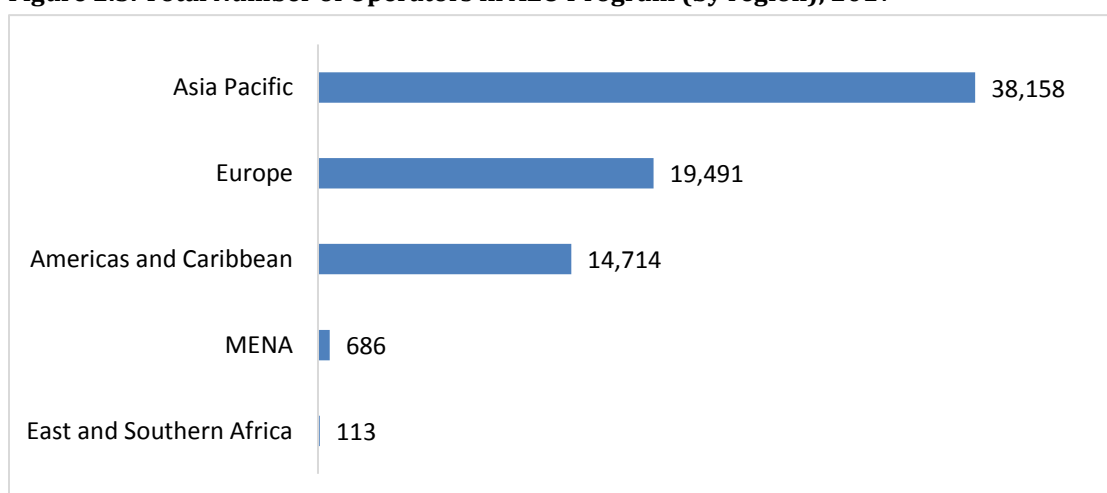
Figure 2.2. Number of Countries with an Implemented AEO Program (by region), 2017



Source: Constructed by the authors using WCO (2018).

It is important to note that, in order to qualify as an AEO, it is necessary that the company or the operator meets the criteria specified by the Customs of the country in question, including having appropriate records of compliance with Customs requirements and a satisfactory management system of commercial records. By observing the total number of operators by region, Figure 2.3 shows that Asia and Pacific have the highest number of operators (94 percent of the operators are in China (35,778) followed by Japan (664) and India (432)). In Europe, the EU-28 have 19,001 operators followed by Moldova (140) and Switzerland (111). In the Americas, as it was mentioned before, 96.5 percent of operators are located in NAFTA countries (with the USA, 11,605 operators, Canada 1,838 and Mexico 757). In the MENA region, while Morocco has 439 operators, Egypt has 124. East and Southern Africa are still under-represented in AEO programs with a total of 4 countries and 113 operators.

Figure 2.3. Total Number of Operators in AEO Program (by region), 2017



Source: Constructed by the authors using the World Customs Organization dataset.

Regional AEO Program:

Developing countries with a lower trade volume may face difficulties to achieve the security of Customs as well as providing sufficient trade facilitation to the private sector. With the limited resources, the initial capacity building and governance in such countries, it would be hard to initiate an AEO program. Regional Authorized Economic Operator (AEO) program would be a good opportunity for these countries to initiate AEO programs and to fulfill security and trade facilitation goals.

The successful regional AEO programs should be composed of countries that have trade volumes more than a certain threshold, similar governance structure, cooperation background, and physical proximity. The initial stage for the countries to develop a regional AEO program is to take a formal decision. Secondly a working group should develop a common legislation supported by the national legislations of the participant countries. Capacity building both at the regional level and the national level in a harmonized framework is key for regional AEO to work properly. Running a pilot phase before implementation would provide insights to the participant Customs to diagnose the areas that need improvement.

The benefits of involving in a regional AEO program for small economies would be itemized as follows:

- (i) In small economies, the basic problem of AEO programs is that the companies do not get sufficient benefits preventing them to join AEO programs. With regional AEO, companies in a small economy will get more benefits than they get from a national AEO, which would incentivize them to join the regional AEO programs.
- (ii) The prerequisites of design and implementation of AEO programs to Customs are capacity building both in human capital such as training and employment of qualified staff and infrastructure of the Customs operations such as developing the IT capacity and improvement and adoption of the related legal framework. In this respect, it may not be affordable for small economies to design an AEO program. However, involvement in a regional cooperation would decrease costs of an AEO program. Moreover, regional AEO programs would boost export and import in the region due to the trade facilitation provided by the AEO program as well as the increased cooperation and alignment of the infrastructure and legal environment among the participant countries.
- (iii) Mutual recognition agreements are the complements of the AEO programs in two perspectives: (a) enabling the companies to benefit from trade facilitation provided by the partner countries in addition to national benefits of holding AEO status, (b) utilizing the resources at the national Customs in risky transactions from the partner countries due to the decreasing controls of the partners' AEO companies. However, it is not easy for a small economy to sign MRA with its trade partners as it is costly to harmonize two AEO programs for signing MRA. Therefore, countries usually prefer to spend its effort of signing MRA with countries that it has significant trade volume. Demand for signing an MRA with a Regional AEO is significantly higher compared to the individual country within the regional AEO.

Box 2.1. EAC Regional AEO Program

Countries: Burundi, Kenya, Rwanda, Tanzania, South Sudan and Uganda.

Initiative: WCO-EAC CREATE Project, in two phases. ***Phase 1 (2008-2013)***: decision of regional AEO was taken; national diagnostics were carried out; Focus-Compliance Program was initiated and pilot phase with 13 companies was started. ***Phase 2 (2014-2018)***: regional program was updated, formalized and aligned with SAFE; capacity building work was carried out; IT connectivity was enhanced.

Benefits:

- Declarations pass automatically.
- Except random or risk-based controls, goods are not examined physically.
- Payment of refund claims is expedited.
- Security at the Customs is reduced.
- Companies are given priority in Customs initiatives.
- Customs license renewal is guaranteed.
- Cargo is cleared with priority.
- Movement bond requirements are waived.
- Bonded warehouses are self-managed.

Achievements:

- In the region, manuals developed and adopted.
- Regional AEO Working Group and National AEO Consultative Group became operational.
- Sensitization of 600 officers at ports regarding regional AEO.
- Logo and website of Regional AEO Program was designed.
- National plans to upgrade AEO started to be implemented.
- Material on Regional AEO Validation training was prepared.
- Regional Risk Management Strategy was established.

Challenges:

- Security audit
- Revenue seeking officials at the border
- Uniformity regarding benefits at the region
- IT connectivity at the regional level
- Uniformity at the level of readiness of the member states

Lessons Learned:

The initiatives that make regional AEO to work successfully are

- Common legislation
- Regional steering group
- Pilot Phase
- National AEO diagnostics
- Building AEO Validation skills
- Robust governance

Source: Chopra and Ojok (2018)

The EU is the first regional AEO program which will be discussed in detail in Section 2.2.3.

The East African Community composed of Burundi, Kenya, Rwanda, Tanzania, Uganda (member of COMCEC) and South Sudan has developed a regional AEO program with the support of the WCO. Under this scheme, regional AEOs will be mutually recognized in all Partner States and receive uniform benefits. The latter have been estimated to reach 100 to 400 US dollars per consignment. With more than 10,000 consignments, companies saved between 1 and 4 million US dollars per month. Moreover, it is important to note that 46 companies that are part of this program account for 5.6 percent of the transactions in the EAC region (1 billion USD per month) and thanks to harmonized policies, they did not experience any contentious procedures (Chopra and Ojok, 2018). Box 2.1 presents detailed information on EAC regional AEO program.

2.2 Three Best International Practices

2.2.1 Rationale behind Case Choices

In the section to follow, three cases for best international practices in the area of AEOs are presented and discussed. These are: Japan, Canada and the EU. These countries are chosen for several reasons. First of all, these countries are important in terms of many economic indicators, such as GDP, and above all, their share of trade. The EU is the first largest trading block, with 32.5 percent of international exports and imports. As for Canada, it represents 2.4 percent of the world's exports, while Japan's share is 3.8 percent. Second, these countries are among the pioneers in applying AEO programs.

Japanese case is worth to be investigated for two main reasons. First, its gradualism in implementation was remarkable. Such gradualism made the AEOs feasible instead of embarking on a broad and inefficient program. Second, it contributed significantly to the decrease in time to trade, as it will be discussed in the next Section.

Canada has been the first country that implemented an AEO program and since then has allocated huge amount of resources for a successful application of its AEO program with the objective of eventually achieving a Mutual Recognition Arrangement with the United States in the post 2001 era. This has been eventually and successfully achieved in 2008. The Canadian case is therefore not only an example of a successful AEO program, but also a case where such program has been part of a broader trade policy and a tool to achieve MRA with one of the largest economic powers at the international level.

The EU AEO program provides a successful example of harmonization of trade related measures and application of the AEO program by the Customs administrations amongst its 28 Member States. The EU case provides a role model and a best practice example for countries wishing to deepen their integration, not only by harmonizing their standards, but also by applying a uniform procedure to authorize economic operators, leading hereby to enhanced and more efficient, but also safer, trade flows.

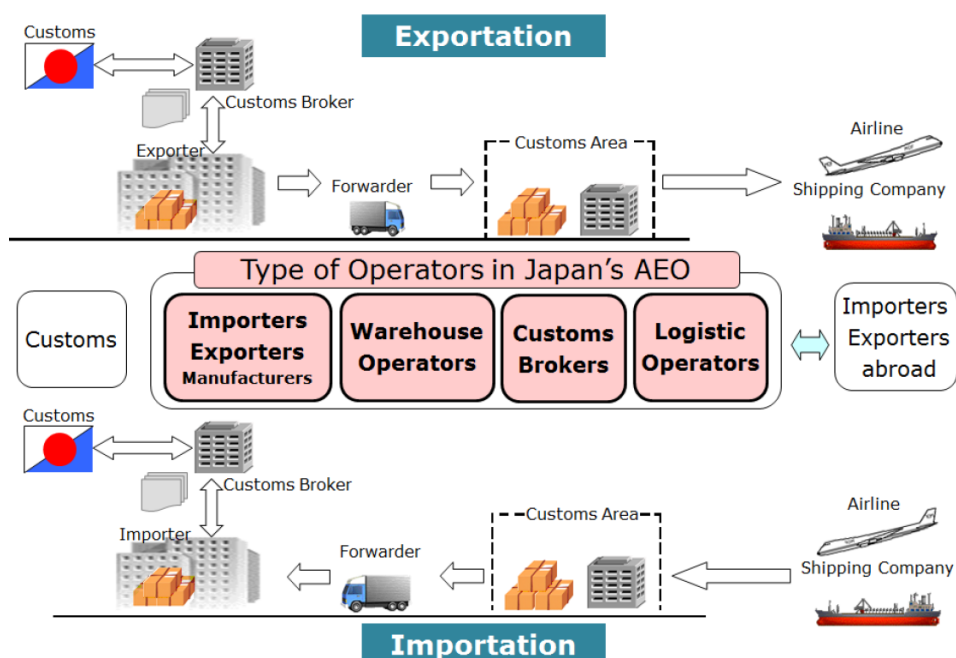
In addition to the reasons mentioned above, the AEO program of the three case studies has proven to be efficient in facilitating trade by significantly reducing time to release goods through Customs, in addition to several other red-tape costs related to trade and increased performance overall.

2.2.2 The Japanese Case

Evolution of the AEO Program

In 2006, the Japanese Customs has initiated an AEO program in line with the “SAFE Framework” of WCO, which was developed in close cooperation with the business sector, with the goals of ensuring security and facilitating trade in an inclusive way. The mechanism of AEO programs in both exports and imports is represented in Figure 2.4 that describes how different operators (manufacturers, warehouse operators, custom brokers and logistic operators) intervene between the national Customs and importers and exporters abroad. The main operators are importers, exporters, warehouse operators, Customs brokers, logistics operators and manufacturers as it is shown in Figure 2.5.

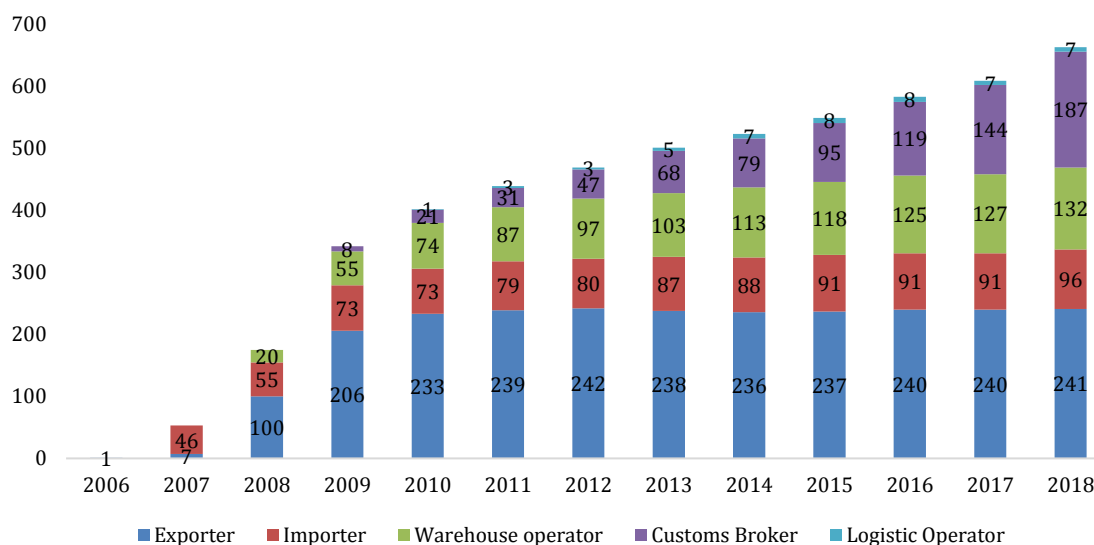
Figure 2.4. Types of Operators for Exports and Imports in Japan



Source: Customs and Tariff Bureau and Ministry of Finance (2018).

Two remarks are worth to be mentioned. First, most of the operators are either exporters or Customs brokers. Indeed, in 2018, 36 percent of the operators are exporters, 14 percent importers, 20 percent warehouse operator, 28 percent Customs brokers and 1 percent logistic operator. Second, the expansion in the number of operators was relatively gradual, a new type of operator was added each year, pointing out a rather vigilant increase to guarantee an efficient implementation of the AEO program.

Figure 2.5. Transition in the Number of AEOs in Japan²



Source: Constructed by the authors using the Japanese AEOs website.

Application, Verification and the Authorization Process

The AEO criteria used in Japan are in line with the SAFE framework. This includes four main elements:

- “Appropriate compliance records”: this incorporates proper records of Customs and trade related compliance without any violation against Customs Act.
- “Capability to use e-system for Customs procedures”: especially the “Nippon Automated Cargo and Port Consolidated System (NACCS)”.
- “Capability to conduct related operation properly”: this criterion refers to the ability to securely control cargoes and implement Customs procedures properly, such as financial integrity.
- “Establishment of a Compliance Program (CP)”: all operators should establish this program and be able to maintain its operation with enforced and transparent security standards.

CP must include:

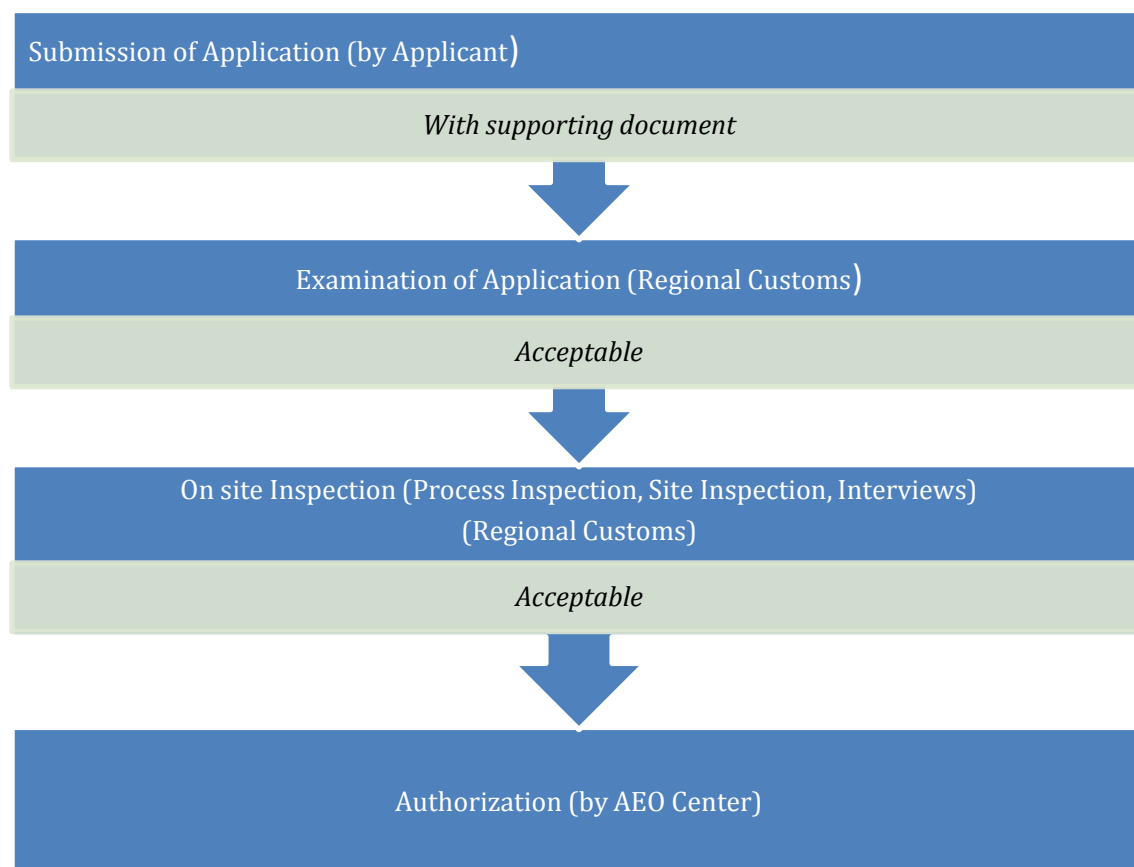
- an organizational setup (guaranteeing the proper operation of the CP),
- contracting parties requirements (ensuring the proper operation of business partners)
- cargo/conveyance/premises/personnel security (ensuring the proper tracking of cargoes and routes and using locking devices, fencing and lighting, setup of video surveillance cameras, periodic patrolling and introducing employee identification procedures)

² The number of operators in the Japanese AEOs web site is not compatible with WCO (2018).

- (iv) due Customs procedures (including and updating description, mark, tariff classification, tariff rates, applicability of trade control laws and regulations)
- (v) consultation/cooperation/communication with Customs (by reporting any accident or misconduct while implementing the CP)
- (vi) crisis management (by establishing a framework to handle emergency cases and to enforce preventive measures)
- (vii) education/training (for staff in a continuous and sustainable way)
- (viii) internal audit (that ensures the proper functioning and implementation of the CP)

As per the application process, it is done with the Director-General of Regional Customs in five steps as is shown in Figure 2.6. The first step includes a prior consultation with Customs. While this step is not obligatory, it helps applicants complete and fulfill the requirements of becoming an AEO.

Figure 2.6. Steps of Authorization process to become an AEO



Source: Customs and Tariff Bureau and Ministry of Finance (2018).

Once the application is ready, the second step starts when the applicant submits its application with all the supporting documents (namely compliance program as it was presented above, self-check sheet, corporate registration certificate and all other relevant documents).

Third, the application is examined in order to check whether the applicant satisfies all the criteria required. If it is accepted, the Customs Authorities head to an on-site inspection to confirm the security measures (locking devices, facilities, cargo segregation, lighting, access control, automation and all other components of the aforementioned compliance program).

Finally, the applicant is approved to become an AEO by the Director-General of Regional Customs. Along with the annual internal audit, the AEO is subject to a post-authorization audit by Customs where the latter conducts on-site interviews, reviews the internal audit and checks all the facilities. If a problem is identified, the Customs Authorities give an “Administrative order for improvements”. When not implemented, the status of AEO is revoked.

After presenting the whole process of authorization, two steps do matter in the implementation of the AEO. First, the prior consultation with Customs is crucial as it helps potential AEOs fulfill the requirements and comply with various criteria determined by the Japanese Customs. This makes the procedure much quicker as, on average, this process takes up to 6 months in different countries, while it takes only 1-2 months due to voluntary consultation and preparation prior to application. Second, the audit process is crucial in maintaining the quality of AEOs in terms of infrastructure, compliance and facilities.

Benefits of the AEO Program

According to the Japanese Customs, benefits depend on the type of the operator. However, the benefits can generally be summarized into two main categories: increased reputation as a compliant and security-oriented company, and a preferential treatment within Customs. Furthermore, the following are the benefits for different types of AEOs:

- *For AEO importers and AEO exporters:* Their benefits are mostly compliance-related reduced examinations and inspections. Additionally, while AEO importers are granted a “pre-arrival lodgment of import declaration and permission”, “release of cargo before duty/tax payment declaration” and “periodical lodgment of duty/tax payment declaration”, AEO exporters benefit from a waiver in the obligation to deposit cargo into the Customs area before export permission.
- *For AEO warehouse operators:* They have the ability to launch additional new bonded warehouses by just informing it to Customs compared to non-AEO warehouse operators that must obtain a permission to do so. Furthermore, Customs conducts compliance-related reduced audits of warehouses, making the task easier and quicker. Finally, AEO warehouse operators do not pay the monthly fee for keeping Customs warehouses.
- *For the AEO logistics operators:* The procedures for Customs transit are more simplified for forwarders, shipping companies, airlines and transportation companies. For instance, for every Customs transit, AEO carriers and forwarders are not obliged to get permission leading to less uncertainty and more effectiveness in dealing with transit time.
- *For AEO Customs brokers:* Goods are released before duty/tax payment declaration and duty/tax payment in case a non-AEO importer delegates its import clearance to an AEO Customs broker. Similarly, if a non-AEO exporter delegates its export clearance to an AEO

Customs broker and an AEO logistics operator transports goods to the Customs area, they have the right to submit an export declaration and hence they are given export permission without placing goods into the Customs area. This helps non-AEO exporters and importers benefit from the preferential treatment and increases their incentive to become AEOs.

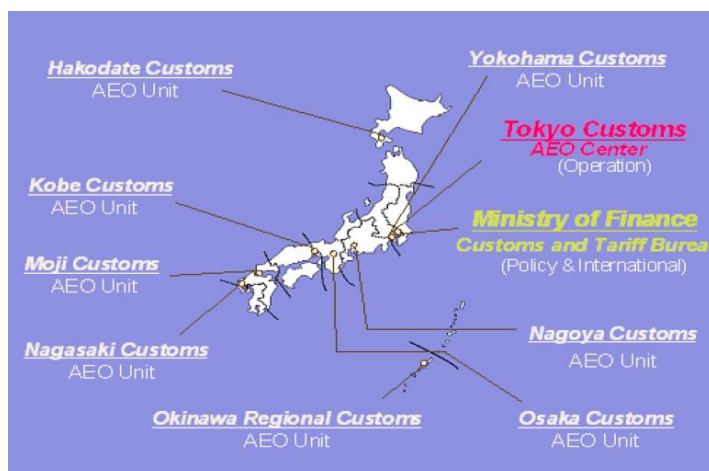
- *For AEO manufacturers:* if a non-AEO exporter lodges an import declaration for cargo manufactured by AEO manufactures, they are granted the ability to file an export declaration and therefore they are given export permission without placing goods into Customs area.
- Finally, it is important to note also that while AEOs are eligible to lodge import/export declaration to any Customs offices, other non-AEOs have to lodge import/export declaration in the Customs office where the goods are stored.

Implementation of the AEO Program

At the legal level, four acts determine the legal structure of the AEO program in Japan:

- *Customs Act:* specifies facilitations provided to an AEO, requirement (eligibility) to be an AEO, issuance of administrative order for improvement to an AEO, and revocation of the status as an AEO.
- *Cabinet Order:* determines procedures for Customs clearance with benefits and application procedures for authorization.
- *Ministerial Ordinance:* specifies the details to be set forth in the compliance program.
- *Order of the Director-General of the Customs and Tariff Bureau, Ministry of Finance:* encompasses Customs clearance procedures, characteristics of compliance program, and guidelines for reviewing the application at Customs.

Figure 2.7. Regional Customs Headquarters in Japan



Source: Customs and Tariff Bureau and Ministry of Finance (2018).

At the implementation level, the governmental body responsible for the AEO program is the Customs and Tariff Bureau affiliated to the Japanese Ministry of Finance. The latter also develops internal guidelines for the proper implementation of AEO program. As it is shown in

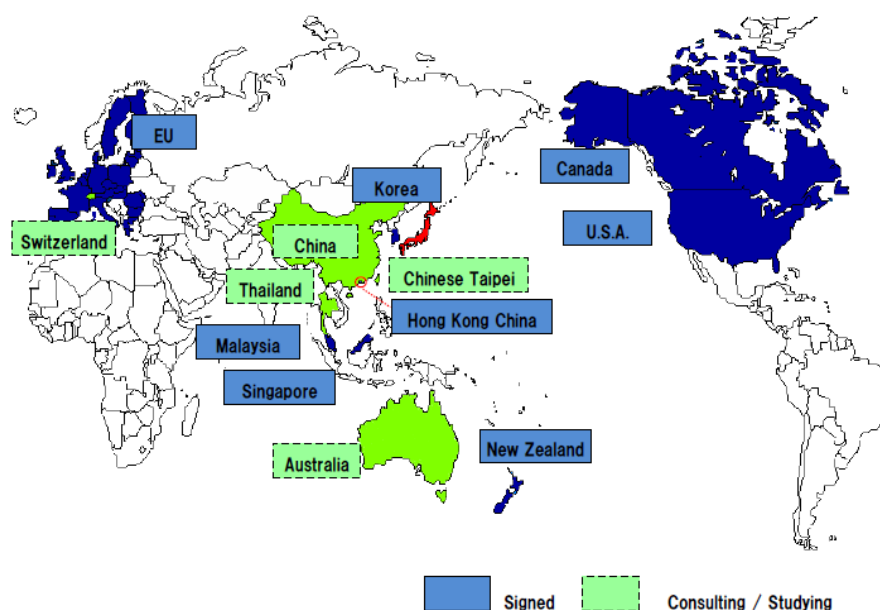
Figure 2.7, there are 9 Regional Customs Headquarters (Hakodate, Kobe, Moji, Nagasaki, Nagoya, Yokohama, Osaka, Okinawa and Tokyo) that have the ability to process and examine applications and provide authorizations to applicants. Furthermore, Tokyo Customs are in charge of overseeing the operation of the aforementioned regional offices to guarantee that the AEO program is implemented in a consistent and harmonized way.

This scheme has three main advantages: first, it guarantees a wide coverage and an efficient way to handle different applications since there are several offices across the country. Indeed, Japan is one of the rarest countries where applications can be handled by regional offices not by a centralized office. Second, Tokyo Customs ensures that the multitude of offices does not alter the consistency of the whole program. Third, in order to make the whole process easier and simpler in implementation, the Japanese Customs implemented a training program for newly assigned AEO officers. These courses cover AEO policy, legal frameworks, and other necessary procedures (authorization, validation, and audit). Moreover, at the regional level, Japan's Customs Authorities provide on-the-job training to make sure the AEO program is uniformly implemented.

Mutual Recognition Agreements

The government of Japan deployed several efforts to develop partnerships with different AEO programs across the world to have mutual preferential treatment, simplified Customs procedures and quicker time to trade for economic operators complying with the supply chain security standards. This is of particular importance as the perception of the Japanese government is that the mutual recognition of AEO programs could maximize the benefits of compliant stakeholders by exchanging relevant information.

Figure 2.8. Partners Having a Mutual Recognition Agreement



Source: Customs and Tariff Bureau and Ministry of Finance (2018).

Therefore, the MRAs that Japan Customs has signed are as follows (see Figure 2.8 in blue):

- New Zealand (May 2008),
- USA (June 2009),
- EU and Canada (June 2010),
- Korea (May 2011),
- Singapore (June 2011),
- Malaysia (June 2014)
- Hong Kong China (August 2016)

Moreover, the Japanese Customs is undertaking numerous consulting studies with China, Chinese Taipei, Switzerland, Thailand and Australia (see Figure 2.8 in green) in order to sign an MRA. Two elements are indispensable for a mutual recognition agreement which are: a well-established IT system for Customs procedures and a well-functioning channel to exchange information.

2.2.3 The Canadian Case

Evolution of the AEO program

Canada's AEO program, the Partners in Protection (PIP), is defined by the Canada Border Services Agency (CBSA) as a "cooperative program between private industry and CBSA aimed at enhancing border and trade chain security". This program was launched in 1995 as a voluntary program with no membership fee and encompasses, according to WCO (2018), 1,838 operators varying between importers, exporters, carriers (rail, sea, air, highway), Customs brokers, couriers, warehouse operators, freight forwarders, shipping agents. The main objective of the program is to streamline and increase efficiency of border processes for its recognized operators.

Initially, PIP focused on preventing smuggling and enhancing compliance with regulations among the program's participants. After the events of September 11th, 2001, PIP was modified to include additional measures against terrorism. In 2007, decision was made to invest 11.6 million CAD (10.8 million USD) in modifying security criteria to be more like the US C-TPAT and to provide benefits to companies in order to facilitate trade. The last upgrade was achieved in 2008 for the program to be fully compatible with the WCO's SAFE Framework and to conclude an eventual MRA with the US.

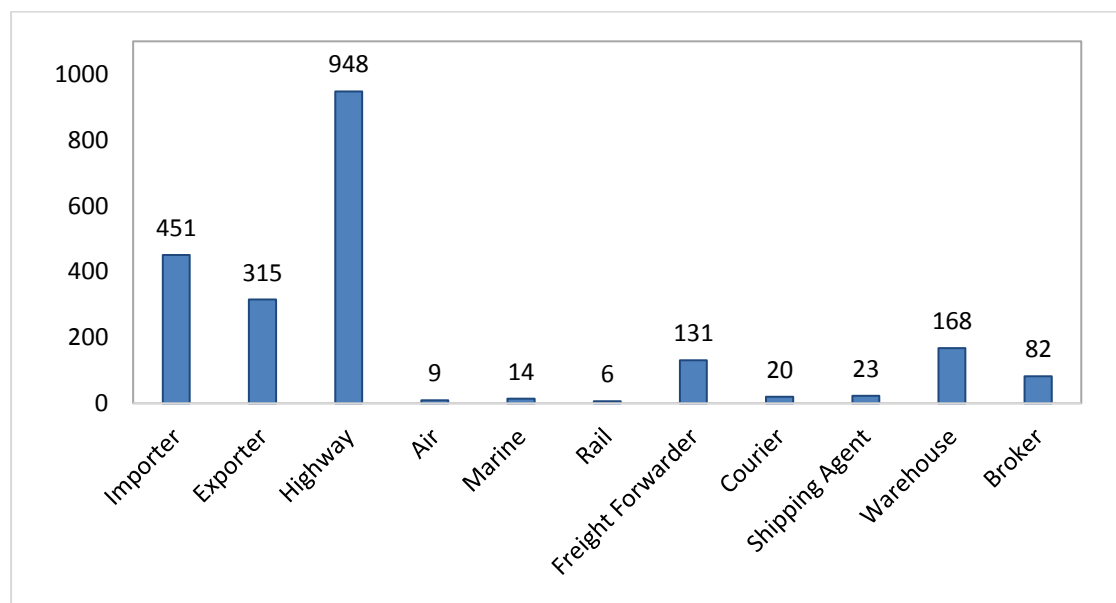
The target group of the PIP program is the private sector involved in the international movement of goods. Sectors included are agriculture, forestry and fishing, manufacturing, wholesale and retail trade, transportation and storage.

To join the PIP program, applicants must satisfy one of the following criteria:

- Be directly involved in cross-border trade as: importers, exporters, carriers (highway, marine, air, or rail), courier, Customs brokers, freight forwarders, shipping agents, or warehouse operators,
- Own or operate facilities in Canada related to the import or export of commercial goods,
- Be a US highway carrier company that is a member of, or is applying for membership with, FAST Canada.

As illustrated in Figure 2.9, the PIP program included 1,532 members in 2014, where according to the CBSA statistics in 2018, the total number of operators has reached 1,555. In both years, the majority of members are involved in highway transportation (more than 60 percent of total PIP holders), followed by importer and exporter firms. It is worth noting that the number of PIP certified importers, warehouse operators, freight forwarders and rail carriers has decreased between 2014 and 2018, which could be due to non-compliance and failure to obtain revalidation.

Figure 2.9. PIP Participants by Sector (2014)



Source: CBSA (2014)

Application, Verification and the Authorization Process

The procedure of obtaining a PIP authorization is composed of the following steps:

- i. Companies wishing to obtain the PIP authorization are required to complete an online application at the CBSA Trusted Trader Portal. This includes a Security Profile (the program's application form) in which operators provide detailed information on physical security and access controls; procedural security; conveyance, cargo, and equipment (container, trailer and rail car) security; data and document security; personnel security; security training and awareness; and business partner security. The objective is to prove compliance with the program's requirements. Any new information is also submitted online through the Portal. Timely updates on the application progress are also provided by the Portal.
- ii. CBSA examines the applicant's security profile thoroughly and performs a risk assessment including possible Customs infringements by the operator, their history of compliance, criminality and financial stability.
- iii. A CBSA officer performs an onsite validation of the company to confirm that the operator meets PIP's security requirements. Some recommendations on necessary improvements may also be provided.

- iv. A final review at CBSA headquarters is performed before approval or denial of application is submitted and an official decision letter is sent.
- v. At last, the company is invited to sign the Terms and Conditions of PIP Membership, which include conditions maintaining PIP's minimum security criteria and providing any updates to their information in a timely manner.

Revalidation and Monitoring

Approved PIP members are revalidated at least once every 4 years, in which an updated security profile, risk assessment, and on-site validation are performed. PIP members are also subject to routine monitoring and ad-hoc site visits to ensure compliance. Non-compliance with PIP program requirements is addressed through action plans, corrective actions and verification of the corrective actions prior to re-certification. If the action plan is not resolved within a set period of time, a time extension, suspension, or cancellation of the member from the program may be considered.

Benefits of the AEO Program

Members of PIP enjoy a better communication with the CSBA and a large scope of benefits to which they are entitled as AEOs. These include:

- Greater security for the PIP companies, increased knowledge about Customs regulations and an overall better relation with the Customs Authorities.
- Shorter time for shipment clearance, increased predictability, lower storage and transit time and cost as well as increased benefits to traders due to trade facilitation.
- Lower rate of physical examinations.
- Better access to the authorities via a single contact in Customs.
- Fast lanes at certain ports.
- Enhanced industry marketability as an accredited low-risk company.
- Recognition by international Customs administrations and inclusion into MRAs with third countries.

Organizational Structure of the Customs for the AEO Program

Effective April 1st, 2010, the *CBSA Pre-Border Programs Directorate of the Programs Branch* is the authority in charge for the PIP program. More precisely, the "Directorate's Trusted Traders Programs Division" manages the PIP. The Division is divided into six units, three of which are involved in the program:

- "The National Trusted Traders Unit" is the principle point of contact for the regions and is in charge of carrying out risk assessments for all trusted traders' programs, including PIP.
- "The International and Bilateral Trusted Traders Unit" is in charge of developing the program's strategy and policies. It also promotes for PIP and is responsible for relations with third countries and eventual MRAs.
- "The Program Support and Monitoring Trusted Traders Unit" is responsible for developing and monitoring service standards and performance indicators for all Trusted Traders programs.

Application, onsite validation, authorization, revalidation (revocation) are administered by field or regional offices, whereas the headquarters is involved in authorization, revalidation and revocation, as well as coordination of AEO benefits with other government agencies.

Mutual Recognition Arrangements

MRAs aim at increasing end-to-end supply chain security and expand the international trade network of PIP members. To achieve these objectives, CBSA has signed MRAs with its main trade partners, including the United States (June 2008), Japan, the Republic of Korea and Singapore (June 2010), Mexico (May 2016), Israel (July 2017), and Australia (July 2017). There are also ongoing MRA negotiations with China, the EU and Hong-Kong.

2.2.4 The European-Union Case

Evolution of the AEO Program

Prior to the inclusion of the AEO concept into the EU Customs legislation, many simplifications were already in use for existing economic operators. The EU's AEO program was launched on January 1st, 2008 as a voluntary program providing security amendments under the Community Custom Code ((Regulation (EC) 648/2005)) and its implementing provisions. The program aims at improving international supply chain security and facilitating legitimate trade, and therefore covers all operators in the supply chain. The launch of this program is a response to the introduction of the US C-TPAT and the development of the SAFE framework of standards in the WCO. New AEO guidelines entered into force on May 1st, 2016.

The new Union Customs Code (UCC) aims –among other objectives- at the rationalization of Customs procedures, enhancing safety and security of data and goods flow and providing more trade facilitation for authorized economic operators. In this context, the UCC provides a “paperless” framework and enhanced risk management. The initial transition to fully electronic Customs was to end on December 31st, 2020. However, a new deadline has been set at 2025 for a small number of procedures. Meanwhile, AEO eligibility and validation criteria were raised. Reform did not prevent the increase of authorizations, where the total number of AEOs reached 15,576 operators in 2016. According to the most recent data presented by the “European Commission’s Taxation and Customs Union” at the WCO global conference in March 2018, there are currently a total of 19,001 operators who enjoy the status of an AEO, compared to only 515 in the first year of program implementation.

Applicants to the program include anyone involved in the international supply chain that carries out Customs related activities in the EU: Manufacturers, exporters, freight forwarders, warehouse keepers, Customs agents, carriers, importers, port operators and loaders. Once the AEO status is granted to an operator by one Member State, it is automatically recognized by the Customs Authorities in all other Member States (Article 38 (4) UCC).

The EU introduced safety and security authorizations (AEOS), Customs simplifications (AEOC), and a combination of both (full or AEOF). As a result, three types of authorizations are available:

- Security and safety (AEOS): AEOS members enjoy a reduction in security controls in entry and exit measures. In 2018, there are 646 AEOS (4 percent of total AEO) in the EU.

- Customs simplifications (AEOC): AEOC members benefit from easier admittance to simplifications under the Customs legislation. In 2018, there are 7,027 AEOC (44.5 percent of total AEO) in the EU.
- A full authorization AEOF: full authorization a full scale of benefits from AEOC and AEOS. In 2018, there are 8,111 AEOF members (51.5 percent of total AEO) in the EU.³

Application, Verification and the Authorization Process

Application Criteria

On the basis of Article 39 of the Union Customs Code, the AEO status can be granted to any economic operator if a number of criteria are met. Table 2.1 illustrates these criteria while pointing out the differences between conditions for AEOC and AEOS.

Table 2.1. Conditions and Criteria for AEO in the EU

Criteria	AEOC	AEOS	Reference in UCC	Guidelines Part
Establishment in the Customs Territory of the Union	X	X	Art. 5(31)UCC	1.II.2
Compliance	X	X	Art. 39 a)UCC Art.24 UCCIA	2.I
Appropriate Record Keeping	X	X	Art. 39 b)UCC Art. 25 UCCIA	2.II
Financial Solvency	X	X	Art. 39c) UCC Art. 26 UCCIA	2.III
Practical Standards of Competence and Professional Qualification	X		Art. 39d)UCC Art. 27 UCCIA	2.IV
Security and Safety		X	Art. 39e)UCC Art. 28 UCCIA	2.V

Source: European Commission (2016)

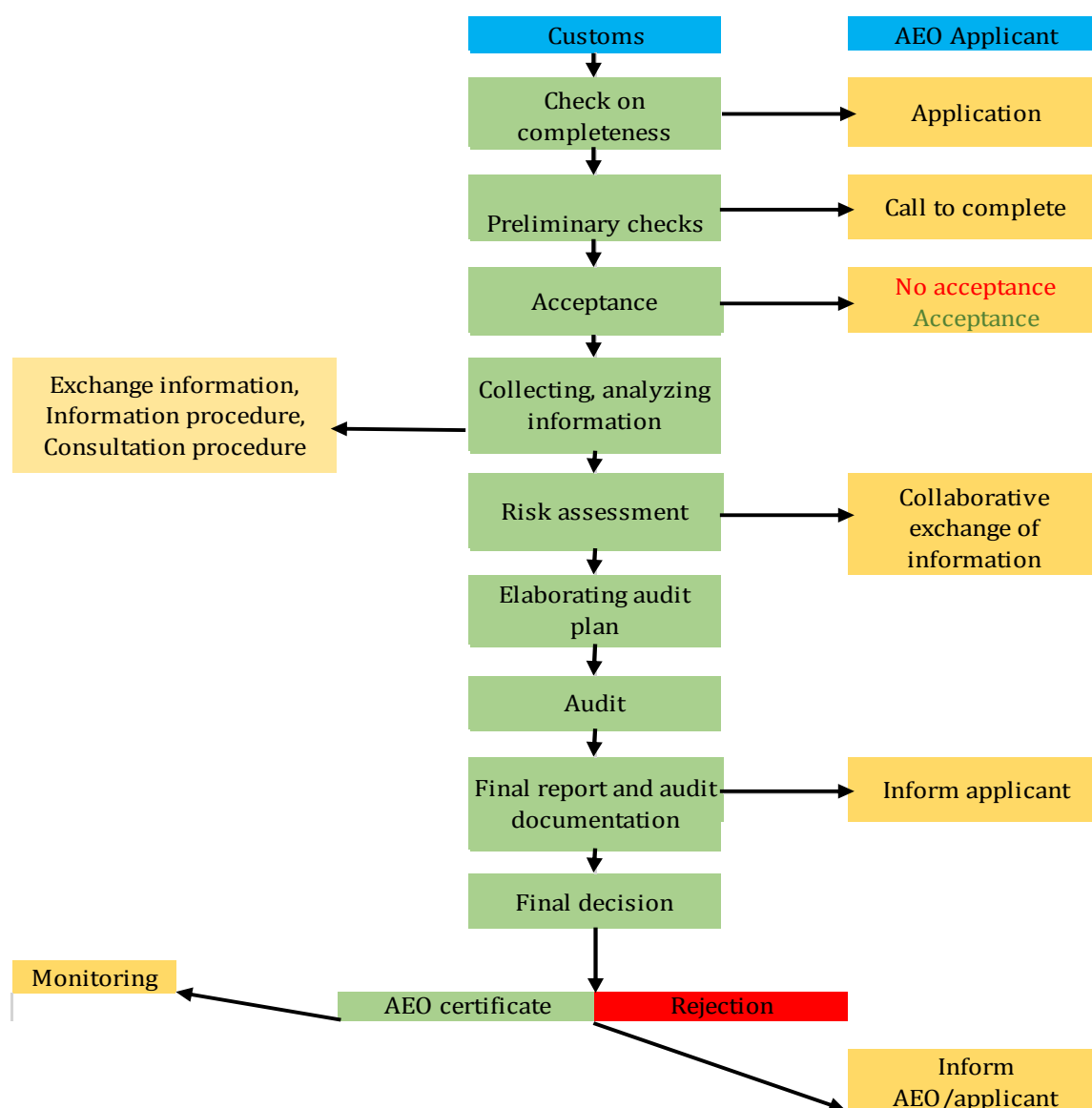
Application and Verification Procedure

Figure 2.10 summarizes the application process and it is composed of the following steps:

- Economic operators who wish to apply for the AEO status are required to submit the application to their AEO section/competent Customs Authority of an EU Member State. The application is accompanied by a questionnaire for self-assessment providing the authorities with as much information about the applicant as possible. By completing the questionnaire, a trader can determine the risks and can try to remove or reduce them.
- The competent AEO Section carries out various checks before the application is formally accepted.

³ Source: Taxation and Customs Union online database, last update: 12-06-2018. To our knowledge, data on the type of operator (position in supply chain) are publicly unavailable. Statistics on the yearly evolution of the number or AEOs is also publicly unavailable.

Figure 2.10. AEO Application Process



Source: Author's own design using European Commission (2012)

- The maximum delay before issuing an AEO certificate is 90 calendar days as from the reception of the application. Upon acceptance, the competent Customs Authority informs all EU Member States of the accepted application by uploading the application in the central EU AEO system within 5 days.
- Other Member States can consult the database within 35 working days to inform AEO Section of any comments they may wish to make in relation to individual applications.
- The competent AEO authority refers accepted applications to a control officer in the relevant region or Large Cases Division to evaluate the entitlement of the economic

operator to AEO status. The control officer should inform AEO Section of any specific risks or controls which have been identified and which may need to be monitored on an ongoing basis.

- Once the evaluation has been completed, the control officer will provide AEO Section with a report on the economic operator, which contains a recommendation as to whether AEO status should be granted.
- Based on the recommendation from the control officer, AEO Section will issue an AEO authorization to the economic operator. The authorization takes effect on the 5th working day after its issue.

Monitoring Re-assessment and Suspension of Authorization

Once an economic operator is authorized, the control officer monitors the compliance of the AEO with the conditions referred to in the relevant authorization, and eventually re-assesses the operator.

The AEO Section suspends AEO status if the qualifying criteria are no longer met, or if there is suspicion of an act giving rise to criminal court proceedings or breach of Customs rules has been carried out by the AEO.

Benefits of the AEO program

AEO certified firms benefit from specific facilitations at the Customs control points when their products enter or leave the EU. Benefits differ according to the type of AEO certification (Table 2.2) and include:

- A recognized status as a safe business partner across the EU
- Fewer physical and document-based controls with a fast track for shipments through Customs controls
- Prior notification if selected for control
- Priority treatment if selected for inspection with a possibility for the operator to choose the location of inspection
- Indirect and/or commercial benefits, such as reduced incidences of theft or losses in transit, better communication with partners in the supply chain, and improved customer confidence.

In addition to these benefits, AEOC holders benefit from easier access to Customs simplifications, while AEOS and AEO-Full holders can potentially benefit from by Mutual Recognition Agreements and reciprocal arrangements with third countries.

Table 2.2. Benefits for AEOC and AEOS operators

Benefit	AEOC	AEOS
Easier admittance to Customs simplifications	X	
Fewer physical and document-based controls <ul style="list-style-type: none"> related to security & safety related to other Customs legislation 	X	X
Prior notification in case of selection for physical control (related to safety and security)		X
Prior notification in case of selection for Customs control (related to other Customs legislation)	X	
Priority treatment if selected for control	X	X
Possibility to request a specific place for Customs controls	X	X
Indirect benefits (Recognition as a secure and safe business partner; Improved relations with Customs and other government authorities; Reduced theft and losses; Fewer delayed shipments; Improved planning; Improved customer service; Improved customer loyalty; Lower inspection costs of suppliers and increased co-operation etc.)	X	X
Mutual Recognition with third countries		X

Source: European Commission (2018)

Implementation of the AEO Program

At the legal level, the AEO program is governed by European Community law, which is the Union Customs Code (UCC) and its Implementing Provisions, as follows:

- UCC: Regulation (EU) No 952/2013 of the European Parliament and of the Council of 9 October 2013
- UCC Implementing Act: Commission Implementing Regulation (EU) 2015/2447 of 24 November 2015
- UCC Delegated Act: Commission Delegated Regulation (EU) 2015/2446 of 28 July 2015

In addition to the legal provisions regulating the AEO program, the AEO Guidelines were drawn up to ensure systematic application of the program and to guarantee transparency and equal treatment of economic operators. For an increased efficiency, the guideline is reviewed regularly.

At the implementation level, 127 central and regional Customs offices operating under the Taxation and Customs Union across the EU's 28 Member States are responsible for certifying AEO members⁴. A successful and efficient implementation of the AEO program also requires

⁴ According to the Taxation and Customs Union database (Customs office list), available at: http://ec.europa.eu/taxation_customs/, in June 2018

constant interaction with other government authorities (OGA) and other stakeholders. The EU Strategy and Action Plan for Customs risk management includes cooperation between the AEO program and these authorities with the objective of ensuring security while avoiding burdensome or redundant procedures and costs for both parties. In the case of the EU, cooperation with other OGA covers areas such as aviation security, maritime transport and exports controls.

Mutual Recognition

In the case of the EU, AEOS and AEOF members are eligible to take part at MRAs. These operators are hence considered safe and secure, and are less likely to undergo further procedures or requirements.

Recognizing the importance of MRAs, the EU has concluded and implemented Mutual Recognition of AEO programs with Norway and Switzerland (July 2009), Japan (June 2010), Andorra (January 2011), the US (May 2012) and China (May 2014). MRAs with other important trade partners are currently under negotiation. The EU also provides technical assistance to a number of countries in preparation for future MRAs.

2.3 Evaluation of the AEOs

As it was mentioned before, AEO programs aim at improving the Customs performance in order to speed up administrative procedure. The objective of this section is to evaluate the outcome of different AEO programs by looking at different measures of the Customs performance.

More specifically, the evaluation of the Japanese AEO program shows that it has four important characteristics (Sawafuji, 2011): First, the AEO program led to a significant decrease in time to trade. While the AEO program in Japan was preceded by different programs that improved the Customs procedures, this program significantly reduced clearance time for AEO operators. In fact, in 1991 a “Pre-Arrival Documentary Examination” was adopted and decreased the time required from arrival to release from 26 to 20 hours. Later, in 1997, a “One-Stop on-line service” was implemented and time of clearance reached 5.6 hours. With the “Simplified Import Declaration” and “First Single Window” in 2003 and “Second Single Window” in 2006, clearance to clear goods reached 3.3 hours. After adopting the AEO program in 2006, clearance time was almost 30 times lower for AEO compared to non-AEO (0.1 and 3.1 hours respectively). This points out the significant improvement in the Customs procedures as an outcome of the AEO program.

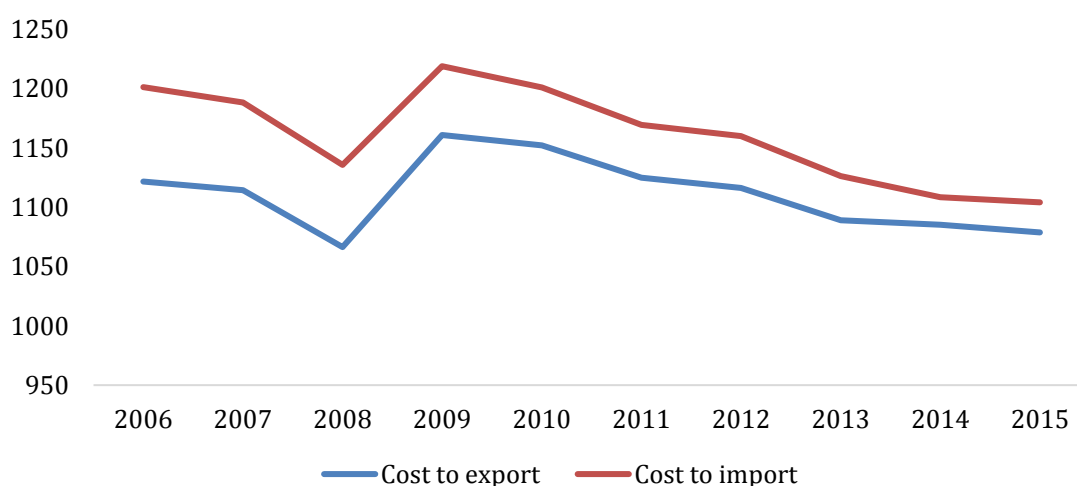
Second, the AEO program was significantly effective in coordination and consultation with different stakeholders in improving its AEO program. Indeed, it coordinates with the private sector to obtain its input on the AEO program and takes into consideration its feedback in implementation. For instance, they modified the Customs Acts legislation governing the program itself based on the traders’ needs and feedback. Second, it has continuous government-private sector consultation mechanisms to discuss promoting and implementing the AEO program. Moreover, the AEO Center has also participated in several business seminars to present the AEO program to private sector counterparts.

Third, the AEO program in Japan also addressed the SMEs specific needs. Indeed, the Japanese AEO program granted SMEs the quasi-full procedural benefits of AEO status by taking advantage of authorized logistic service providers' competency to manage the supply chain through Customs broker's regime. This allows both SMEs to avoid investment costs that can be significantly high for them and Customs brokers to provide services for SMEs.

As per the European Union, its AEO program has managed to align itself with security and compliance programs in other governmental agencies. With the shift to paperless Customs procedures, efficiency of AEOs is expected to rise and better risk management is to take place.

In the EU, the AEO program has been operational for 10 years, which has witnessed a significant increase in the number of operators. Despite their mere share of 37 percent of total operators in Europe, these AEOs are involved in 50 percent of the EU's trade (exports and imports) (Layec, 2016). This could have two meanings. First, these AEOs could be composed of the largest businesses, traders and other involved stakeholders across the EU, controlling for a major share of the EU's trade. This interpretation would mean that SMEs are essentially left out of the AEO program. Another interpretation is that AEO membership facilitates trade for these operators, leading to their increased share in trade and trade-related activities in the EU. As it shown in Figure 2.11, cost to import and to export declined substantially for the EU.

Figure 2.11. Cost to export and to import in the European Union



Source: Constructed by the authors using the Doing Business dataset

In Canada, the CBSA underwent a significant reorganization in 2010, changing its responsibilities for the PIP program. This reorganization has resulted in a number of achievements leading to the success of the AEO program. The last PIP program evaluation took place in 2012. Since this date, not much has been available on the evolution of the PIP program. In a recent presentation by the CBSA at the WCO Global Conference (2018) a number of key issues related to further enhancements of the PIP program were presented. These include the following:

- Further simplification of the objectives of the program, and a better alignment with other initiatives

- Leveraging technology and adaptability for the future
- Enhancing measurability of evidence-based outcomes and benefits
- Optimizing available resources
- Stronger partnerships between Customs and the industry (CBSA, 2018)

The PIP program is in line with the objectives and commitments of the Government of Canada under the WCO SAFE Framework. Indeed, the program was successful at enhancing border and supply chain security, while facilitating the movement of legitimate goods, thus reducing border-related costs for operators. Recently, PIP members were also granted the benefit of using FAST lanes into Canada, which had not been the case in the past. PIP has also enhanced trade relations with third countries through MRAs.

At the technical level, the application process has been simplified with the development of the Trusted Traders Portal. Phase 1 of Portal launched in 2014, and phase 2 in 2017. The portal also allows for tracking the application status and facilitates administration and exchange of information. The PIP program also has a database that includes tools and guidelines for stakeholders.

Communication with stakeholders is crucial to the success of an AEO program. In this matter, the CBSA collaborates closely with other governmental authorities and businesses. Currently, the CBSA and industry communicate through a formal mechanism called the Border Commercial Consultative Committee (APEC, 2016). Finally, PIP program activities were found to have contributed to increased awareness regarding security issues and threats. This has been particularly useful for SMEs, who were hence able to engage in the international supply chain through PIP membership.

2.3 Developing Country Perspective

Developing countries usually design their respective AEO programs based on international best cases. Therefore, the implementation steps are very similar to what is presented in this chapter. Although developing countries are laggards in terms of AEO design and implementation compared to developed countries, they started to experience the gains from trade facilitation introduced by AEO implementation. To this effect, Box 2.2 presents the trade impact of AEO implementation in Mexico.

However, the experience of developing countries is not always as smooth as the best international cases as expected. There are additional challenges that developing countries face both during design and implementation.

Legal challenges: An important phase for the best international cases is the design of the legal basis of AEO which enables the countries to function their programs within a previously determined framework. Both Japan and the EU had extensive legal framework tailored towards AEO design and implementation before the launching of their respective AEO programs. However, the institutional and governance structure of the developing countries may not allow the Customs Authorities to work under a well-defined legal framework. Instead, they may be working under a law which does not prevent the operation of an AEO framework but limits the scope of the AEO program. Case studies from OIC countries presented in Chapter 4 highlight these limitations.

Box 2.2. Mexico's AEO Program

History:

2002: Certified Company Program (*Compañía Certificada* - CC). Limited trade facilitation and no security requirements .

2009: Design of the NEEC (AEO of Mexico)

2011: Announcing the general rules for the NEEC

2012: Formal launch of the NEEC

Usually firms under CC Program became NEEC certified

Criteria:

Tax and Customs requirements: Proof of a record of trade activities for the past three years and a good tax compliance track record. Usage of a digital invoicing system.

Security requirements: Safety of trucks and containers, personnel and process. Physical, commercial partners, information and document security. Training and awareness on safety and security, and incident management and investigation.

Certification:

Application: Complete application form and pay US\$1,650 fee.

Verification: Desk review followed by on-site visit.

Authorization: Decision on the NEEC certification.

The certification process takes between six months to one year and valid for one year.

Benefits:

- reduced physical inspections
- expedited Customs clearance
- green lane
- administrative simplifications
- customer relations management

Current situation:

NEEC firms in 2014:

- 400 firms
- 1.4 percent of the total number of exporters,
- 40 percent of total exports,
- 43 percent of the total number of products,
- 81 percent of the total number of destinations

Impact on Trade:

Martincus (2016) suggests the following benefits of NEEC certification based on empirical study for Mexico based on firm level data covering the period 2009-2014.

- 73.1 percent higher export growth implying that exports NEEC firms would have a growth rate 2.8 percentage points higher than others.
- NEEC firms reach new export markets.
- If NEEC firms are also under IMMEX and C-TPAT, the trade impact is higher.
- NEEC certification brings additional increase in exports.

Source: Volpe Martincus (2016)

Inertia of the organizational structure: Usually, in developing countries the existing risk management units of the Customs Authority becomes responsible from the operation of the AEO programs without any change in the organizational structure of the authority. This causes the personnel in the risk management units to be distracted by the existing responsibilities in addition to their new roles in AEO implementation. All of the three international best cases introduce new units responsible from AEO implementation.

Inadequate staff: Implementation of an AEO program requires qualified staff. Moreover, as program matures, due to the increase in the number of AEO holders, an additional need for qualified staff working for the AEO programs arises, which is not usually the case in developing countries.

Financial inadequacy of companies: Participating in the AEO program is costly for companies. Therefore it may be difficult to increase the number of AEO holders due to the insufficient number of firms that are capable of undertaking the costs of the program.

2.4 Requirements for a Successful AEO Outcome

Based on the discussion on global trends and the three best international practices, several lessons can be withdrawn for a successful outcome during both the design and implementation phases.

During the design phase:

1. Adopting an integrated approach:

Design of the AEO program should follow an integrated approach taking into account multiple dimensions (legislative, organizational and operational). During the design phase, legislative and regulatory reform is often needed, as well as possible organizational restructuring and alignment with OGAs. In many countries, overlap is often present between Customs Authorities and OGAs involved in border security and control of exports and imports. Consultation and alignment with other governmental agencies during the design phase is therefore crucial to avoid redundant and burdensome procedures in areas of overlap.

2. Involving the industry and private sector:

Including the private sector during the design phase is a must in order to avoid redundancy and mismatch between stakeholders needs and the government that is in charge of developing the AEO program.

3. Designing an attractive package where benefits to AEOs outnumber costs:

As concluded from the three case studies, benefits to authorized operators are numerous. However, these benefits should be evaluated in relation to the costs borne by firms and traders to obtain authorization. Such costs include application and procedure-related fees, but also the costs of carrying out necessary changes in order to become eligible for authorization. The EU case provides a good example for package design, where AEO guidelines are published and updated by the Taxation and Customs Unit. The guidelines provide a clear demonstration of benefits, procedures, legal texts and contact offices for agents wishing to obtain authorization.

4. Designing a simple and clear application procedure:

Making the AEO application process as simple and fast as possible is key to a successful implementation and expansion of the program among operators. The Canadian case provides a good example of a simple program design.

During the implementation phase:

1. Building new competencies for Customs administration:

In order to help different applicants become an AEO, training and capacity building are indispensable. Indeed, Chang-Bong (2016) conducted a survey on 201 AEO programs in Korea and found that AEO external pressure, training capacity, and sustainability have a significant impact on AEO performance. This is clear in the Japanese case where potential operators benefit from a consultation and preparation prior to their application, which speeds up the process compared to other countries. In the case of Canada, PIP activities have largely contributed to increased awareness and hence better inclusion of SMEs into the program. Moreover, ensuring the availability of a sustainable and skilled team makes the process easier and more efficient. The Japanese case illustrates this as the Japanese Customs implemented a training program for newly assigned AEO officers where they get familiar with the process and are provided an on-the-job training.

2. Providing wide coverage of offices:

Reducing centralization in handling applications encourages potential applicants to join the AEO program. This is due to the fact that several offices can work in parallel to speed up the application process. As it was mentioned before, in Japan, there are 9 regional offices that can provide operators with authorizations. In the EU, 127 central and regional offices operate in the 28 member countries. In the case of Canada, there is a clear division of tasks between regional and field offices and the headquarters responsible for the AEO program.

3. Keeping open communication channels:

It is important to keep open and formal communication channels with stakeholders, not only during the design, but also during the implementation of the program. This is important for several reasons: first, during phases of legislative reform where it is important to communicate with stakeholders from the industry so as to facilitate transition and guarantee compliance. Second, keeping an open communication channel is important for a regular monitoring and evaluation of the program's performance and eventual success or shortcomings. In Canada, communication with the private sector takes place through the Border Commercial Consultative Committee. Promoting multi-agency cooperation and communication during the implementation phase is also indispensable: in the EU and Canada, including cooperative developments between Customs and aviation security authorities, as well as between Customs and inspection agencies.

4. Working on the continuous development of the AEO program:

This includes, above all, the adoption of innovative solutions to increase efficiency of the program. The "paperless model" to be completed by the EU in the next few years is expected not only to simplify application and membership, but also enhance risk management by operators. In the case of the EU, full AEOs manage Customs processes; security and safety processes; internal and any outsourced operational processes. In such cases, the paperless

framework would help with a more efficient monitoring and follow-up of all areas of compliance, while reducing the risk of losses and errors. Application to the PIP has also been simplified with the launch of the Trusted Traders Online Portal in Canada and the possibility to upload all documents on an e-profile.

5. Paving the way for Mutual Recognition:

In the case of Canada, the PIP program was a tool to achieve mutual recognition with the United States in 2008. In Canada, as well as the EU and Japan, a successful implementation of the AEO program has paved the way to negotiate and sign several MRAs with important trade partners across the world. The potential to benefit from mutual recognition under the AEO program is a major advantage to operators wishing to expand their activities at the international level.

6. Raising awareness of AEO benefits and including SMEs:

Including SMEs is one of the several challenges facing a successful implementation of AEO programs. For SMEs to join AEO programs, benefits need to be tangible, costs need to be reasonable, and information needs to be available. Two main challenges face SMEs while opting for an AEO status: adapting to legislative changes, and complying with security measures. Addressing SMEs needs is therefore of particular importance to help them comply and increase their exports. This is the case of Japan where SMEs are granted the quasi-full procedural benefits of AEO status through Customs broker's regime. Canada's PIP program activities were found to be useful for SMEs, and increased their engagement in the international supply chain through PIP membership. In France, a sponsorship project was developed by the Customs administration and the association representing transport and logistics companies, with the objective of providing assistance to SMEs opting for authorization (WCO, 2014). Under this project, larger certified companies provide free support to SMEs to learn about AEO requirements.

3. ANALYSIS OF OIC MEMBER STATES EFFORTS

All OIC Member States except Suriname are members of the WCO as presented in Table 3.1. Among the members of the WCO, only Algeria, Guyana, Turkmenistan and Palestine have not signed the SAFE Framework until 2018. Revised Kyoto Protocol has been participated by 33 Member States of the OIC. Single Window implementation has been adopted by only 17 countries.

Table 3.1. Involvement of OIC Members in International Conventions

	WCO ¹	RKC ²	SAFE ³	SW ⁴	AEO ⁵
Afghanistan					
Albania					
Algeria					
Azerbaijan					
Bahrain					
Bangladesh					
Benin					
Brunei Darussalam					
Burkina Faso					
Cameroon					
Chad					
Comoros					
Cote d'Ivoire					
Djibouti					
Egypt, Arab Rep.					
Gabon					
Gambia, The					
Guinea					
Guinea-Bissau					
Guyana					
Indonesia					
Iran, Islamic Rep.					
Iraq					
Jordan					
Kazakhstan					
Kuwait					
Kyrgyz Republic					
Lebanon					
Libya					
Malaysia					
Maldives					
Mali					
Mauritania					
Morocco					

	WCO ¹	RKC ²	SAFE ³	SW ⁴	AEO ⁵
Mozambique					
Niger					
Nigeria					
Oman					
Pakistan					
Qatar					
Saudi Arabia					
Senegal					
Sierra Leone					
Somalia					
Sudan					
Suriname					
Syrian Arab Republic					
Tajikistan					
Togo					
Tunisia					
Turkey					
Turkmenistan					
Uganda					
United Arab Emirates					
Uzbekistan					
Palestine					
Yemen, Rep.					
TOTAL NUMBER	56	33	52	16	12

Sources: ¹ As of January 2018, Accessed on July 2, 2018, <http://www.wcoomd.org/-/media/wco/public/global/pdf/about-us/wco-members/list-of-members-with-membership-date.pdf?db=web>

² As of May 2017, Accessed on July 2, 2018, <http://www.wcoomd.org/-/media/wco/public/global/pdf/about-us/legal-instruments/conventions-and-agreements/revised-kyoto/20170515e110.pdf?db=web>

³ As of October 2017, Accessed on July 2, 2018, <http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/facilitation/instruments-and-tools/tools/safe-package/wco-table-intention-to-implement-the-fos-en-fr-oct-2015-final.pdf?la=en>

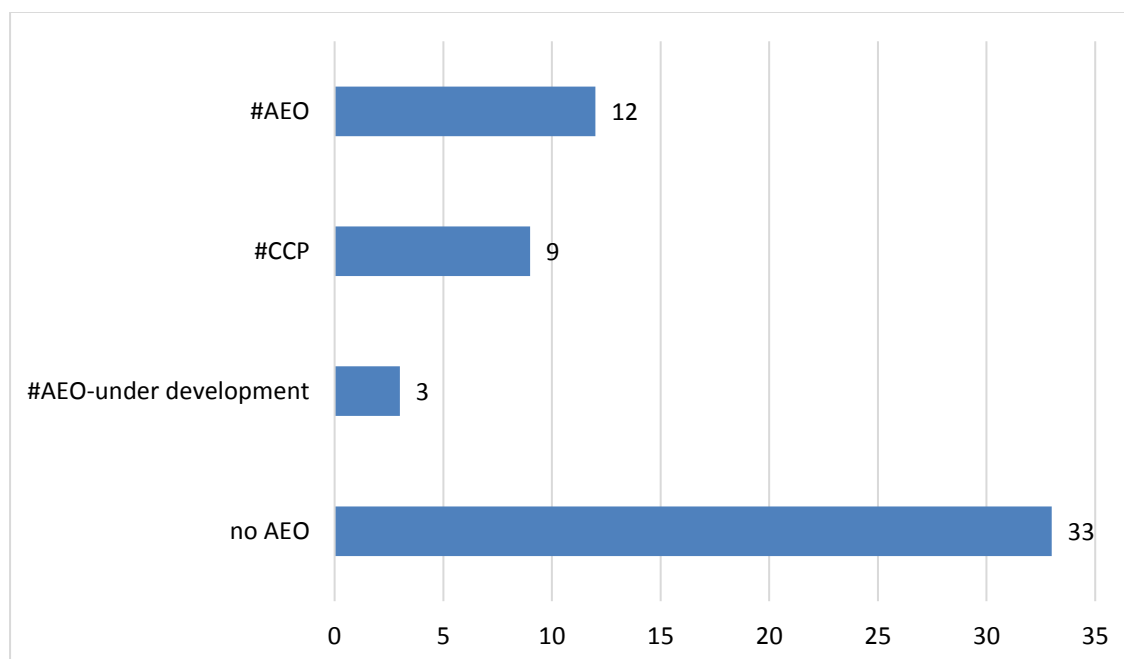
⁴ As of May 2017, Accessed on July 2, 2018, http://ebook.comcec.org/Kutuphane/Icerik/Yayinlar/Analitik_Calismalar/Ticaret/Toplantilari/index.html

⁵ AEO Survey of the current project

3.1. AEO Programs in the OIC Countries

According to WCO (2018), 12 countries have initiated authorized economic operator programs in the OIC region (Figure 3.1). The names and years of launching of the AEO Programs in the OIC region are presented in Table 3.2. Annex 1 shows OIC Member States and their implementation of AEO programs.

Figure 3.1. AEO Programs in OIC Member States



Source: Authors' compilation using WCO (2018) data.

Table 3.2. Names and launch years of AEO programs in OIC Member States

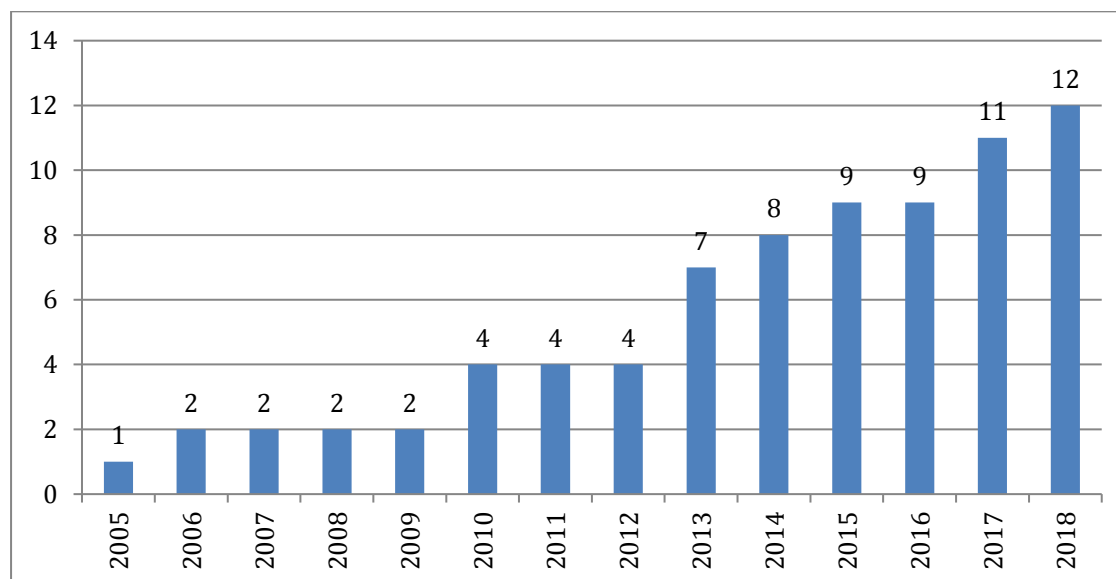
Country	Year	Name of the AEO Program
Azerbaijan	2013	Authorized Economic Operator
Brunei Darussalam	2017	Sutera Lane Merchant Scheme
Egypt	2014	Authorized Economic Operator
Indonesia	2015	Authorized Economic Operator
Jordan	2005	Golden List Program
Malaysia	2010	Authorized Economic Operator
Morocco	2006	Authorized Economic Operator
Oman	2017	Authorized Economic Operator
Saudi Arabia	2017	Saudi Authorized Economic Operator
Tunisia	2010	Authorized Economic Operator
Turkey	2013	Authorized Economic Operator
Uganda	2013	Authorized Economic Operator

Source: Authors' compilation using WCO (2018) data.

Jordan is the first country in the region that introduced the AEO program, named as the Golden List. Considering that the SAFE Framework was introduced in 2005, the initiation of the AEO program in the same year made Jordan a leading country both in the OIC and in the World. Morocco has followed Jordan and initiated the AEO program in 2006. There was a pause in OIC

Member States until 2010 in terms of AEO adoption. Malaysia and Tunisia started their AEO programs in 2010 that would be accepted as the second wave in the AEO program adoption among OIC countries. Starting from 2013 there has been a steady increase in AEO program initiations. In 2013, Azerbaijan, Turkey and Uganda; in 2014, Egypt; in 2015, Indonesia launched their AEO programs. Brunei Darussalam, Oman and Saudi Arabia are the countries with the most recent AEO programs (Table 3.2 and Figure 3.2).

Figure 3.2. AEO Adoption in OIC Countries by Year (Cumulative)

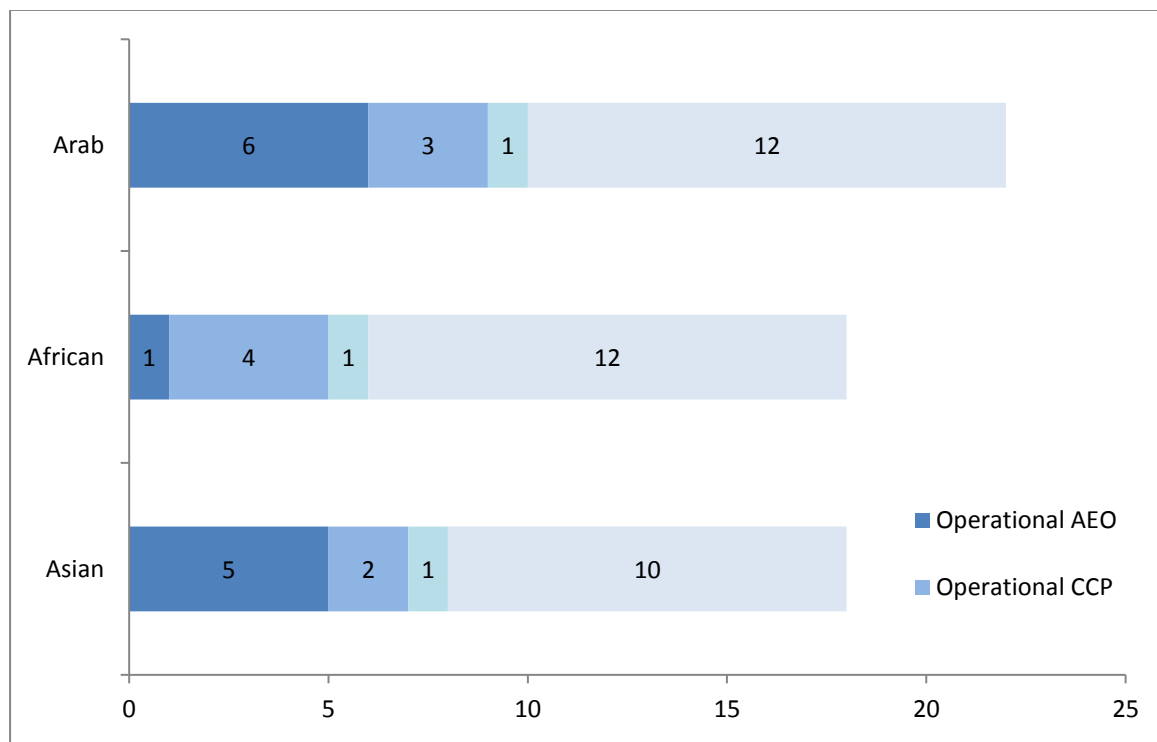


Source: Authors' compilation using WCO (2018) data.

Scrutinizing the regional distribution of the AEO programs, 6 of them are in the Arab Region, and 5 of them are in the Asian Region. On the other hand, among the OIC countries in the African region, only Uganda has an active AEO Program (Figure 3.3). In the Latin America region there are only two countries where none of them have an active AEO program.

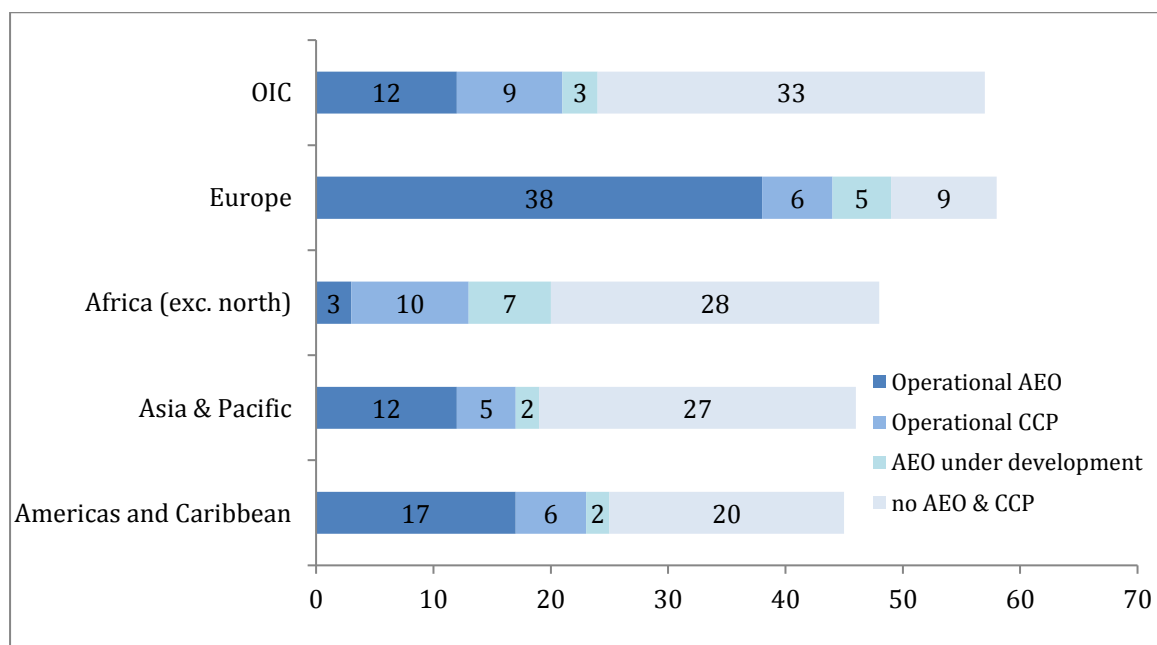
Compared to the World, with the lowest share of AEO program implementation the OIC region is the second after Africa (Figure 3.4). Europe is the region with the highest number of AEO programs. The main driver is that the EU is a trade union which can be named as a regional AEO at the same time. Americas and Caribbean come second in terms of AEO program implementation with 17 countries. Africa is the region with the lowest number of active AEO programs. In the Figure, North Africa is excluded from Africa definition as those countries are OIC members.

Figure 3.3. Regional distribution of AEO Programs among the OIC Countries



Source: Authors' compilation using WCO (2018) data.

Figure 3.4. Regional distribution of AEO Programs in the World



Source: Authors' compilation using WCO (2018) data.

In the OIC Region, 3 countries are in the development stage of an AEO program presented in Table 3.3. Bangladesh has started the pilot phase as early as 2015. They are still at the development stage of the program. Côte d'Ivoire has started the pilot phase in 2017. For these two countries there are no announced launching dates. Bahrain, on the other hand, has developed the AEO Program and they will launch it in 2018.

Table 3.3. AEO programs under development: names and launch dates

Country	Name of the Program	Current Status
Bahrain	Authorized Economic Operator	Date to be launched 2018
Bangladesh	Authorized Economic Operator	Pilot started in 2015
Côte d'Ivoire	Authorized Economic Operator	Pilot started in 2017

Source: Authors' compilation using WCO (2018) data.

Apart from the AEO program, 9 Customs compliance programs (CCP) are utilized (Table 3.4). However, it should be noted that CCP does not enable enhanced security in Customs, though trade facilitations components are the essential parts of CCPs.

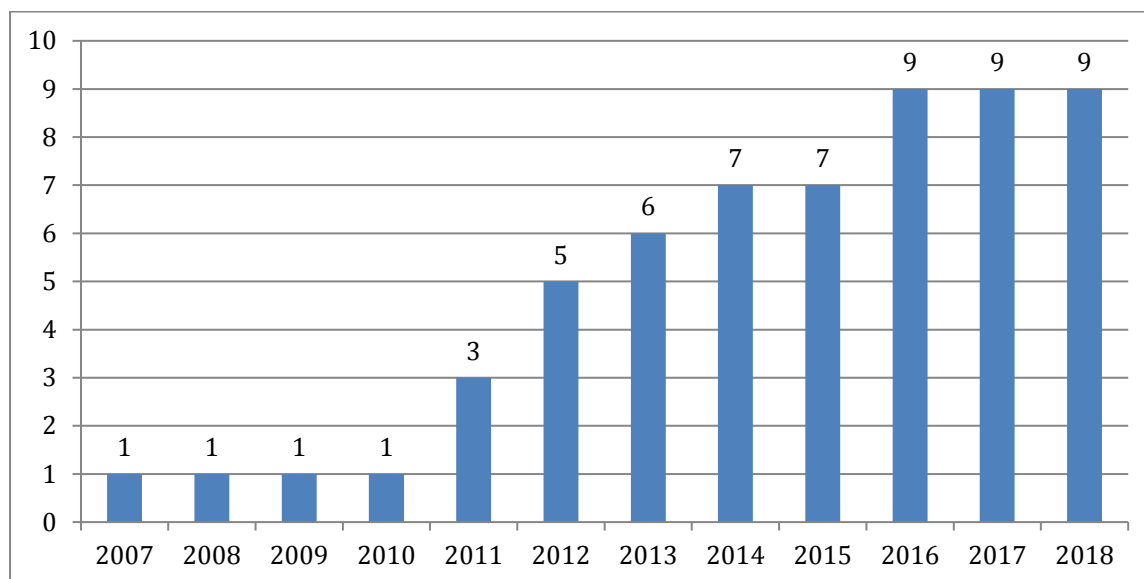
Table 3.4. Names and years of CCPs in OIC Countries

Country	Year	CCP
Algeria	2012	Authorized Economic Operator
Cameroon	2011	Performance Operators' Contracts
Iran	2014	Authorized Economic Operator
Kazakhstan	2013	Authorized Economic Operator
Mozambique	2012	Authorized Economic Operator
Senegal	2012	Privileged Partnership Programme
Sudan	2016	Golden List
Togo	2016	Privileged Partnership Framework
United Arab Emirates	2007	Golden List Programme

Source: Authors' compilation using WCO (2018) data.

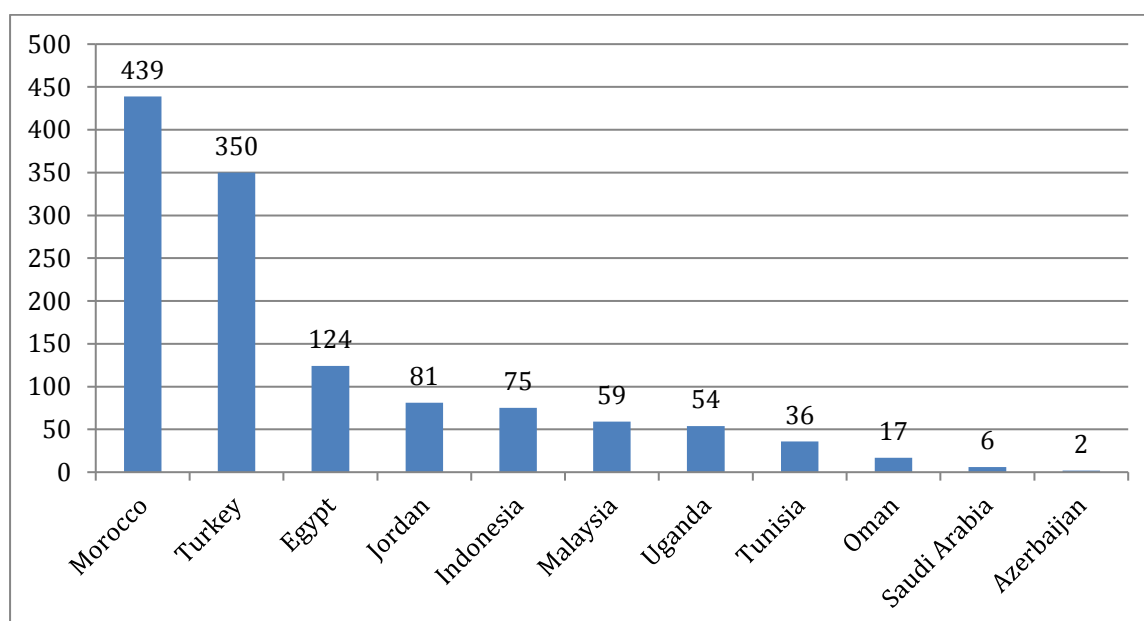
There are 9 OIC countries that initiated a CCP but not an AEO. The names and the launching years of these CCPs are presented in Table 3.4. In other words, these programs enable trade facilitation but do not satisfy the security conditions of an AEO program. In 2007, the United Arab Emirates launched the first CCP in the region. Number of CCPs has started to increase by 2011 following a similar trend with AEOs (Figure 3.5).

Figure 3.5. CCP Adoption in OIC Countries by Year (Cumulative)



Source: Authors' compilation using WCO (2018) data.

Figure 3.6. The Number of AEO companies in OIC Countries



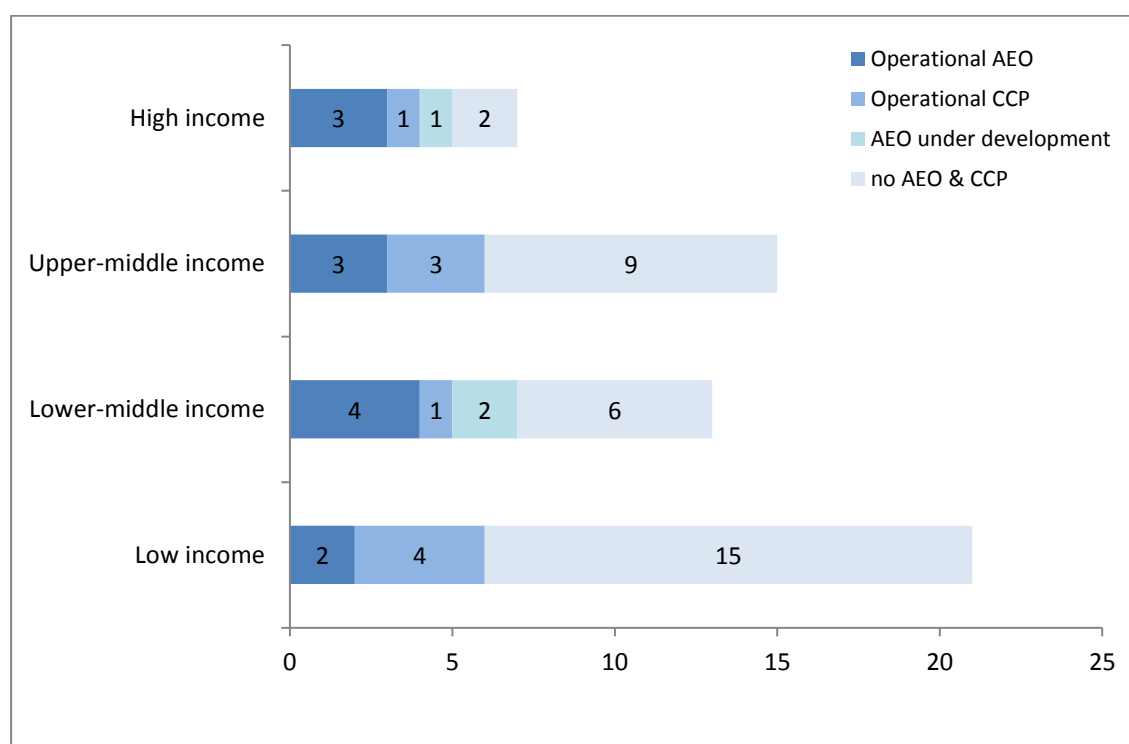
Source: Authors' compilation using WCO (2018) data and survey responses. Brunei Darussalam has also an active AEO program. However, there is no information in WCO (2018). Also, the survey has not filled out by them.

Recent number of operators in OIC countries is presented in Figure 3.6. The variation is significantly large between the countries. The size, income, trade volume, number of transactions, design of the AEO program, MRAs and political status are some of the

determinants of the number of AEO operators in a country. Morocco is the leading country among OIC with 439 AEO companies registered. By launching the AEO program in 2006, Morocco has also the first mover advantage. Turkey is the second country having the highest number of AEO status holders. Though, many countries initiated the program as late as 2017. AEO program in Egypt has also more than 100 enrollments by the companies. Despite the early initiation of the AEO program, the lower number of enrollment in Jordan has several reasons as will be discussed in Chapter 4. Although Azerbaijan has an active AEO program since 2010, there are only 2 companies registered, which needs special attention.

AEO programs are distributed almost evenly among different income groups in the OIC region. However, the number of countries without an AEO program is the highest in low income countries (Figure 3.7).

Figure 3.7. Number of AEO operators in OIC Countries: Income Category



Source: Authors' compilation using WCO (2018) data.

3.2 Assessment Approach

3.2.1 Data Collection

OIC member countries exhibit a great degree of heterogeneity in terms of AEO adoption and implementation as discussed in Section 3.1. In order to document and analyze the current status of the AEO programs in the OIC members, an extensive amount of data is collected.

Data collection includes surveys distributed online and by e-mail as well as secondary source analyses (such as collecting information from relevant webpages and quantifying those). Furthermore, public and private sector interview questionnaires with open-ended questions

were designed to complement these surveys for the case study countries. (See Annex II in the end of the report for surveys).

Five distinct surveys⁵ were created to reflect the current AEO/CCP status of OIC member countries:

- Survey A: Operational AEO Program
- Survey B: AEO Program under development
- Survey C: Operational CCP
- Survey D: CCP under development
- Survey E: Neither AEO Program nor CCP

3.2.2 Identification of Themes and Variables

Together with survey design and distribution, as in APEC (2016), a qualitative comparator matrix is created using 7 major themes and 15 variables for operational AEO programs⁶:

1. General information on the AEO program
 - a. Sectors of AEOs
 - b. Types of operators
2. Application, verification, and authorization
 - a. Application, verification, and authorization procedures
 - b. Self-assessment procedures
3. Security and compliance requirements
 - a. Compliance requirements
 - b. Physical security requirements
4. Post-authorization
 - a. Post-authorization audit
 - b. Suspension, revocation and cancellation procedures
5. Customs organizational structure for AEO programs
 - a. Customs organizational structure for AEO programs
 - b. Training provided to Customs officers
6. Partnership between Customs Authority and the private sector
 - a. Partnership initiatives
 - b. Benefits of AEOs
 - c. MRAs
 - d. SMEs
7. Accessibility of information on Customs Authority's website about the AEO program
 - a. Electronic promotion of the AEO program

These 15 variables are supported by 92 questions that are defined as sub-variables.

⁵ The main survey questionnaire is adopted from APEC (2016). The motivation for using a very similar survey is to create the possibility of meaningful comparisons with APEC Member States.

⁶ Countries that are in the development stage of AEO programs or CCPs along with countries with no design/implementation of these programs had a very poor response rate to the survey. A descriptive analysis was provided in the previous section for these countries. Among OIC member states, 14 out of 57 countries (Albania, Cameroon, Indonesia, Iran, Jordan, Morocco, Nigeria, Oman, Pakistan, Palestine, Sudan, Tunisia, Turkey and Uganda) have responded to the survey.

3.2.3 Convergence Analysis

The main purpose of convergence analysis is to evaluate the viability of regional AEOs/MRAs in the OIC. APEC (2016) also has the same motivation of providing insights about the feasibility of regional MRAs between APEC Member States. Furthermore, comparing OIC with APEC, using the results of a survey -purposefully designed to be very similar with APEC (2016)- can provide insights into where the AEO programs in the OIC stand when compared to APEC.

In this report, a comparator matrix is employed for its straightforwardness. The comparator matrix, in essence, is a simple tool to compare different approaches to the AEO concept within a group of countries.

First, each AEO program is compared based on the survey responses through a determination of whether each feature is identified by the respondent country as being present in their program. If the feature is present, one point is assigned in the respected cell of the matrix. If not, no points are assigned. This procedure is repeated for each AEO program within OIC.

Next, a “convergence percentage” is calculated for each sub-variable. This calculation is undertaken by dividing the total number of AEO programs with that particular sub-variable by the total number of OIC member economies with AEO programs. In addition, a “total convergence percentage by variable” is calculated by taking the mean of each sub-variable under a variable. Finally, a “total convergence percentage by country” is calculated by summing identified sub-variables each AEO program has, and comparing the percentage against the maximum possible score (where a country has all sub-variables).

Finally, once the convergence percentages are calculated, sub-variables that are the most (100 percent convergence) and least (less than 50 percent convergence) commonly incorporated into member economy AEO programs are identified. That way, it becomes possible to discuss the key features that member economies can include into their programs for the purpose of a higher degree of harmonization of AEO programs within OIC.

Furthermore, survey responses and convergence results are used to identify areas in which best-practice examples would be of most benefit. Better harmonization with best practice economies is expected to facilitate more MRA negotiations and to further improve worldwide integration in terms of trade facilitation measures.

3.3 Comparative Findings

This section is based on the findings from responses of 7 out of 12 countries with operational AEO programs among the OIC member countries: Indonesia, Jordan, Morocco, Oman, Tunisia, Turkey and Uganda. Summary information obtained from surveys is presented for each country in Annex III.

3.3.1. Convergence Results within OIC Member Countries

After the design and the deployment of the surveys described above, the survey responses are analyzed by using the convergence method described in Section 3.2. The comparator matrix is presented in Annex IV.

Before going into the details of the results of convergence analysis, it is important to understand the economic diversity of countries with operational AEO programs in terms of their size, trade openness and trade intensity at their border check points as these three may have been important in the AEO adoption. Granted, safety and security are among the most important determinants of AEO adoption. However, it is notoriously difficult to measure the safety and security of a country due to measurement issues using the available data. Therefore, to have a preliminary understanding of economic diversity, one can review these three measures briefly.

Table 3.5. General Overview of Survey Respondents, 2017

	GDP (in billions of USD)	Trade Openness	Average Trade Intensity at Border Checkpoints (in billions of USD)
Egypt	237	32%	--
Indonesia	1,011	30%	--
Jordan	40.5	62%	2.3
Morocco	111	53%	1.2
Oman	71.9	76%	2.1
Tunisia	39.9	85%	1.3
Turkey	841	42%	1.9
Uganda	26.4	30%	0.4

Source: Authors' compilation using survey data and WDI.

Table 3.5 shows that there is a great degree of variability in terms of economic size (proxied by GDP), trade openness (proxied by [Exports+Imports]/GDP) and trade intensity (proxied by [Exports+Imports]/#Border Checkpoints) across the group of OIC members that adopted AEO programs. Economic size ranges between \$26.4 million to \$1 billion while trade openness ranges from 30 percent to 85 percent. With the exception of Uganda, AEO holders in OIC have average trade intensities ranging across \$1.2 million to \$2.3 million.

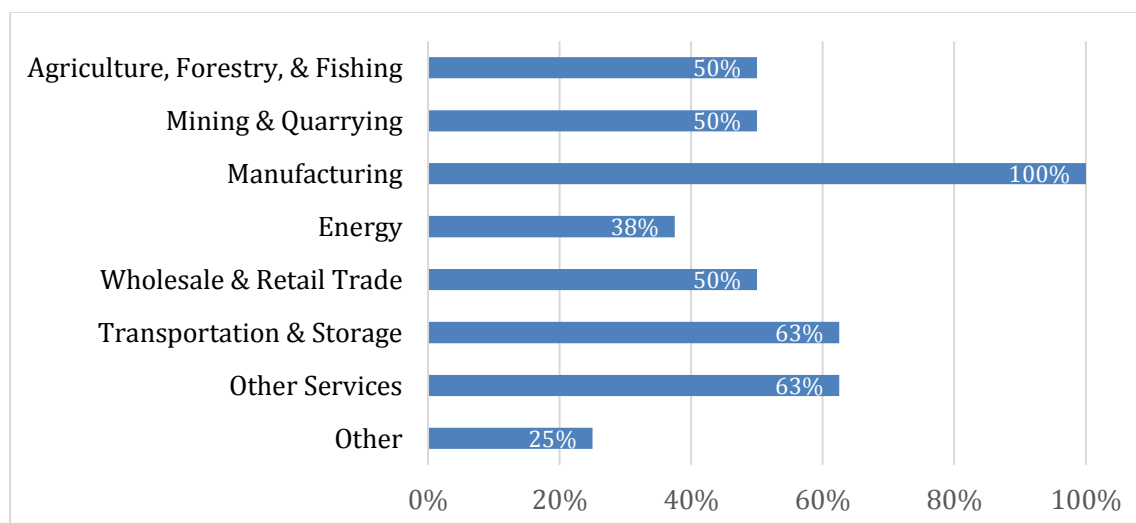
Next, survey results are presented under 7 themes. This can be considered as a horizontal reading of the comparator matrix.

Theme 1: General information on the AEO program

The general information about the AEO program has two counterparts: sectors and types of operators. The convergence percentage for the **sectors of the AEO** program variable is 55 percent. The variable in regards to **types of operators** has a 66 percent convergence across OIC. The relevant and more detailed information is as follows:

A diverse set of sectors are represented in the various AEO programs within OIC. First of all, every AEO program includes the manufacturing sector. Energy is the least represented sector while Transportation/Storage are present in 63 percent of the programs (Figure 3.8).

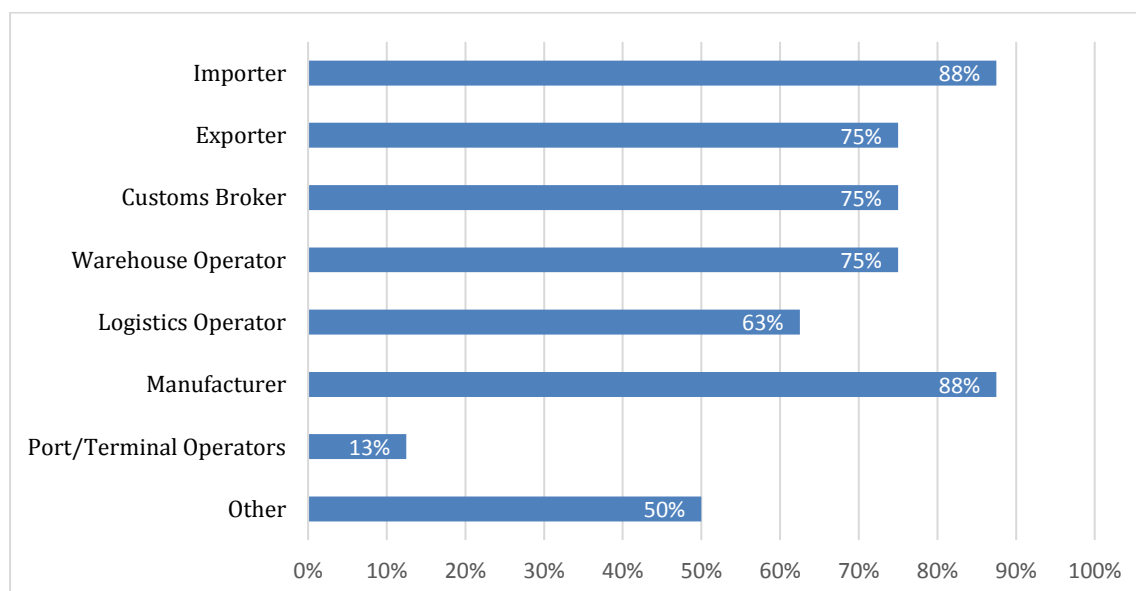
Figure 3.8. Sector of AEOs



Source: Authors' compilation using survey data.

When types of operators examined, about 75 percent of the AEO programs in OIC are open to importers and exporters simultaneously. While the program of Jordan designed for importers only, Morocco lacks either of them (Figure 3.9).

Figure 3.9. Types of operators



Source: Authors' compilation using survey data.

Furthermore, 75 percent of AEO programs in OIC include customs brokers and warehouse operators while 63 percent of them have logistics operators. With the exception of Jordan, all

programs are open to manufacturers. Port/Terminal operators are represented in only 13 percent of the surveyed AEO programs.

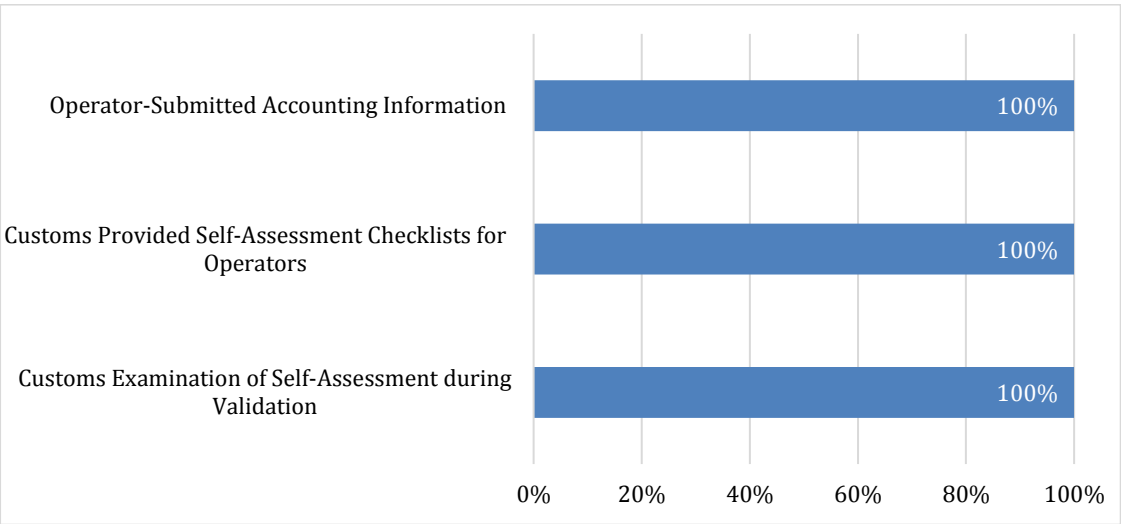
Rather low levels of convergence in terms of Theme 1 may be caused by different priorities in each OIC member from a security standpoint. Having all types of operators may be deemed as inconvenient for security reasons; however, for the operators to benefit from the AEO programs to their full extent, it is important to involve the entire supply chain in the program as in the EU case.

Theme 2: Application, verification and authorization

As a result of the analysis of sub-variables in the application, verification and authorization theme, important findings emerge.

Firstly, there is 100 percent convergence in terms of all sub-variables of **self-assessment procedures** across the OIC AEO programs. In other words, in the framework of these programs, (i) all applicants submit accounting information; (ii) all Customs provide self-assessment checklists for operators and (iii) all Customs examine the self-assessment during validation (Figure 3.10).

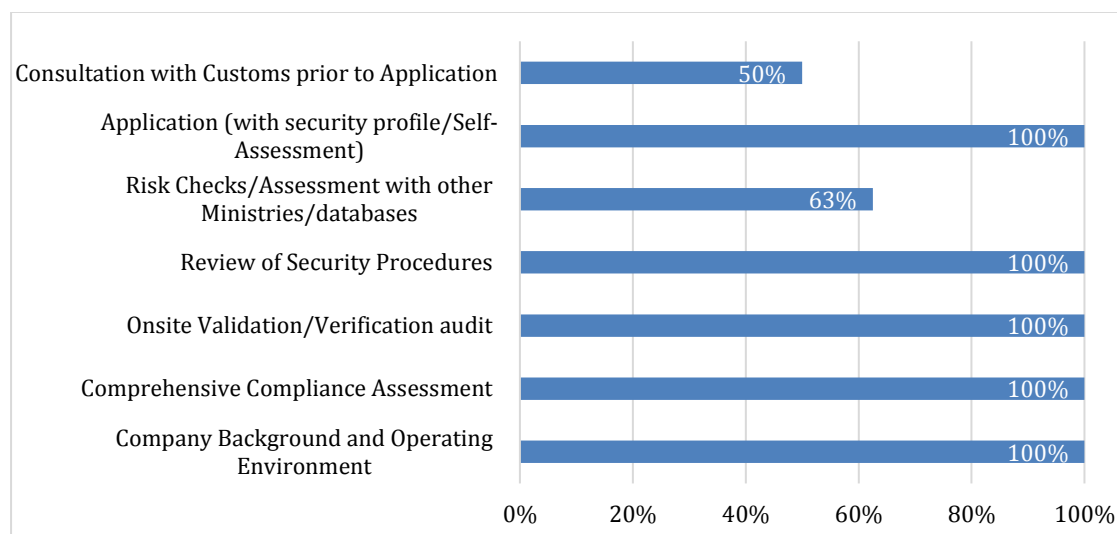
Figure 3.10. Self-assessment procedures



Source: Authors' compilation using survey data.

Secondly, there is again 100 percent convergence in terms of all but two sub-variables of **application, verification and authorization procedures** across OIC AEO programs. Total convergence for this variable is quite high (88 percent). There is a formal application, review of security procedures, onsite validation/verification audits, comprehensive compliance assessment as well as company background and operating environment checks in all programs (Figures 3.11).

Figure 3.11. Application, verification, and authorization procedures



Source: Authors' compilation using survey data.

The two sub-variables that have lower convergence ratios are consultation with Customs prior to application (50 percent) and risk checks with other ministries or databases (63 percent). The latter is expected to get better due to increased focus on other government agencies (OGA) coordination in the SAFE Framework (June 2015 version).

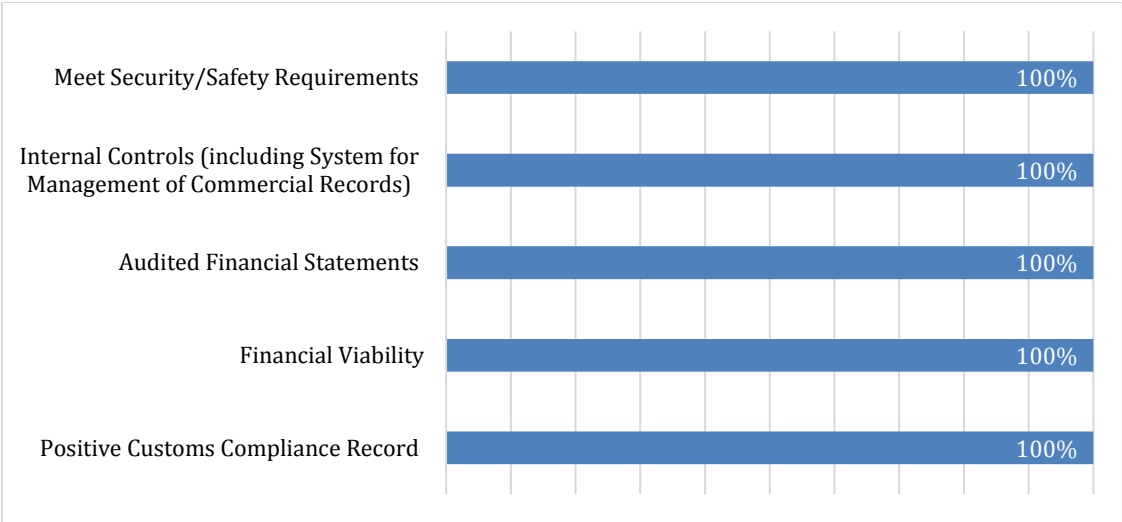
Theme 3: Security and compliance requirements

All 7 programs that responded to the survey have extensive compliance and physical security requirements.

Compliance requirements include positive Customs compliance record, financial viability, audited financial statements, internal controls and security/safety requirements (Figure 3.12). **Physical security requirements** are physical site security, access control, procedural security along with container, trailer, and rail car security, data and document security, personnel security, goods (including storage) security, transportation/conveyance security and business partner requirements (Figure 3.13).

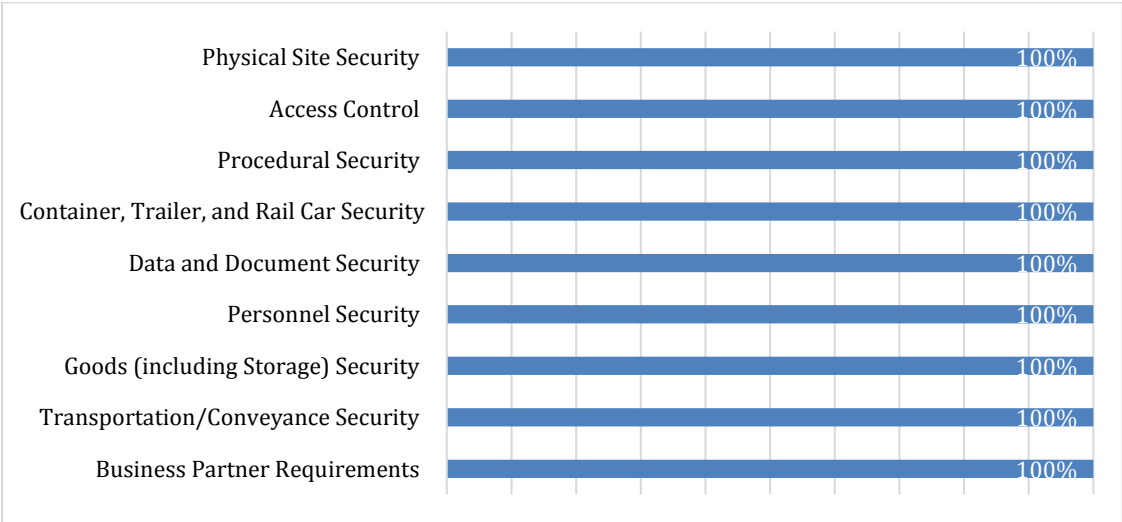
Among all themes researched in this survey, only Theme 3 exhibit perfect convergence among all OIC AEO programs with a score of 100 percent. The highest level of convergence in this very important area is commendable and underline how closely OIC AEO programs observe the principles of the WCO SAFE Framework.

Figure 3.12. Compliance requirements



Source: Authors' compilation using survey data.

Figure 3.13. Physical security requirements

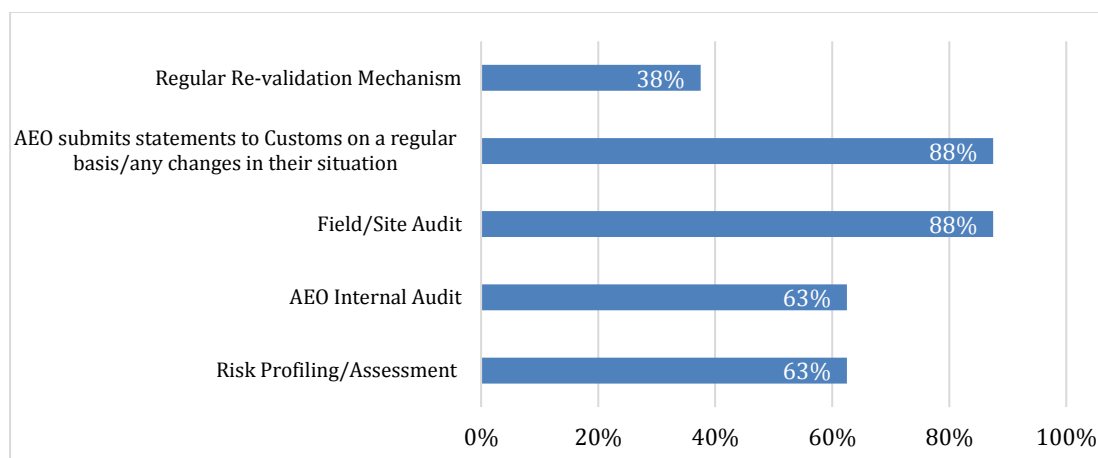


Source: Authors' compilation using survey data.

Theme 4: Post-authorization

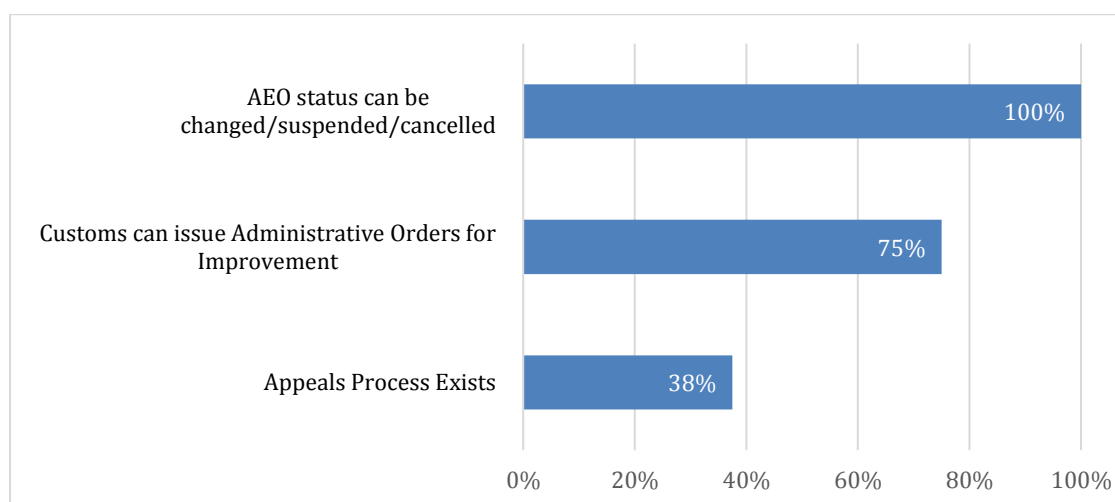
Post-authorization theme in the survey is composed of two main parts: *Post-authorization audit* (with 68 percent convergence) and *suspension, revocation and cancellation procedures* (with 71 percent convergence).

Figure 3.14. Post-authorization audit



Source: Authors' compilation using survey data.

Figure 3.15. Suspension, revocation and cancellation procedures



Source: Authors' compilation using survey data.

Among all sub-variables in the entire survey, regular re-validation mechanisms have one of the lowest convergence rates, 38 percent. Other post-authorization audit related results of the survey show that in 88 percent of the AEO programs in OIC, the AEO holder submits statements to Customs on a regular basis or reports any changes in their situation. Furthermore, there is varying degree of convergence in terms of field/site audit (88 percent), AEO internal audit (63 percent) and risk profiling/assessment (63 percent) as in Figure 3.14.

All AEO programs in the survey have the feature that AEO status can be changed, suspended or cancelled. However, only 3 out of 8 programs have a formal appeals process (38 percent convergence). Additionally, 75 percent of programs are endowed with the feature that Customs Authorities can issue administrative orders for improvements as in Figure 3.15.

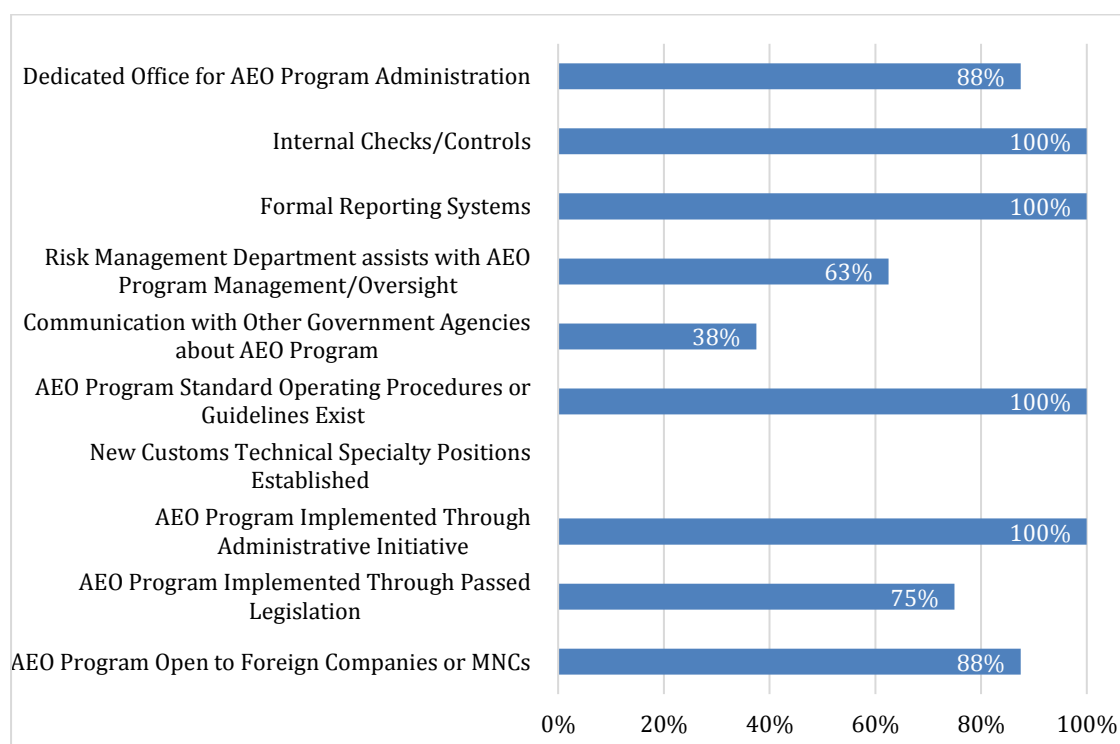
Theme 5: Customs organizational structure for AEO programs

There exists an average 75 percent convergence within the OIC **Customs organizational structure** variable. It appears that the development of AEO programs in OIC happen to involve consultations with stakeholders.

It is commendable that in OIC AEO programs there is 100 percent convergence in terms of internal checks/controls along with formal reporting systems. Moreover, there is a high degree of convergence for a dedicated office for AEO program administration within Customs (88 percent) and AEO programs being open to foreign companies (88 percent). The last one is particularly important because many OIC members demonstrate willingness and effort to attract more foreign direct investment to their countries. Being able to grant AEO status to the subsidiaries of foreign enterprises may play a notable role in appealing multinationals that are particularly active in global value chains.

There are also sub-variables where there is a very low degree of convergence and requires OIC members to devise solutions to overcome these difficulties. Firstly, communication with other government agencies within OIC AEO programs is low (38 percent convergence). This is notable considering the fact that the WCO SAFE Framework started focusing on other border agency cooperation recently. Secondly, there is no convergence in terms of new Customs technical specialty positions established. This is due to the fact that all programs in the survey respondents' group were established using the existing human resources of the Customs (Figure 3.16).

Figure 3.16. Customs organizational structure for AEO programs



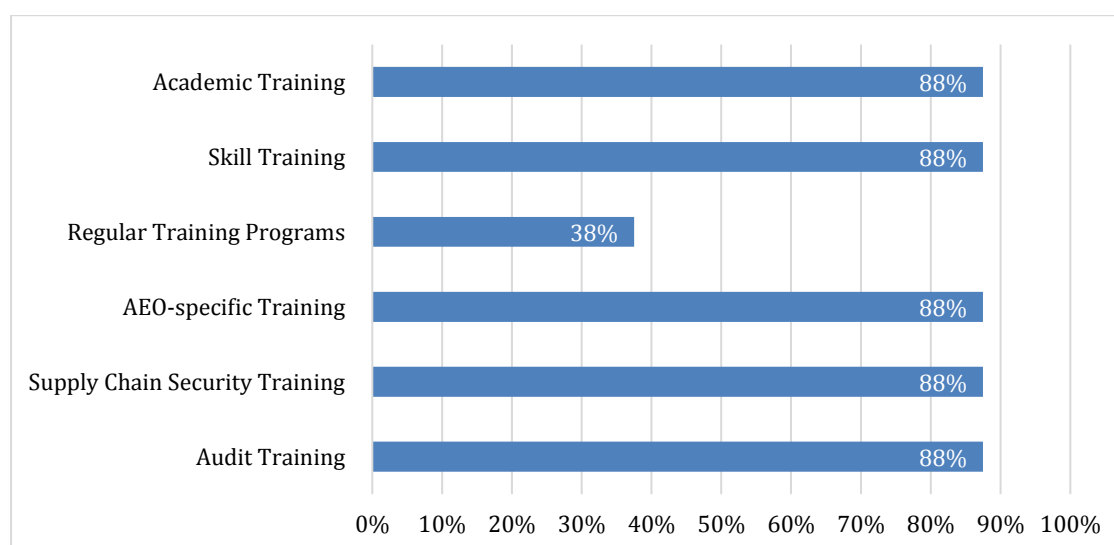
Source: Authors' compilation using survey data.

It is also noteworthy that in 5 out of 7 countries (63 percent convergence), risk management departments assist with AEO program management and oversight. In the AEO design and implementation, it is important to consider the entire supply chain using a multi-layered approach along with intelligence-driven risk management and risk owner concepts. If there is a risk management department in the Customs Authority that is involved with the AEO administration, it can help build a stronger foundation for the design and implementation of the processes using its accumulated knowledge on risk management.

The survey results also show that among OIC member economies, some Customs Authorities prefer to centralize their AEO program in the headquarters while others delegate AEO authority to regional and field offices (with continued guidance by AEO specialists at headquarters). The variety of Customs organizational structures is foreseeable due to the fact that each country is unique in terms of its economic, social and cultural environment.

Training provided to Customs officials variable among survey respondents exhibit a 79 percent convergence. While all Customs Authorities have training and capacity building initiatives for the development and implementation of their AEO programs, regular training programs are missing in general (38 percent convergence). Formalized and ‘regular’ training is particularly important if the AEO program in OIC will start requiring AEO technical specialists from the inauguration of their programs. Almost all best practices around the globe do have such training positions for their specialists (Figure 3.17).

Figure 3.17. Training provided to Customs officers



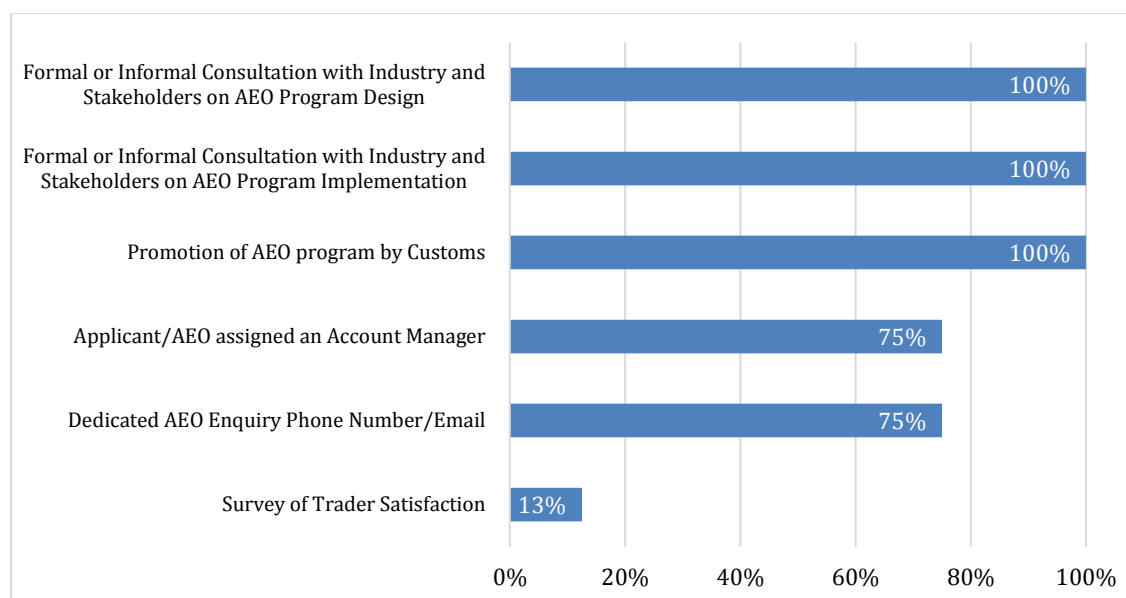
Source: Authors' compilation using survey data.

Theme 6: Partnership between Customs Authority and the private sector

Theme 6 can be considered as one of the core parts of the entire survey. It is composed of partnership initiatives, benefits of AEO programs, mutual recognition agreements and the SME involvement in the program.

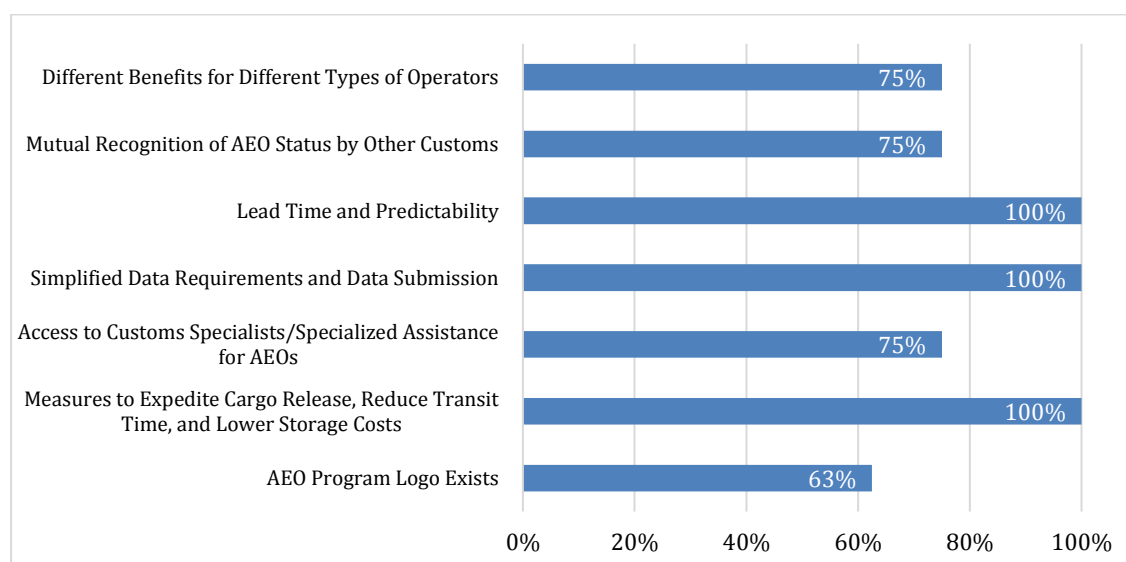
Considering the fact that AEO programs are voluntary, partnership between the Customs Authority and private sector is unavoidable. The results of the survey in terms of the variable **partnership initiatives** point to a 77 percent convergence among OIC AEO programs (Figure 3.18).

Figure 3.18. Partnership initiatives



Source: Authors' compilation using survey data.

Figure 3.19. Benefits of AEOs

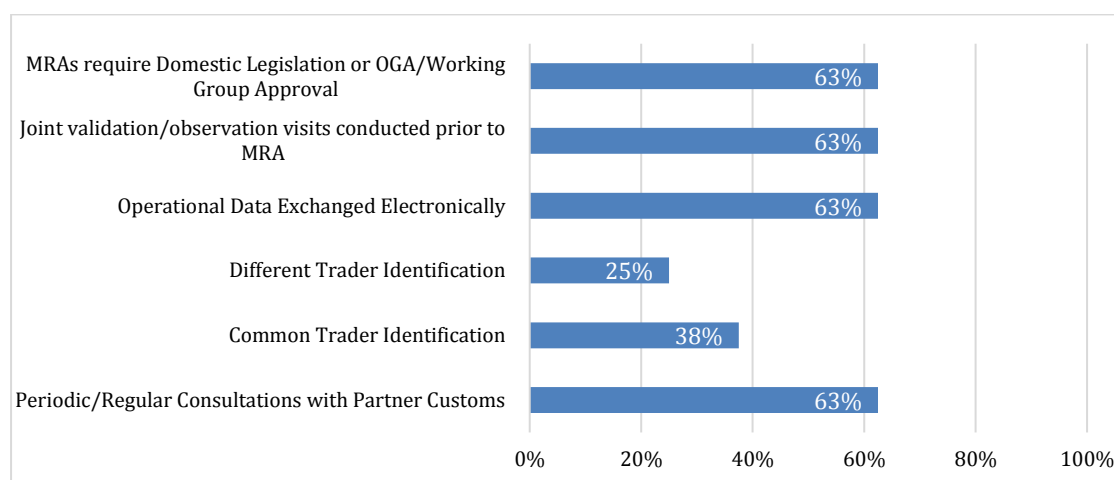


Source: Authors' compilation using survey data.

Survey responses show that there is a high degree of harmonization amongst OIC AEO programs in terms of **benefits of AEOs** with a convergence rate of 84 percent. All survey respondents reported that their AEO programs offer improved lead time and predictability, simplified data requirements and data submission along with different sets of measures to expedite cargo release, reduce transit time, and lower storage costs. Except for Turkey and Egypt, in all countries there are different benefits for different types of operators (Figure 3.19).

In terms of **MRAs** there is a low degree of convergence among OIC AEO programs (52 percent) even though 5 out of 8 survey respondents belong in the Agadir Agreement. This is due to the fact that Indonesia, Oman and Uganda do not have MRAs yet and this causes a decline in the convergence ratios. Indeed, all countries with MRAs (Egypt, Jordan, Morocco, Tunisia and Turkey) require domestic legislation or OGA/working group approval, joint validation/observation visits conducted prior to MRA, operational data exchanged electronically and periodic/regular consultations with partner Customs (Figure 3.20).

Figure 3.20. MRAs

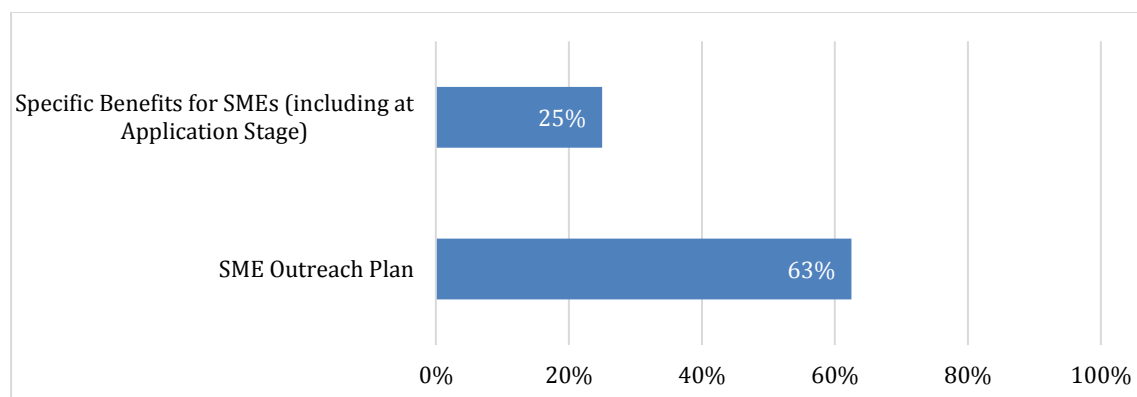


Source: Authors' compilation using survey data.

The final variable under this theme is related to the status of **small and medium sized enterprises** in the AEO programs. It is not surprising that there is low degree of convergence (44 percent) in this variable among OIC AEO programs. Specific benefits for SMEs exist only in 2 of the 8 survey respondents while 5 out of 8 countries do have SME outreach plans (Figure 3.21).

There is an ongoing discussion about the participation of SMEs in AEO programs. Note that the WCO has the position that the AEO concept is envisioned to involve and secure all elements in the international supply chains. A low degree of SMEs participation in AEO programs reduces the potential gains as the vast majority of a supply chain is composed of SMEs in some countries. Therefore, provided that security concerns are addressed, the barriers that prevent SMEs to participate in AEO programs can be reduced by employing different policy options (as discussed in Chapter 5) to guarantee maximum trade-facilitation gains from an AEO program.

Figure 3.21. SMEs

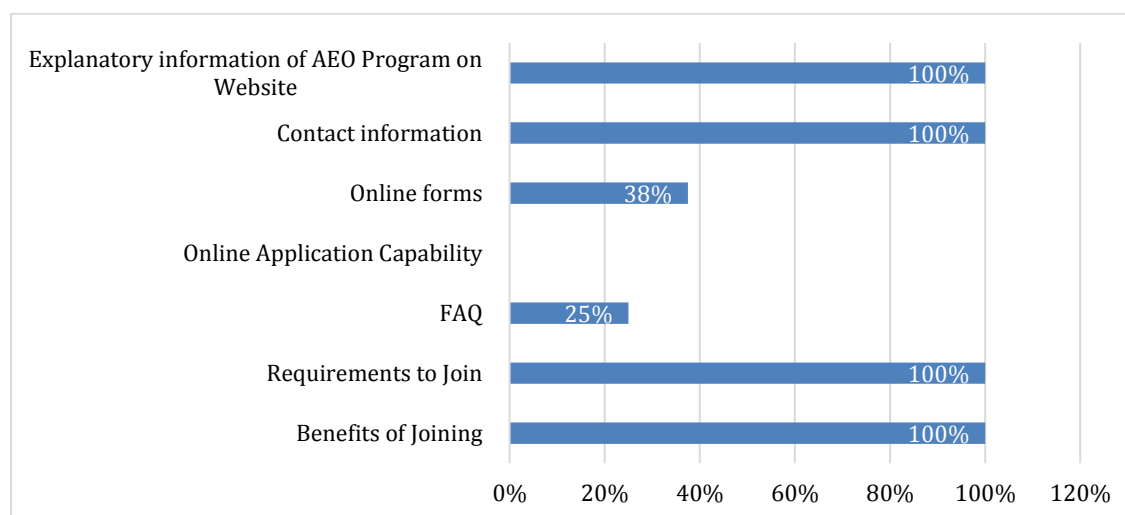


Source: Authors' compilation using survey data.

Theme 7: Accessibility of information on Customs Authority's website about the AEO program

Utilizing a website is the best way to provide consolidated, easily accessible and all-inclusive knowledge about an AEO program. In other words, consolidated information supplied and maintained by the Customs Authority is indispensable to the success of an AEO program. Furthermore, a well-designed and informative website is known to serve as a promotional tool as well.

Figure 3.22. Electronic promotion of the AEO program



Source: Authors' compilation using survey data.

The overall convergence in **electronic promotion of the AEO program** is 66 percent. Among the survey respondents, all AEO programs have websites in their local language (Figure 3.22). However, information in English is either missing or very limited, which need to be improved for the access of multinational corporations. All programs are missing fully online application capability and only 25 percent have frequently asked questions about AEO programs on their websites. Online application capability and FAQ are important tools to make the application

procedure much easier and smoother in terms of the applicant and the Customs Authority and thus must be improved upon.

Country-Level Convergence

Country-level convergence indicates what percentage of all sub-variables is present in a particular AEO program. If a country possesses all the sub-variables, then its score would be 100 percent. This can be considered as a vertical reading of the comparator matrix.

Table 3.6 shows the results of country-level convergence analysis for 8 OIC survey respondents along with two of the international best practices (Japan and Canada) present in APEC (2016). Accordingly, Morocco and Jordan exhibit 83 and 81 percent total convergence, respectively. These countries are followed by Egypt and Turkey (76 percent), Uganda (74 percent), Indonesia (72 percent) and Tunisia (70 percent). The lowest amount of convergence is observed in Oman (66 percent).

This result can be explained by two factors: (i) The age of the program-The correlation coefficient between the launch year of the AEO program and the country-convergence percentage is -0.778 indicating that as the AEO program matures, it embodies a more diverse set of characteristics. (ii) The number of AEO companies-The correlation coefficient between the number of AEO status holders and the country-convergence percentage is 0.710 signifying the fact that a higher number of AEO companies is translated into higher convergence probably through demands of these companies to be more involved in international supply chains coupled with an increasing need for further advancements in the program for security purposes.

Table 3.6. Country Level Convergence

	AEO Launch	#AEOs as of 2018	Convergence
Best Practice Countries			
Canada	2008	1838	83%
Japan	2006	664	83%
OIC Countries			
Egypt	2014	119	76%
Indonesia	2015	80	72%
Jordan	2005	88	81%
Morocco	2006	439	83%
Oman	2017	17	67%
Tunisia	2010	35	70%
Turkey	2013	332	76%
Uganda	2013	51	74%
OIC			75%

Source: Authors' compilation using survey data and APEC (2016)

OIC AEO programs on average show a 75 percent convergence which is comparable to APEC average (73 percent) but lower than the international best practice countries chosen for this

study: Canada (83 percent) and Japan (83 percent). The same reasoning explained above applies to this comparison as well. Canada and Japan have much older and mature AEO programs that are enriched by the needs and suggestions of very high numbers of AEO companies in their programs. The impact of compliance process during the MRA negotiations may also be a factor that increases the convergence for the best practice countries.

3.3.2. Convergence Results of OIC in Comparison to APEC

This section presents a brief comparison of OIC survey with APEC survey in APEC (2016). Table 3.7 shows the variable level convergence across OIC and APEC AEO programs. Bold-faced characters in the table signify the variables that have a higher-level convergence compared to the other country group. Moreover, the variables are sorted from the highest to the lowest levels of convergence using the OIC results. In other words, in the OIC AEO programs the highest levels of convergence are observed for self-assessment mechanism along with physical security and compliance requirements. However, the lowest levels of convergence appear to be in the areas of SMEs, MRAs and types of operators.

Table 3.7. Variable Level Convergence across OIC and APEC

Variable	OIC	APEC
Self-Assessment Mechanism	100.0%	92.2%
Physical Security Requirements	100.0%	89.8%
Compliance Requirements	100.0%	88.2%
Application, Verification & Authorization Procedures	87.5%	79.8%
Benefits for AEOs	83.9%	73.8%
Partnership Initiatives	77.1%	67.7%
Suspension and Revocation	70.8%	80.4%
Training of Customs Officers	79.2%	59.8%
Customs Organizational Structure of AEO Program	75.0%	76.5%
Electronic Promotion of the Program	66.1%	74.8%
Post-Authorization Audit	67.5%	75.3%
Types of Operators	65.6%	55.9%
Mutual Recognition Agreements (MRAs)	52.1%	72.2%
Small & Medium Enterprises (SMEs)	43.8%	29.4%

Source: Authors' compilation using survey data.

Furthermore, the OIC AEO programs exhibit higher levels of convergence in terms of self-assessment mechanism; physical security and compliance requirements; application, verification and authorization procedures; benefits of AEOs, partnership initiatives, training of Customs officials, types of operators and SMEs compared to the APEC AEO programs. Meanwhile, the APEC AEOs perform better convergence in terms of suspension and revocation procedures, customs organizational structure, electronic promotion of the program, post-authorization audit and MRAs.

Table 3.8 presents comparative sectoral convergence rates of AEO programs in OIC and APEC member countries. First of all, in both country groups there is perfect convergence in terms of manufacturing. In other words, all AEO programs in both of these groups are opted by

manufacturing companies. This is hardly ever surprising considering that trade of goods happens through mostly manufacturing companies.

While there is more convergence across the OIC AEO programs in mining, energy and other services, the same is true for agriculture, wholesale and retail trade as well as transportation and storage services across the APEC AEO programs. These results seem to highlight the comparative advantage sectors of these two country groups. Many of the OIC members do have rich mineral resources that give rise to more convergence in mining and energy in OIC AEO programs. On the other hand, APEC members tend to be among the trade champions of the world where manufacturing trade needs to be supported by services production and trade, which gives rise to better convergence in traditional services sectors such as wholesale/retail and transportation services.

Table 3.8. Sectoral Convergence across OIC and APEC

Sector	OIC	APEC
Agriculture, Forestry, & Fishing	50.0%	63.6%
Mining & Quarrying	50.0%	18.8%
Manufacturing	100.0%	100.0%
Energy	37.5%	36.4%
Wholesale & Retail Trade	50.0%	72.7%
Transportation & Storage	62.5%	72.7%
Other Services	62.5%	45.5%

Source: Authors' compilation using survey data.

Comparison of convergence in terms of the types of operators between the OIC AEO programs and the APEC AEO programs are presented in Table 3.9. The most noteworthy result is related to the exporters. While there is 100 percent convergence in exporters in the APEC AEO programs, it is 75 percent convergence in the OIC AEO programs. This is due to the higher export-orientation of the APEC member countries. However, when it comes to the bridging elements of the international supply chains, in other words Customs brokers, warehouse operators and logistics operators, the OIC AEO programs maintain a much higher convergence than their counterparts in APEC.

Table 3.9. Operator Type Convergence across OIC and APEC

Types of Operators	OIC	APEC
Importer	87.5%	88.2%
Exporter	75.0%	100.0%
Customs Broker	75.0%	64.7%
Warehouse Operator	75.0%	58.8%
Logistics Operator	62.5%	35.3%
Manufacturer	87.5%	52.9%
Port/Terminal Operators	12.5%	35.3%
Other	50.0%	11.8%

Source: Authors' compilation using survey data.

3.4 Comparison of AEO Programs in OIC with Best Practices

The three best practice countries that were analyzed in Chapter 2, Canada, the EU and Japan, have launched their AEO programs in 2-3 years following the SAFE Framework (Table 3.10). Among the OIC Member states, Jordan and Morocco are the two countries that initiated an AEO program instantaneously with SAFE. The remaining 10 AEO programs were designed in 2010 and afterwards. As mentioned in the previous Section 3.1, there is an advantage for early starters in terms of compliance and number of operators. However, it is not only the launching year that determines the number of operators in a program, financial and operational capabilities of the traders in a country as well as trade volume are among the reasons.

Table 3.10. Comparison of AEO Programs: Best Practices & OIC Countries

	# Operators	Year of launch	# MRAs	
			Bilateral	Multilateral
Best Practice Countries				
Canada	1838	2008	6	
EU	19001	2008	6	
Japan	664	2006	8	
OIC Countries				
Azerbaijan	2	2013	--	--
Brunei Darussalam	--	2017	--	--
Egypt	124	2014		1
Indonesia	80	2015		
Jordan	88	2005	1	1
Malaysia	59	2010	3	
Morocco	439	2006		1
Oman	17	2017		
Saudi Arabia	6	2018		
Tunisia	35	2010		1
Turkey	332	2013	1	
Uganda	51	2013		

Source: Authors' compilation using WCO (2018) data.

Involving in a Mutual Recognition Agreement is important for an AEO Program, both from the Customs and traders perspective as discussed in Chapter 2. For a country to seek for an MRA takes time as it requires the AEO program to be settled and well-functioning. Therefore, it is understandable that the best practices in this study, Canada, the EU and Japan have already

signed 6-8 MRAs. Among OIC countries, Malaysia is leading in signing MRA contracts, they have 3 MRAs. Egypt, Jordan, Morocco and Tunisia have signed Agadir Agreement, which is an MRA within the region. Turkey and Jordan has two separate MRAs. However, in the OIC region the countries which has established an AEO program in the last few years have not involved in an MRA yet, as expected. Tables 3.11 and 3.12 present concluded and negotiated MRAs.

Table 3.11. Concluded MRAs of OIC Countries

Date	Countries
June 2008	Jordan-USA
June 2014	Korea-Turkey
April 2016	Agadir Agreement Member States: Tunisia, Egypt, Jordan,
March 2016	Hong Kong, China and Malaysia
July 2017	Korea, UAE
October 2017	Korea, Malaysia
June 2014	Malaysia-Japan

Source: Authors' compilation using WCO (2018) data.

Table 3.12. MRAs being negotiated of OIC Countries

Countries
Malaysia-Thailand
Malaysia-China
China-Kazakhstan
Iran-Russia
EAC (Burundi, Kenya, Rwanda, Tanzania and Uganda)-Korea
Kazakhstan-Turkey
Kazakhstan-Korea
Saudi Arabia-UAE
CEFTA (Albania, Bosnia and Herzegovina, Macedonia, Moldova, Montenegro, Serbia and Kosovo (United Nations Interim Administration Mission in Kosovo on behalf of Kosovo)).

Source: Authors' compilation using WCO (2018) data.

In all the AEO programs in OIC region and best practices, importers are targeted as holders of AEO status (Table 3.13). Except Oman, exporters are the second targeted group of companies to be involved in the programs.

Transporters, warehouses and Customs brokers have been given the right to apply to AEO programs in Canada, the EU and Japan. By covering the whole supply chain, all the transactions of an AEO will be prioritized and secured utilizing all the benefits provided. Among the OIC

Member States only half of them include all the supply chain (except QIZ) into the AEO programs.

Table 3.13. Comparison of the Types of AEO operators: Best practices and OIC countries

	Importer	Exporter	Transporter	Warehouse	Qualified Industrial Zone (QIZ)	Customs Broker
<i>Best Practice Countries</i>						
Canada	✓	✓	✓	✓		✓
EU	✓	✓	✓	✓	✓	✓
Japan	✓	✓	✓	✓		✓
<i>OIC Countries</i>						
Azerbaijan	✓	✓	✓	✓	✓	✓
Egypt	✓	✓		✓		✓
Indonesia	✓	✓				
Jordan	✓	✓	✓	✓	✓	✓
Malaysia	✓	✓	✓	✓	✓	✓
Morocco	✓	✓	✓	✓		✓
Oman	✓		✓	✓		✓
Saudi Arabia	✓	✓	✓	✓		✓
Tunisia	✓	✓	✓	✓		
Turkey	✓	✓	✓			
Uganda	✓	✓		✓		✓

Source: Authors' compilation using WCO (2018) data

Table 3.14 presents a comparison of the benefits provided to AEO holders in OIC countries and best practices. The best practice countries, namely Canada, the EU and Japan, provide less benefits compared to the OIC countries on average. There may be several reasons behind this: (i) The operators in the best practice countries may be more prone to follow the practices of the Customs compared to the ones in the OIC region, (ii) The cost to companies would be lower in the best practice countries as they may already satisfy the compliance requirements. Therefore, limited benefits would still cover the costs, (iii) Trade volumes of the companies in the best practice countries may be so much higher that limited benefits provided by the AEO programs would be cost- and time-efficient.

Table 3.14. Comparison of the Benefits of AEO programs: Best practices and OIC countries

	Green lane	Incomplete declarations	Simplified declarations	Off working hours transactions	Reduced guarantees	Local clearance	Priority treatment	Withholding tax exemption	Pre-clearance	Deferred payment of Customs duty	CRM
Best Practice Countries											
Canada	✓										✓
EU	✓					✓	✓				
Japan	✓	✓	✓			✓			✓	✓	
OIC Countries											
Azerbaijan			✓	✓		✓					
Egypt	✓						✓				✓
Indonesia			✓	✓	✓		✓			✓	✓
Jordan	✓	✓		✓	✓		✓		✓		
Malaysia	✓		✓							✓	
Morocco	✓				✓	✓	✓				
Oman	✓	✓					✓		✓		
Saudi Arabia	✓			✓		✓	✓				✓
Tunisia	✓		✓	✓	✓		✓		✓		✓
Turkey	✓	✓			✓	✓	✓				
Uganda	✓		✓			✓	✓	✓	✓		✓

Source: Authors' compilation using WCO (2018) data.

The authorization process time is around 1-3 months in the AEO Programs of best practice countries (Table 3.15). In the OIC region there are 3 countries requiring more time to process the application and authorizing the company as an AEO: Morocco, Tunisia and Uganda. It takes 4 months and 8 months for Tunisia and Morocco to process the application until authorization. However, the outlier is Uganda which takes for at least 30 months to process the application.

Table 3.15. Comparison of Length of Authorization Process: Best Practices and OIC Countries

Authorization Process days, at least	
<i>Best Practice Countries</i>	
Canada	--
EU	90
Japan	30
<i>OIC Countries</i>	
Egypt	60
Indonesia	60
Jordan	60
Morocco	240
Oman	30
Tunisia	120
Turkey	90
Uganda	900

Source: Authors' compilation using survey data.

3.5 AEO Programs and Effectiveness of Customs

There are two pillars of the AEO programs: safe and secure trade and trade facilitation. In other words by implementing the AEO programs Customs aim to divert their resources to high risk transactions and become a more efficient organization. In this respect Table 3.16 provides a comparison of trade costs and efficiency among countries with AEO programs and without AEO programs, the World average and the best practices⁷. All the figures are the averages of 2016-2017 (except the EU and Iran, where 2017 data are not available; no data for Turkmenistan and Yemen). The first column presents the burden of Customs procedure indicator (from 1=extremely inefficient to 7=extremely efficient). The average efficiency of Customs in the World is 4.1. The efficiency of best practice countries is much higher, around 5. In the table, the most efficient Customs is Malaysia. The striking point is that in the OIC region, the Customs implementing an AEO program is much efficient comparing to countries where there is no AEO program. Though, due to limited time dimension, before and after comparisons are not possible to conduct, hence it is hard to say that AEO brings efficiency as the causality may run in two ways.

⁷ There are many factors that affect Customs efficiency and trade costs. However, the figures still indicate the difference between AEO implementing countries and others on trade costs, time and efficiency.

Table 3.16. Comparison of Trade Costs among countries with and without AEO

	Efficiency	Cost to export		Cost to import		Time to export		Time to import	
		Border	Documentary	Border	Documentary	Border	Documentary	Border	Documentary
World	4.1	399	142	465	167	59	58	79	69
Best Practice Countries									
Canada	5.0	167	156	172	163	2	1	2	1
Japan	5.0	265	54	299	107	23	2	40	3
The EU	4.9	85	17	29	4	8	1	2	1
OIC Region									
AEO	4.2	277	118	431	226	50	46	104	81
Azerbaijan	3.8	214	300	300	200	29	33	30	38
Brunei Darussalam	4.0	340	90	395	50	117	159	48	136
Egypt, Arab Rep.	3.9	258	100	554	1000	48	88	240	265
Indonesia	4.1	254	154	383	164	53	61	99	126
Jordan	4.7	131	16	181	30	38	6	79	55
Malaysia	5.2	321	45	321	60	47	10	71	10
Morocco	4.4	156	107	228	116	19	26	106	26
Oman	4.5	233	107	374	124	52	15	70	15
Saudi Arabia	4.6	338	105	779	390	69	86	228	127
Tunisia	3.1	469	200	596	144	50	3	80	27
Turkey	3.9	376	87	655	142	16	5	41	11
Uganda	4.1	229	102	412	296	68	58	154	138
CCP	3.5	660	265	670	358	110	98	126	116
No AEO	2.0	476	212	597	273	69	81	98	98

Source: Authors' own calculation from World Development Indicators of the World Bank. All the indicators are the average between 2016-2017.

Columns 2-5 of Table 3.16 present cost and time to export and import. In the OIC region, the average time and cost to import and export for 2016-2017 average is much lower for the countries implementing an AEO program compared to OIC countries without an AEO program. Nonetheless, time to export and import on average for the AEO programs in the OIC region is much higher than the best practice countries. Scrutinizing the cost to export and import, they are much higher than the best practice countries in the OIC AEO programs (except Canada), on average.

Table 3.17 presents the logistic performance indicators of the World Bank in 2016 for the OIC countries and the best practices. Similar to trade costs, logistic performance indicators related to the AEO program, namely, Customs (Column 3), Tracking & tracing (Column 7) and Timeliness (Column 8) are higher in best practice countries compared to the OIC region. Moreover, the OIC countries with an AEO program have higher Customs sub-logistic performance indicator, compared to countries without an AEO program.

The only outlier country is the United Arab Emirates. They have much higher logistic performance among all indicators than the AEO average in the OIC region. Moreover, they are doing much better than the EU average in logistics.

3.6 OIC Member States not implementing an AEO Program

Among the OIC Member States, there are 33 countries that do not implement either an AEO Program or a CCP. Some of the countries in the region are planning to initiate an AEO program based on their responses to the surveys. However, some other countries in the region do not intend to design a program. The reasons behind this decision are inferred using the survey results along with authors' own assessment of literature and listed as follows:

- ***Financial incapability of the firms:*** Financial viability of the AEO holding company is particularly important for the ability to maintain and improve upon the existing measures to secure the supply chain. The company should satisfy physical, infrastructural, and procedural security which is costly.
- ***Trade volume insufficiency:*** Obtaining the AEO status has some fixed costs and operational costs for the company. There might be a threshold in regards to the volume of trade for each company that brings benefits more than the costs of the application and maintenance of the AEO. In some of the countries, the number of companies that can pass this threshold might be very few.
- ***No demand from the private sector:*** The consultations of the Customs with the private sector would prevent the Customs to initiate an AEO program due to lack of demand.
- ***Trade partners:*** The countries' trade partners and whether they have an AEO program would be an important indicator for a country to initiate an AEO program.
- ***Lack of capacity at the Customs:*** In order to initiate an AEO program, the Customs needs to improve its infrastructure and human capital in line with the SAFE Framework and international standards. Canada enhanced its existing Partners in Protection Program by devoting 11.6 million CAD (10.8 million USD) in order to comply with the SAFE Framework and international standards. For the countries in OIC region the cost of initiating an AEO Program may not be as high as what Canada spent, but still there is a burden which may not be a priority for the country.

Table 3.17. Logistic Performance index in 2016

	LPI Score	Customs	Infra-structure	Int. shipments	Logistics competence	Tracking & tracing	Timeliness
Best Practice Countries							
Canada	3.93	3.95	4.14	3.56	3.90	4.10	4.01
Japan	3.97	3.85	4.10	3.69	3.99	4.03	4.21
The EU	3.61	3.43	3.56	3.49	3.55	3.65	3.98
OIC Region							
AEO	3.04	2.70	2.95	3.10	2.97	3.04	3.45
Brunei	2.87	2.78	2.75	3.00	2.57	2.91	3.19
Egypt	3.18	2.75	3.07	3.27	3.20	3.15	3.63
Indonesia	2.98	2.69	2.65	2.90	3.00	3.19	3.46
Jordan	2.96	2.55	2.77	3.17	2.89	2.96	3.34
Malaysia	3.43	3.17	3.45	3.48	3.34	3.46	3.65
Morocco	2.67	2.22	2.46	3.09	2.59	2.34	3.20
Oman	3.23	2.76	3.44	3.35	3.26	3.09	3.50
Saudi Arabia	3.16	2.69	3.24	3.23	3.00	3.25	3.53
Tunisia	2.50	1.96	2.44	2.33	2.59	2.67	3.00
Turkey	3.42	3.18	3.49	3.41	3.31	3.39	3.75
Uganda	3.04	2.97	2.74	2.88	2.93	3.01	3.70
CCP							
Algeria	2.77	2.37	2.58	2.80	2.91	2.86	3.08
Cameroon	2.15	2.09	2.21	1.98	2.32	2.04	2.29
Iran	2.60	2.33	2.67	2.67	2.67	2.44	2.81
Kazakhstan	2.75	2.52	2.76	2.75	2.57	2.86	3.06
Mozambique	2.68	2.49	2.24	3.06	2.44	2.75	3.04
Senegal	2.33	2.31	2.23	2.25	2.39	2.15	2.61
Sudan	2.53	2.23	2.20	2.57	2.36	2.49	3.28
UAE	3.94	3.84	4.07	3.89	3.82	3.91	4.13
Others	2.45	2.31	2.26	2.51	2.40	2.36	2.82

Source: Authors' own calculation from Logistic Performance Indicators of the World Bank.

- ***Lack of Training at the Customs:*** Implementing an AEO program requires a group of well-trained personnel dedicated to process the application and evaluation of the AEOs.
- ***Lack of Awareness at the Customs and at the firms:*** Recognition of the importance of the security of the supply chain both at the company level and the Customs are in the core of the program. Related education and training is the key to introduce awareness on the issue, which would take time in some of the countries.
- ***Institutions:*** The institutional structure of the country may not be appropriate for adoption of an AEO program.

3.7. Major Achievements and Challenges

In the light of the analysis of survey responses, this section presents the major achievements and challenges of the OIC AEO programs by illuminating the most and the least commonly incorporated features in these programs.

It has to be noted that 37 of 92 sub-variables in the survey exhibit 100 percent convergence across the OIC AEO programs as shown in Table 3.18. This is a praiseworthy accomplishment considering the importance of harmonization across countries to maximize the gains from AEO programs.

Achievement 1- Self-assessment procedure has become standard across the OIC AEO programs.

Having perfect convergence of the OIC AEO programs in terms of the existence of self-assessment procedures is important for achieving the objectives of these programs. Solution of any problem starts with awareness. Companies need to be self-aware of their strengths and weaknesses if trade facilitation and security/safety of international supply chain are to be obtained. It is granted that there are wide differences between the scope and length of self-assessment questionnaires that are used in the OIC AEO programs. However, as the programs mature, these questionnaires are simplified to the extent that they still achieve their purpose and updated to reflect the new developments in the ways of conducting business across borders. OIC case studies presented in Chapter 4 provide examples to this effect.

Achievement 2- The line of procedure from application to post-authorization show a great degree of similarity within the OIC AEO programs. Furthermore, there exists maximum level of convergence in terms of compliance and physical security requirements.

It is one of the most desirable features of successful MRAs to have harmonized application, verification, authorization and post-authorization procedures as well as very similar criteria to be eligible for the AEO status. The OIC AEO programs exhibit high-degrees of convergence in terms of many sub-variables of these procedures. What is more, there is 100 percent convergence in terms of existence of compliance and physical security requirements. Naturally, these requirements vary in their depth as well as austerity and therefore there is still room for improvement. However, it is possible to say that the basic groundwork has already been laid in terms of AEO application processes and eligibility criteria.

**Table 3.18. Most Commonly Incorporated Sub-Variables in OIC AEO Programs:
(100 percent convergence)**

Application, verification, and authorization procedures	Suspension, revocation and cancellation procedures
Application (with security profile/Self-Assessment)	AEO status can be changed/suspended/cancelled
Review of Security Procedures	Customs organizational structure for AEO programs
Onsite Validation/Verification audit	Internal Checks/Controls
Comprehensive Compliance Assessment	Formal Reporting Systems
Company Background and Operating Environment	AEO Program Standard Operating Procedures or Guidelines Exist
Self-assessment procedures	AEO Program Implemented Through Administrative Initiative
Operator-Submitted Accounting Information	Partnership initiatives
Customs Provided Self-Assessment Checklists for Operators	Formal or Informal Consultation with Industry and Stakeholders on AEO Program Design
Customs Examination of Self-Assessment during Validation	Formal or Informal Consultation with Industry and Stakeholders on AEO Program Implementation
Compliance requirements	Promotion of AEO program by Customs
Positive Customs Compliance Record	Benefits of AEOs
Financial Viability	Lead Time and Predictability
Audited Financial Statements	Simplified Data Requirements and Data Submission
Internal Controls (including System for Management of Commercial Records)	Measures to Expedite Cargo Release, Reduce Transit Time, and Lower Storage Costs
Meet Security/Safety Requirements	Electronic promotion of the AEO program
Physical security requirements	Explanatory information of AEO Program on Website
Physical Site Security	Contact information
Access Control	Requirements to Join
Procedural Security	Benefits of Joining
Container, Trailer, and Rail Car Security	
Data and Document Security	
Personnel Security	
Goods (including Storage) Security	
Transportation/Conveyance Security	
Business Partner Requirements	

Source: Authors' compilation using survey data.

Achievement 3- AEO programs in the OIC member countries offer a diverse set of benefits across the board.

The attractiveness of an AEO program is closely related to the benefits it offers for its holders. The OIC AEO programs exhibit a diverse set of benefits that provide concrete reductions in costs of international trade and improvements in gains from it through trade facilitation measures such as a higher degree of predictability, simplified data requirements and a plethora of measures to expedite cargo release, to reduce transit time, and to lower storage costs.

Achievement 4- All OIC Customs Authorities are aware of the importance of private sector partnership and the promotion of the program.

AEO programs are essentially voluntary and require continued cooperation between the Customs Authority and private sector. Formal and informal consultations with the private sector representatives in design and implementation of the AEO programs in OIC are expected to increase the success of the operational programs. There exists a high degree of convergence across countries in terms of these factors.

Achievement 5- Client relations management that is used by a number of OIC AEO programs increases the attractiveness and the viability of the program.

The idea and application of having a designated expert in the Customs Authority to answer the questions of AEO holders is very effective as it reduces the unnecessary and fruitless endeavors of the companies in Customs matters and increases the sense of belonging to the program. However, client relations management practice requires the Customs Authorities to cope with higher demand for personnel as the numbers of AEO holders in the countries rise.

The second part of this section deals with the challenges that are identified after carefully examining the survey responses and the comparator matrix. Table 3.19 reports least commonly incorporated sub-variables in the OIC AEO programs, which fundamentally point out to the difficulties that need to be overcome for successful AEO design and implementation.

Challenge 1- Low incidence of consultation with Customs prior to application may lengthen the authorization timeline and increase the cost.

There seems to be a rather low level of consultation in the pre-application period in many OIC AEO programs. Only Jordan, Oman and Uganda have formalized processes where applicants consult with the Customs Authority prior to application. This consultation may be in the form of a compulsory expression of interest or a formalized voluntary meeting between the applicant and the Customs Authority. Having a priori consultation with the Customs may help the applicant reduce mistakes during the application process and thus shorten the authorization timeline. Moreover, the applicant can save from external consultant costs.

Challenge 2- Lengthy AEO approval times may reduce predictability in the approval process and diminish interest in AEO status.

Related to Challenge 1, even though almost all OIC members have very similar application procedures, the timelines of authorization are somewhat different as reported in Table 3.15. Oman seems to be the fastest with 30 days followed by Jordan and Indonesia with 60 days. Oman and Jordan are among the countries with formalized pre-application consultancy procedures. These countries are followed by Turkey, Tunisia and Morocco with 90, 120 and 240 days, respectively. Uganda is a significant outlier with at least 900 days to authorize despite the existence of pre-application consultancy procedures.

These numbers are the minimums and they can get higher. However, it is vital for a voluntary program to assure its audience that the timeline from application to authorization adheres to strict deadlines in an efficient way. Otherwise an initiative like the AEO program implementation that aims to secure the international supply chain as well as facilitate trade defeats its purpose by creating unpredictability.

Furthermore, it is noted that all OIC AEOs that responded to the survey are missing online application capability and many lack a specific section on their websites on frequently asked questions. The presence of these tools is critical in reducing the difficulty of application and verification procedures as in international best cases.

Table 3.19. Least Commonly Incorporated Sub-Variables in OIC AEO Programs

Sub-Variables	Convergence
Application, verification, and authorization procedures	
Consultation with Customs prior to Application	50%
Post-authorization audit	
Regular Re-validation Mechanism	38%
Suspension, revocation and cancellation procedures	
Appeals Process Exists	38%
Customs organizational structure for AEO programs	
Communication with Other Government Agencies about AEO Program	38%
New Customs Technical Specialty Positions Established	0%
Training provided to customs officers	
Regular Training Programs	38%
Partnership initiatives	
Survey of Trader Satisfaction	13%
SMEs	
Specific Benefits for SMEs (including at Application Stage)	25%
Electronic promotion of the AEO program	
Online forms	38%
Online Application Capability	0%
FAQ	25%

Source: Authors' compilation using survey data.

Challenge 3- The low degree of regular re-validation mechanisms for compliant AEOs and formal appeals processes in cases of suspensions or cancellations may reduce the attractiveness of AEO status.

Firstly, within OIC AEO programs some countries adopted indefinite AEO authorization with need-based post authorization audits, while others opted for an expiry date for the authorization followed by formal revalidation procedures. Depending upon the characteristics of the Customs organization and ingrained bureaucratic traditions of the country, it is natural to observe differences in this respect. However, interviews with the private sector

representatives and Customs officials in the case study countries show that revalidation rather than complete reapplication is much less burdensome for both parties.

Secondly, there is a low degree of convergence in terms of appeals processes within OIC AEO programs. Having a formal appeals process is important in terms of voice and accountability. Voice here is the right to be able to stand upon one's rights, while accountability refers to the assumption of responsibility for actions. All international best cases analyzed in Section 2 have appeals processes in cases of suspension, revocation or cancellation.

Challenge 4- Communication of Customs Authority with private sector and other government agencies may not be at desirable levels.

Once again AEO programs are voluntary-based and heavily depend on open communication channels between the Customs Authority and the stakeholders.

Firstly, there seems to be perfect convergence in terms of formal or informal consultations with industry and stakeholders on AEO program design and implementation as well as promotion of AEO programs by OIC member Customs. However, it is hard to gauge the degree, quality and impact of these through survey results only. One should note that insufficient consultation with the private sector can be challenging as it is possible to cause potential misconceptions about the anticipated benefits, thereby reducing the incentives for companies of becoming an AEO.

One particular area where there is need for improvement is the survey of AEO company satisfaction. Except for Morocco, no country has this feature in their AEO program. It is important to have regular surveys to collect data on success and challenge factors of the particular AEO program so that improvements can be devised and applied.

Secondly, communication with other government agencies within OIC AEO programs is low. Note that the WCO revised the SAFE Framework in June 2015 and recently added Pillar 3, which identifies specific technical standards to ensure that the AEO program has the support of other government stakeholders.

Challenge 5- All Customs Authorities choose to use their existing resources for the AEO design/implementation, which causes scarcity or misallocation of resources.

Table 3.19 shows that none of the OIC AEO programs established new Customs technical specialty positions for their AEO programs. The transfer of existing personnel to the AEO design and implementation may cause problems in at least two respects: (i) The transferred staff may not be endowed with the knowledge and the skills necessary to successfully operate; (ii) As the numbers of AEO companies increase, there might be a noticeable deficit in qualified personnel to handle the verification, authorization and post-authorization processes.

Challenge 6- In spite of the number and the diversity of benefits offered in the OIC AEO programs, these benefits may not be worthwhile to join the program in an economy that already has many trade facilitation measures in place.

This is one of the main challenges for countries that adopted AEO programs in the aftermath of other trade facilitating measures in their countries. Therefore, it is important to involve the private sector during the design phase to pinpoint the needed tangible benefits that can attract companies to apply for AEO status. Otherwise, the private sector will not show enough interest

in voluntarily joining an AEO program and thereby obstructing improvements in its own and country's supply chain security.

Challenge 7- Inflexibility and prescriptive nature of security requirement may become insurmountable barriers for SMEs and prohibit their participation in the program.

Traditionally, small and medium-sized enterprises are defined as firms with 10-250 employees. WTO (2016) reports that SMEs made up two-thirds of formal non-agricultural private employment in 99 emerging and developing countries using World Bank Enterprise Surveys. Moreover, export intensity (export/sales) of SMEs is just 7.6 percent in the manufacturing sector, as opposed to 14.1 percent for large manufacturing companies. According to WTO (2016), Africa has the lowest export intensity of SMEs at 3 percent, compared to 8.7 percent for developing countries in Asia. Services export intensity of SMEs is very small (0.9 percent) as opposed to 31.9 percent for large companies.

The OIC AEO programs seem to favor large businesses. This is due to the fact that the costs involved in upgrading security systems to meet AEO requirements seem astronomical for SMEs. Requiring all-over fencing for all AEOs, 24-hour security services and constant tracking technology for cargo may become prohibitive barriers for the SMEs.

There is a low level of convergence in terms of SMEs' involvement in the OIC AEO programs. This may be due to lack of connection between SMEs and Customs Authorities during AEO design and implementation. The percentage of programs in the OIC economies with specific SME participation during design is not high. However, many countries do have outreach plans as discussed in Chapter 4.

A Brief Evaluation of the Convergence Analysis

In the previous sections of this Chapter, a very detailed horizontal (variable level) and vertical (country level) analyses of the comparator matrix that has emerged as a result of the survey responses were presented.

The results of these analyses can be used to assess the regional MRA readiness of OIC Member States with each other. Furthermore, APEC comparisons can be employed to gain insights about how these two blocs stand with respect to each other in terms of AEO design and implementation. There may be lessons to be learnt for both parties.

The calculated average of 75 percent vertical convergence among OIC Member States shows that these 8 countries resemble each other in many ways. Some of these countries have already involved in regional MRAs (Agadir Agreement) with each other and they show a higher degree of convergence.

For future MRAs, the horizontal (variable-level) reading of the matrix gives clues about the success and challenge factors in the design and implementation of AEO programs across countries. As a result, the horizontal readings provide insights about AEO features where there is a pressing need for harmonization before attempting a bilateral/regional MRA between OIC Member States.

4. COUNTRY CASE STUDIES

In the scope of this study, three countries are visited, namely Jordan, Turkey and Uganda to gather extensive information regarding AEO design and implementation experiences. Annex V and VI present the interview questions designed for the private sector and the government, respectively.

4.1. The AEO CASE STUDY of JORDAN

4.1.1. Evolution of the AEO Program

4.1.1.1. Background

Jordan Customs initiated an authorized economic operators program, known as the Golden List (GL) program in 2005. The program was designed and implemented under the supervision of the Risk Management Department of the Jordan Customs.

The GL program grants preferential treatment to companies that exhibit a low degree of risk and an excellent compliance history in Customs. The program is based on voluntary compliance by supply chain companies to Jordanian regulations and legislations as well as international security requirements.

The GL program was launched in 2005 with the aim of supporting the national economy, increasing the level of safety for supply chain companies, encouraging investment and complying with the WCO standards to secure and facilitate global trade.

The Customs dealings of the Jordanian companies were mainly based on the concepts of audit and selectivity in 1998-2005 period during which firms with no Customs Law violations and correct value declarations were given privileges in their dealings with the Customs.

In the pre-2000 period, the risk assessment of the companies was based on manual declarations and the related Customs managers' prerogative. However, in year 2000, the Jordan Customs adopted a system of electronic declarations based on real time information about traders. Coupled with the foundation of the Risk Assessment Directorate in 2004, there have been great strides in terms of objectivity of Customs risk assessment process in Jordan.

4.1.1.2. AEO Design

The very first step of the GL design of Jordan can be traced back to September 2003 when Jordan Customs and USAID agreed to design an AEO program. In other words, Jordan leveraged donor assistance to develop its GL program and succeeded in achieving recognition from U.S. Customs and Border Protection.

The WCO SAFE Framework Standards, which were developed simultaneously, were integrated to the program. The design of the GL program in terms of compliance has benefited from the EU's program as a benchmark. A field visit to the Netherlands and technical support from Italy were utilized to develop and implement the GL program.

Legal base of the GL Program is the Customs Law 20/1998. There were two amendments in 2005 and 2011 without an explicit clause on the GL program.

Table 4.1. Timeline of the Development of the Jordan Customs Golden List Program

September 2003. Jordan Customs and USAID agree to design and implement an AEO Program.	October 2004. Compliance manuals for each industry segment are drafted.
October 2003. Jordan Customs completes the legal research necessary to create an enabling environment.	December 2004. At the WCO biannual meeting in Amman, informal discussions between Jordan Customs Department and CBP are held.
November 2003. Compliance audit training is conducted.	March 2005. The WCO provides an advance copy of the SAFE Standards to validate the Jordan Customs Department's Golden List Program planning.
February 2004. The first public information seminar is held.	May 2005. Jordan Customs Department provides training to private sector companies.
March 2004. Volunteer pilot test companies are selected for all supply chain industries.	June 2005. The WCO issues the SAFE Standards. Jordan Customs begin mutual recognition process, beginning with assessment of Golden List supply chain security components against C-TPAT program.
April 2004. AEO program plan, with final target dates and responsibilities, is drafted.	August 2005. Jordan Customs officially launches Golden List Program and opens participation to other qualified Jordan companies.
May 2004. Jordan Customs Department finalizes its Compliance Audit Manual and participates in a public information seminar sponsored by Customs and the pilot test companies.	

Source: Holler and Schanck (2010).

One of the distinctive features of the GL program design is its alignment with the Project Management Institute (PMI) standards. Table 4.1 presents the timeline of the development of the Jordan Customs GL program.

Golden List, a voluntary based Customs program, was a brand-new doing-business practice in its inaugural years in Jordan and was met with a great degree of skepticism by the private sector. As a result, the initial number of companies applying for the GL program was well below expectations in spite of extensive promotional activities described in Table 4.1.

Furthermore, the impact of the global financial crisis was particularly severe for the private sector in Jordan in terms of satisfying the requirements of GL program applications. As a response, in 2014, Jordan Customs made a legislative change to reduce the number of Customs declarations that is necessary to apply to the program from 100 to 70 as well as a considerable cut down on the paperwork.

4.1.1.3. Current Situation

Currently 88 companies in Jordan holds GL status covering 7.5 percent of imports and 22 percent of exports (Table 4.2). The major increase in the number of GL companies was realized in 2017 after Jordan Customs started to invite eligible companies to apply for the program. There is no sectoral priority as shown in the comparator matrix presented in Annex IV.

Table 4.2. Sectoral Distribution of Golden list companies

Sector	Number of Companies
Import & Export	78
QIZ	3
Warehousing	1
Brokers	2
Carriers	4
Total	88

Source: Jordan Customs

4.1.1.4. Mutual Recognition Agreements

Current

The first MRA of Jordan was signed with the United States of America in May, 2008 with comprehensive coverage in terms of security and rather weaker trade facilitation measures. Since the program was designed with the initiative and the help of the US, the first priority for the US was to guarantee the safe passage of its goods from Jordanian territory and safety/security of imports from Jordan as well.

Next, Jordan signed MRAs with Egypt, Morocco and Tunisia in May 2016 under the framework of Agadir Agreement.

Potential

The volume of trade with a country is the main determinant to initiate MRA negotiations. Jordan plans to negotiate an MRA with Turkey in the near future.

4.1.1.5. Silver List Program

Apart from the GL program, Jordan Customs initiated silver list program (SL) in 2017. The program targets committed SMEs by enabling them to utilize some of the privileges that GL companies enjoy. An additional goal of the program is to motivate committed companies with large business to apply for the Golden List Program.

Customs select the companies from importers and exporters based on analytical studies conducted by Risk Management Directorate that assesses companies' compliance; add the companies to the SL.

The facilities that are provided to the SL companies are as follows:

1. Access in green and yellow lanes.
2. Benefit from pre-clearance service in accordance with the applicable regulations.
3. Prioritize the completion of export and import Customs declarations of Silver List companies via a special indication that appears electronically on the Customs declaration.

Currently, 50 importers and 12 exporters are in the SL. The companies in the SL are reviewed by office auditing at least once a year and continue their existence in the SL in case they are compatible with membership conditions. The SL status holding companies that are eligible to GL status are invited to apply for the GL program by the Customs.

4.1.2. Benefits of the AEO Program

The Golden List program of Jordan aims to support security and facilitate legitimate trade, enhance competitive edge of Jordanian exports globally, create an attractive investment environment in Jordan, improve economic growth and development along with economic and social protection, improve revenue collection and comply with the security requirements of international trade.

In this respect, the expected benefits of the Golden List program are as follows:

4.1.2.1. Safety and Security

Government Perspective

- Optimal use of government resources through channeling of the Customs resources to high-risk shipments
- More secure border transactions and transit trade
- Self-assessment to achieve improved awareness regarding safety and security through on-site audits
- Achieving self- assessment of the supply-chain companies through introducing them to and promoting awareness of Customs regulations.

Private Sector Perspective

- Improvement in safety and security procedures by self-assessment measures through Golden List requirements
- Utilizing consultancy and assistance from Customs

4.1.2.2. Trade Facilitation

Government Perspective

- Time saving transactions-processing
- Improved Business-Customs relationships

Private Sector Perspective

- Reduced number of inspections (by expansion of green lane assignments)
- Reduced post-release compliance audits
- Pre-arrival clearance of goods
- Immediate release of financially guaranteed cargo prior to declaration filing or processing
- Giving priority to process declarations to import/export companies and QIZ
- Exemption of loaded trucks for imports and exports from Customs escorts
- Permitting the release of goods outside official working hours against guarantees
- Double public guarantees for commercial companies
- Double compact guarantees for clearance companies
- Moral support to the companies via letters of appreciation by Customs
- Increased reputation via publishing names of Golden List members on the Customs website.

4.1.3. Implementation

The Risk Management Directorate of Jordan Customs is in charge of the implementation of the Golden List program in Jordan. The Regional Customs Offices which have the central unit for the GL operations take part in the implementation process.

The GL program is promoted through the Customs website, brochures, social media, seminars for trade companies and the Partnership Council. All directorates of the Jordan Customs support the promotion of the GL program.

The operators of GL program in Jordan involve exporters, importers, clearance houses, warehouses, transport and transport management companies along with qualified industrial zones (QIZ).

4.1.3.1. Application

Application can be voluntary or through nomination by Jordan Customs. Application instructions are provided through standard operating procedures, manuals and public notices.

The following documents are submitted to the related Regional Customs Office during the time of application: 1. Organizational structure. 2. Copy of permits granted to brokers by the applicant company. 3. Action manual. 4. List of employees registered in social security. 5. Latest tax return. 6. Audit contract 7. Copy of the ISO certificate if any 8. Tax audit report. 9. Commercial register 10. Application to join the Golden List (Check List).

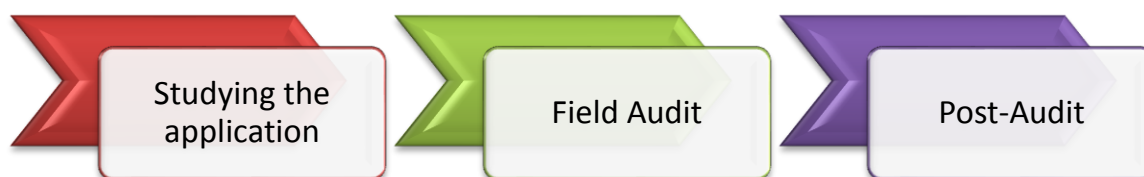
Self-Assessment (Check List)

One of the main requirements of the application procedure is filling out a self-assessment questionnaire which is called "GL Check List". The questionnaire varies with respect to the type of the operator. The total number of questions vary as well but on average there are 100+ questions on topics ranging from Customs expertise to internal control procedures. The common denominator of all questionnaires is the verification of supply chain security with 74 of 100+ questions belonging to this particularly important area.

4.1.3.2. Verification and Authorization

The verification procedures of Golden List applicants involves three-consecutive steps in Jordan as shown in Figure 4.1:

Figure 4.1. Verification Steps



Source: Jordan Customs

Studying the application

The first step of verification procedure is the desk-study undertaken by the Regional and Headquarters Customs officials by checking against a criteria list that varies with the type of the operator (Table 4.3).

Field Audit

The second step of the verification procedure is field audit by Customs officials. The objective of the field visit is to make sure that the company has well-documented “Customs Due Diligence and Supply Chain Security” procedures and to verify that these procedures have been already implemented and strictly-followed by the company.

The audit covers procedural security; access control; security of buildings, cargo, documentation and data, personnel as well as business partners; standard of record keeping system, electronic information sharing as well as financial and accounting control; awareness, education and training.

More specifically, in order to be able to qualify for the GL program: (i) the “fundamental” requirements should be met at 100 percent; (ii) the “important” requirements must again be met at 100 percent but it is acceptable to present plans to improve the required compliance in the specified time limits; (iii) the “desirable” requirements are not mandatory and should be met as much as possible (Table 4.4).

Table 4.3. Criteria List that Varies with the Type of the Operator

Category	Qualified Industrial Zones	Exports	Imports
Criterion I	<p>One of the following conditions should be satisfied:</p> <ul style="list-style-type: none"> • Filed declarations are no less than 100. • The overall declared value of Customs declarations is no less than JD 10 million. 	<p>One of the following conditions should be satisfied:</p> <ul style="list-style-type: none"> • Filed declarations are no less than 50 • The overall declared value of Customs declarations is no less than JD 5 million. 	<p>One of the following conditions should be satisfied:</p> <ul style="list-style-type: none"> • Filed declarations are no less than 70 • The overall declared value of Customs declarations is no less than JD 7 million. • The overall declared fees and general sales tax are no less than JD 700 thousand.
Criterion II	<p>At least a 95% compliance rate calculated with all of the following equations:</p> <ul style="list-style-type: none"> • Percentage difference between fees/ declared fees deducted from 100%. • Percentage difference between guarantees/ guarantees deducted from 100%. • Percentage difference between values/ declared values deducted from 100%. 		
Criterion III	<ul style="list-style-type: none"> • No Customs lawsuits concerning declarations filed and for which the % of fines during 3 years before the application date were greater than 1% of the total declared value for 1 year prior to the application. • No Customs lawsuits against the company indicating its lack of an effective and approved internal controls system. 		
Criterion IV	The company has been actively operating in its field for three years prior to the application date.		
Criterion V	Before a company qualifies for post-audit, a field inspection is carried out to verify its existence.		
Criterion VI	Proof of place and implementation of an internal control system and to ensure compliance with Customs requirements including security requirements		

Source: Jordan Customs

Table 4.4. Requirements to Qualify for the Golden List Program

Requirements	Description
A Fundamental	<ul style="list-style-type: none"> ➤ These requirements are imperative, and company must prove that it has a documented procedure demonstrating strict adherence with these requirements. ➤ An improvement plan is not adequate and is not acceptable to address these fundamental requirements.
B Important	<ul style="list-style-type: none"> ➤ Company must provide a satisfactory improvement plan to ensure compliance with these requirements within a reasonable period of time agreed between Jordan Customs and the company. ➤ Company must ultimately has a documented procedures demonstrating a strict adhere with these requirements.
C Desired	<ul style="list-style-type: none"> ➤ These requirements are not mandatory. However, Jordan Customs is willing to negotiate additional benefits to be offered to the companies that meet these requirements.

Source: Jordan Customs

Post-Audit

The last step of the verification procedure, post-audit, aims to verify and follow up the compliance of the company with Customs requirements and security criteria. It can be either desk-study or another field visit.

4.1.3.3. Customs - Trade Partnership Initiatives

Jordan Customs has established a partnership council in 2000 with the key representatives of all private sector constituents with the purpose of discussing common issues involving implementation of golden list and Customs related issues, promoting collaboration and achieving public private partnership. The Board meets four times a year at the end of March, June, September and December.

This Council includes representatives from each of the following: Jordan Customs Department, Jordanian Businessmen Association, Jordanian Exporters Association, Jordan Chamber of Commerce, Jordan Chamber of Industry, Free Zones Investors Commission, Syndicate of Clearance Companies and Transport of Goods, Association of Car Agents and Car Spare Parts and accessories Dealers, Amman Chamber of Industry, Irbid Chamber of Industry, Zarqa Chamber of Industry, Jordanian Society for Computers and Jordanian Logistics Association.

Moreover, Jordan Customs has adopted a sophisticated methodology in 2010 to identify and classify its partners in line with the nature of the relationship with them. The methodology is based on the use of a scale that determines the degree of importance and impact on achieving the institutional objectives. Currently, Jordan Customs have 62 formal partners identified using this method.

In the recent years, Jordan Customs took extensive steps in creating a welcoming atmosphere for the private sector representatives to get feedback and to communicate new laws and regulations in the Customs Headquarters.

4.1.3.4. Training and Capacity Building

Training is provided to the new staff of Jordan Customs in form of an orientation program covering GL topic as well. For current employees, there are continuous development opportunities through seminars and workshops.

4.1.4. Evaluation of the AEO Program

4.1.4.1. Audit of AEOs

The Jordan Customs regularly audits the GL members in intervals of 1.5 to 2 years. All declarations are inspected in the Customs Headquarters. If any discrepancies are detected regarding the declarations, an audit is triggered without waiting the regular time.

4.1.4.2. Suspension, Revocation and Cancellation of the AEO Status

In case of irregularities in the audit and less than 95 percent compliance in the previous year, the Customs reserve the right to take a plethora of actions ranging from notice, warning, suspension, to termination. The suspension or revocation procedures are based on the extent of violations of the GL criteria with regulations that determine the appropriate action for each violation. The decision is not final and reapplication is possible. Moreover, a reasonable time

span to satisfy compliance requirements is provided to the companies in cases of suspension and revocation. Companies can apply after 3 years in case of cancellation. There have been only 4 cancellations since 2005.

4.1.5. Overview of the AEO Program

4.1.5.1. Challenges

- The main challenge of the GL program execution in Jordan is related to the level of awareness of the private sector regarding the GL program benefits. This may be due to insufficient promotion of the program or underutilization of benefits by the existing GL operators.
- One of challenges faced by the Jordan Customs in terms of implementation of GL program is the insufficiency of the number of staff coupled with a continued need for skills updating of the existing staff.

4.1.5.2. Lessons Learned

- Designing the AEO program in cooperation with a developed country enables smooth implementation, fewer alterations of the program and increases the credibility of the program for the third countries.
- Client Relations Management helps the companies communicate more efficiently with the Customs and increases the sense of belonging to the program.
- Prior consultation to the Customs before applying to the program reduces unnecessary mistakes and provides time and cost savings.
- Promotion of the AEO program to the private sector is key for the program's success.

4.1.5.3. Needs for Further Advancement

Government Perspective

- Technical assistance to all stakeholders, including the private sector, is needed.
- USAID and CBP both should continue supporting the AEO program development in Jordan in terms of training and capacity building.
- Assessing the applications and carrying on audits of the existing AEOs require skilled labor. As the number of AEOs are increasing the number of AEO related staff should increase in order not the process time to increase.

Private Sector Perspective

- A phased approach will permit more companies to participate sooner.
- Keeping commitments for facilitating low-risk shipments is vital.
- Program success depends on long-term vision and commitment.

Presently, a new version of the GL program, called as the National Golden List, is being attempted in Jordan. This is a novel idea that brings together the governmental agencies that require similar compliance and security measures related to the border security.

The aim of the program is to include all the relevant agencies involved in clearance and flow of goods on the long-term to the National GL Program. Major government agencies that cooperate under the National Golden List are Food and Drug Administration, the Ministries of Agriculture, Health, Communication and Energy as well as Standards and Metrology Organization.

Currently, private sector companies in Jordan holding GL status benefit from green line and fast clearance as well as priority treatment. However, this usually does not mean that they directly can take their goods to their premises. They need clearance from other government agencies as well such as Food and Drug Administration, which may bring serious delays in transactions even for GL companies. With the national GL program, companies holding the status will have fast clearance from all government agencies which will reduce delays in transactions.

National Golden List project is planned to be launched and implemented in 2018.

4.2. The AEO CASE STUDY of TURKEY

4.2.1. Evolution of the AEO Program

4.2.1.1. Background

Turkey is considered to be an emerging market standing as the 13th largest economy of the world.⁸ Due to its geographical location at the cross-routes of ancient and modern trade routes, its proximity to European markets as well as low production and labor costs, Turkey has a competitive advantage in logistics and transportation.

In the recent years, the importance of the automotive, petrochemical, and electronics industries has increased and exceeded the traditional textiles and apparel sectors within Turkey's export mix. Europe is Turkey's main export destination accounting for over half of export revenues. However, in the recent years, there is an observable shift of exports towards large emerging markets, predominantly to Asia, where the demand for Turkish products is mainly in industrial and mineral goods. Imports of industrial machinery and transport equipment are the most important product groups that contribute to the total imports growth in Turkey. Furthermore, Turkey remains highly reliant on imported oil and gas.

Aligned with its vibrant trading traditions, Turkey has the strategic vision for Customs and foreign trade of enhancing its commercial activities towards making them the easiest and the safest in the world.

In line with this vision, in year 2001, Turkey, developed the Authorized Traders Status (ATS) which provides certain simplified procedures and Customs facilitations for traders. The prerequisites for obtaining the ATS certificate are as follows: (i) Companies must be established in Turkey, (ii) They must prove their financial solvency, judicial reliability and Customs compliance. An ATS certificate is valid for 2 years from the date of issue but may be renewed given that the certificate holder continues to fulfill the necessary conditions stated above.

There existed 3 types of ATS certificates: (i) Certificate Type A, (ii) Certificate Type B and (iii) Certificate Type C. The certificate Types A and B were valid until August 15th, 2017. Afterwards, there remained a single type of ATS certificate bearing the characteristics of certificate Type C which entitles the certificate holder to issue incomplete declarations to

⁸ This is according to World Bank GDP rankings based on PPP valuation in 2017.

Customs, to use induced security for Customs transactions and to benefit from flat-rate security for Customs transactions.

The motivation for the Ministry of Trade for narrowing down the use of ATS in Turkey was that ATS proved to be insufficient in providing the necessary safety and trade facilitation needs in each passing year. Firstly, ATS was an intermediate status with no international recognition. Secondly, since there were no physical site visits by Customs officials and no particular requirements for record-keeping, safety and security, it was impossible for the Customs to provide additional trade facilitation measures.

4.2.1.2. AEO Design

To overcome the deficiencies of ATS, Turkey has launched its Authorized Economic Operator (AEO) Program in 2013 based on Article 5A of the Turkish Customs Code (2009) and the Turkish Customs Implementation Regulation on Simplification of Customs Procedures (2013 amendment).

The Ministry of Trade developed the AEO Program of Turkey in compliance with the WCO SAFE Framework. The design of the AEO is in general based on the EU program. However, some of the aspects of C-TPAT (the AEO program of USA) and South Korean AEO program were also incorporated to the Turkish AEO Program design.

In Turkey, the Directorate General of Risk Management and Control was established in June 2011 based on the Customs Law No. 640 with the responsibility of risk analysis and risk management. AEO program in Turkey has been developed and implemented by this Directorate.

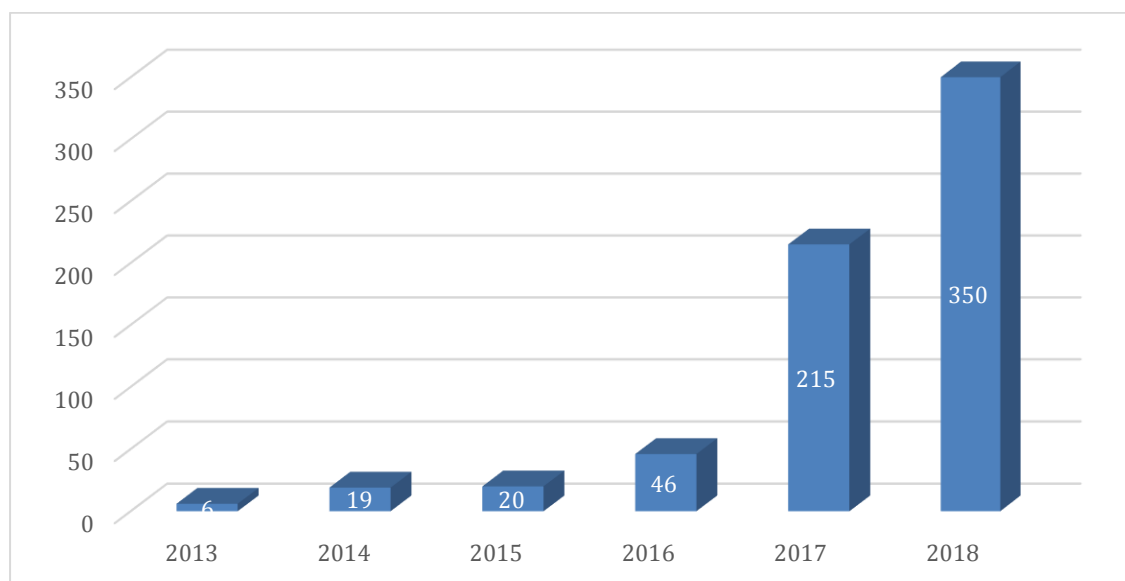
During the development of the AEO program in Turkey, the Directorate General of Risk Management and Control has benefited from extended discussions with a sample group of domestic firms and non-governmental organizations. Furthermore, experts from the Netherlands, France, and South Korea were invited to thoroughly understand the development and implementation of the AEO programs in these countries.

The AEO program in Turkey involves both export and import regimes. AEO status was obtained by exporters, importers and international freight carriers, in that order. Currently, other operators of the supply chain are not eligible for the AEO status.

The Ministry of Trade has gone to great lengths at creating awareness about the AEO program in Turkey in the stages of development and implementation including but not limited to development of a logo, development of a web page, launching an event video, promotional activities –at the Minister level- in all 8 Regional Customs and Trade Directorates in Turkey, manuals and brochures (printed and online) and online promotional videos.

Figure 4.2 presents the number of AEOs in Turkey starting from year 2013. As observed in the figure, during the inaugural years, the AEO program was met with some degree of resistance owing to the objections of the ATS holder companies. These companies insisted on being upgraded to the trade facilitation measures provided by the AEO status without reapplying. However, the Ministry had to stipulate brand new application procedures due to added record-keeping, safety and security measures that had to be monitored through field visits.

Figure 4.2. The Number of AEOs in Turkey since 2013



Source: Ministry of Trade

In order to increase the number of authorized economic operators in Turkey, the Ministry passed a new regulation on November 23rd, 2016 limiting the type and the scope of the ATS. As a result, significant reductions in the rights and privileges bestowed on ATS holders were realized compared to AEOs.

4.2.1.3. Current Situation

As of August 2018, there are 350 authorized economic operators in Turkey. In the implementation of the AEO program there is no pre-determined sector preference.

4.2.1.4. Mutual Recognition Agreements

Current

Mutual Recognition Agreements (MRA) that are signed with other countries and that ensure the mutual recognition of AEO certificates enable the AEO holders to obtain the greatest benefits of the program. The first MRA of Turkey was signed with South Korea in June, 2014.

Potential

Turkey has ongoing MRA negotiations with Kazakhstan.

4.2.2. Benefits of the AEO Program

The main objectives of the authorized economic operators program of Turkey are as follows: (i) to facilitate foreign trade operations through reductions in required lead times and costs; (ii) to highlight the extensively skilled and reliable traders; (iii) to improve security of the international supply chain by employing the best practices at all levels; (iv) to efficiently

allocate the resources of the government to be able to concentrate on the cases that requires the highest levels of control.

4.2.2.1. Safety and Security Government Perspective

The set-up of AEO program is based on the WCO SAFE framework indicating that the basic aim is to decrease risk in the Customs. For this purpose, the AEO holders are chosen amongst reliable firms (satisfying the necessary conditions), and they are subject to less physical and documentary controls.

As a result, the resources of the Customs are transferred to risky transactions. Such a shift of resources in turn enhances the security of the country with respect to international supply chain activities, increases the government revenue and improves the competitiveness of country in global trade. The facilitation given to the AEO holders related to safety and security are listed as below:

- Summary declaration with reduced data
- Subject to lesser safety and security Customs controls based on summary declarations
- Fewer documentary and physical controls beside control priorities
- Priority for border crossings

Private Sector Perspective

The facilitations given to the AEO holders related to safety and security are listed below:

- Summary declaration with reduced data,
- Subject to lesser safety and security Customs controls based on summary declarations,
- Fewer documentary and physical controls,
- Priority if selected for control,
- Choice of the place for controls,
- Priority for border crossings.

Apart from these, there are also some indirect benefits such as more transparency and visibility of the supply chain, recognition as a secure and safe business partner by other companies, improved relations with Customs Authorities and competitive advantages over non-certified competitors.

In addition to such indirect benefits of the AEO program, many companies are aware of the value of AEO status in marketing their companies in international trade. As the positive effects of their new status become more apparent internationally, they started to view the AEO as a global certification. However, many AEO holders are still not aware of the possible benefits of Mutual Recognition Agreements.

4.2.2.2. Trade Facilitation Government Perspective

Trade facilitation is an important component of the AEO program in order to incentivize the private sector to hold the AEO status. In order to benefit from some of the facilitations provided by the AEO status, it is necessary to apply for and satisfy additional conditions. These situations are mentioned in Table 4.5 below.

Private Sector Perspective

The AEO program aims not only to enhance international supply chain security but also to facilitate legitimate trade. To be precise, AEO holders get considerable benefits from reduced costs and expedited processes in daily transport, export and import operations in terms of labor and time.

Due to increasing importance of foreign trade and Customs matters, budgetary appropriations to training, auditing and self-control of the employees have increased considerably in the AEO holder companies.

Table 4.5. Trade Facilitation Benefits of the AEO Program

Facilitations for all AEO holders	Facilitations for AEO holders with additional conditions and/or applications
Summary declaration with reduced data	Local clearance in exporting
Fewer documentary and physical controls	Local clearance in importing
Control priorities	Authorized consignor
Submission of incomplete declaration and documents	Authorized consignee
Using lump-sum and partial guarantees	Issuing A.TR circulation documents
Green-line facilitations (including on free alongside ship declarations)	Issuing EUR.MED invoice declaration

Source: Authors' own compilation from Ministry of Trade

Some important indirect benefits of the AEO status are visible improvements in the internal control, security and safety of the company premises, IT systems and archives as well as the development of related new software.

4.2.3. Implementation

In the Ministry of Trade, Directorate General of Risk Management and Control, the "Trade Facilitation Department" is in charge of the implementation of the AEO Program in Turkey.

The AEO program is promoted through the website of the Ministry of Trade, manuals and brochures (printed and online) and online promotional videos.

4.2.3.1. Application

In Turkey, the application procedures start with companies that request certification by applying to the Regional Customs and Trade Directorates of the place where they operate (Figure 4.3). The following documents have to be present at the time of application: the application form, the self-assessment questionnaire, the criminal record certificates of top management and Customs related employees, self-certification of top management and Customs related employees, tax-clearance certificates, certified public accountant reports and certificates of ISO 9001 and ISO 27001.

Figure 4.3. Accreditation Flow



Source: Authors' own design

Local Clearance for Exports

Companies holding the local clearance for exports status can send their shipments without visiting a Customs office. On the contrary, their Customs transactions and controls are completed at their own facilities (Figure 4.4). Moreover, each facility of the company that satisfies the selection criteria can use this facilitation. In order to apply for this status, the company should hold the AEO status and have a minimum amount of 5 million US Dollars of annual exportation.

Authorized Consignor

The authorized consignor status holders are the shipping companies that are allowed to transit their clients' shipments at their own premises without visiting a Customs office (Figure 4.5). In order to obtain this status, the shipping company should hold the AEO status and have completed a minimum of 500 transit declarations in the previous year.

Authorized Consignee

The authorized consignee status holders are the shipping companies that are allowed to complete Customs transit transactions for imports at their own facilities or at the facilities of companies that hold the right of local clearance (Figure 4.6). Companies holding an AEO certificate with a minimum of 500 transit declarations in the previous year and have provided a guarantee of one million Euros to the Ministry may apply for this right.

Local Clearance for Imports

Starting from 2015, a company may hold local clearance for imports status that enables the company to complete its import transaction in its own facilities without visiting the Customs office (Figure 4.7). In order to apply for this status, the company should be a producer holding the AEO status; have a minimum amount of 20 million US Dollars of annual trade and has provided a guarantee of half million Euros to the Ministry.

4.2.3.5. Customs - Trade Partnership Initiatives

The Ministry, particularly the Directorate of Risk Analysis and Control, follows a transparent policy and they are open to communication such as by email, phone or face-to-face meetings with the companies to help on the AEO program.

The Ministry of Trade holds meetings with private sector representatives irregularly to improve the implementation of the AEO program. It appears that the suggestions of the operators were taken seriously as can be observed from the 2017 amendment to the AEO regulation to simplify the application procedures and establish the necessary infrastructure to facilitate the online application procedures.

Currently, there is also a project on extending the AEO status to the small and medium size enterprises (SMEs) in Turkey. The main objective of this endeavor is to improve the institutional structure of SMEs as well as to ensure the security and safety of the supply chain which involves many SMEs in Turkish economy.

Figure 4.4. Local Clearance for Exports Flow Chart

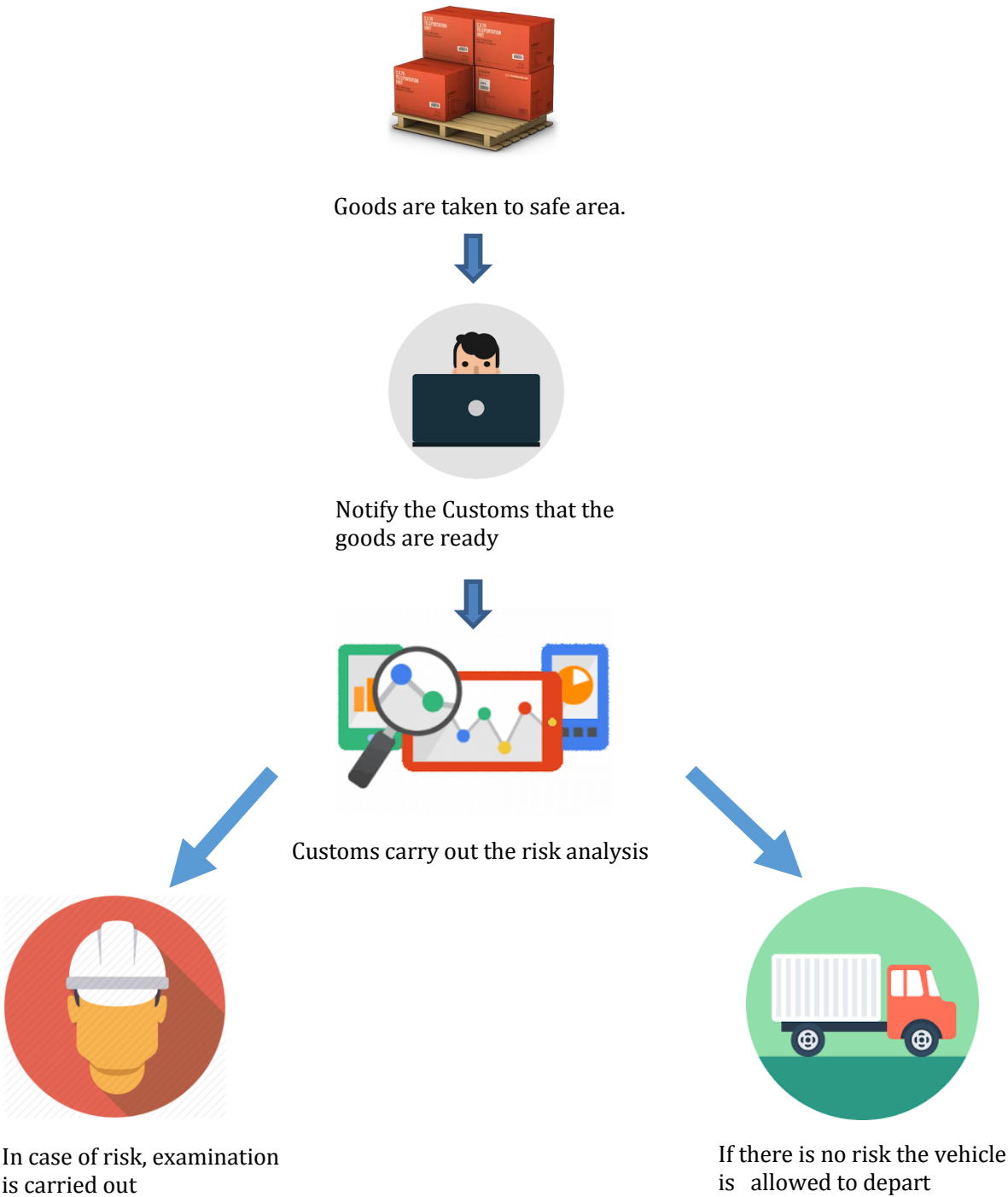


Figure 4.5. Authorized Consignor Flow Chart

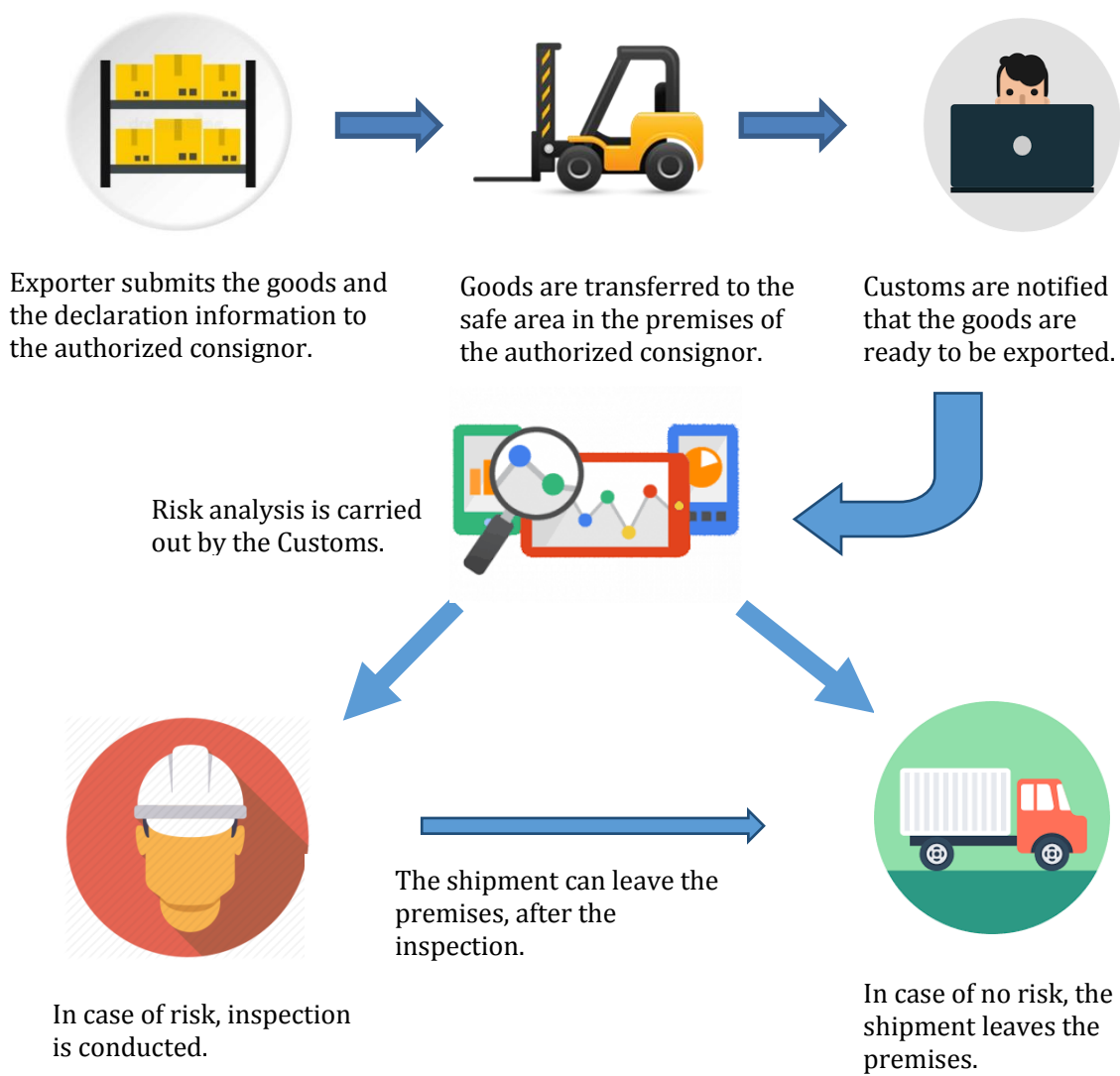


Figure 4.6. Authorized Consignee Flow Chart

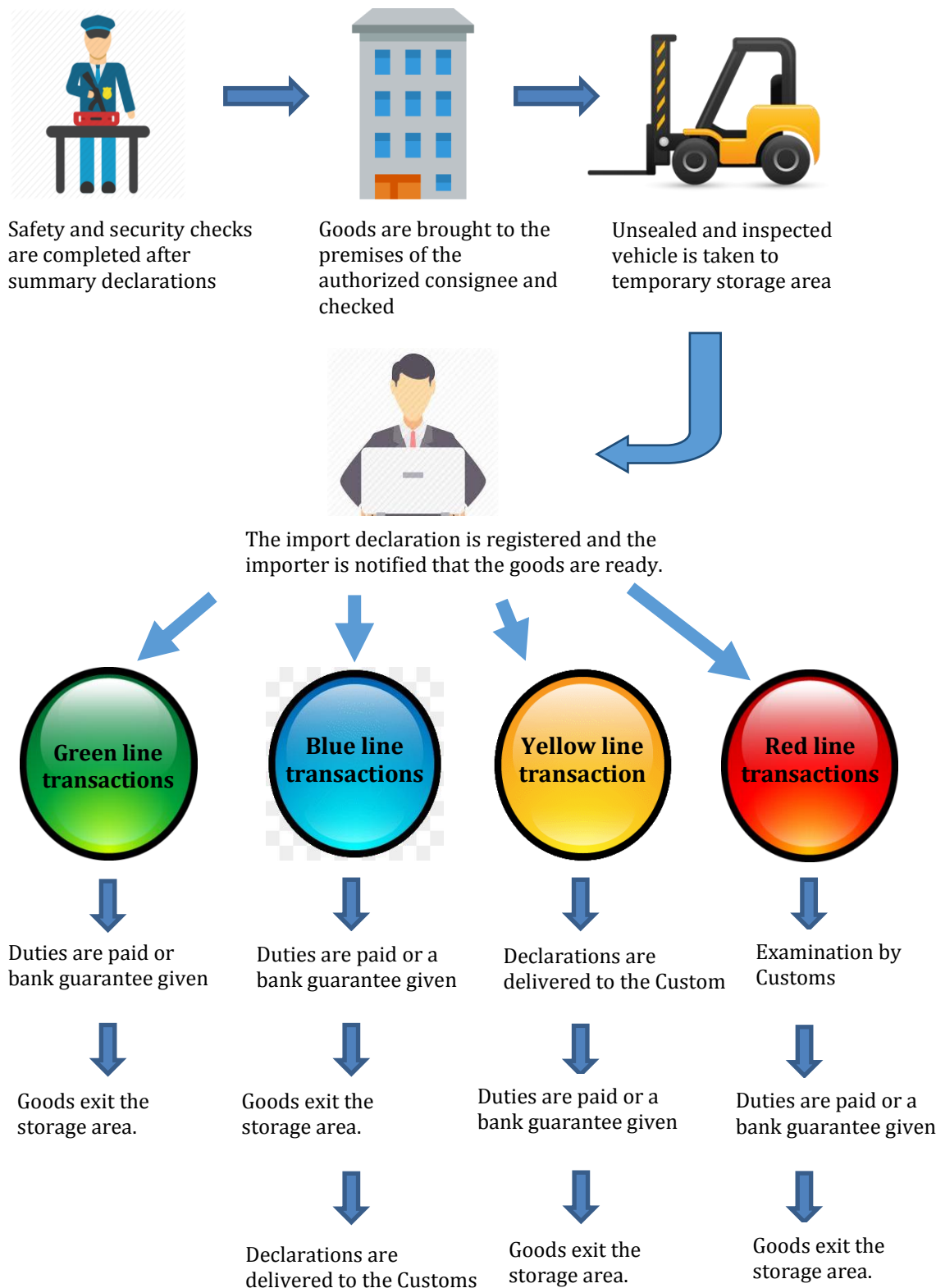
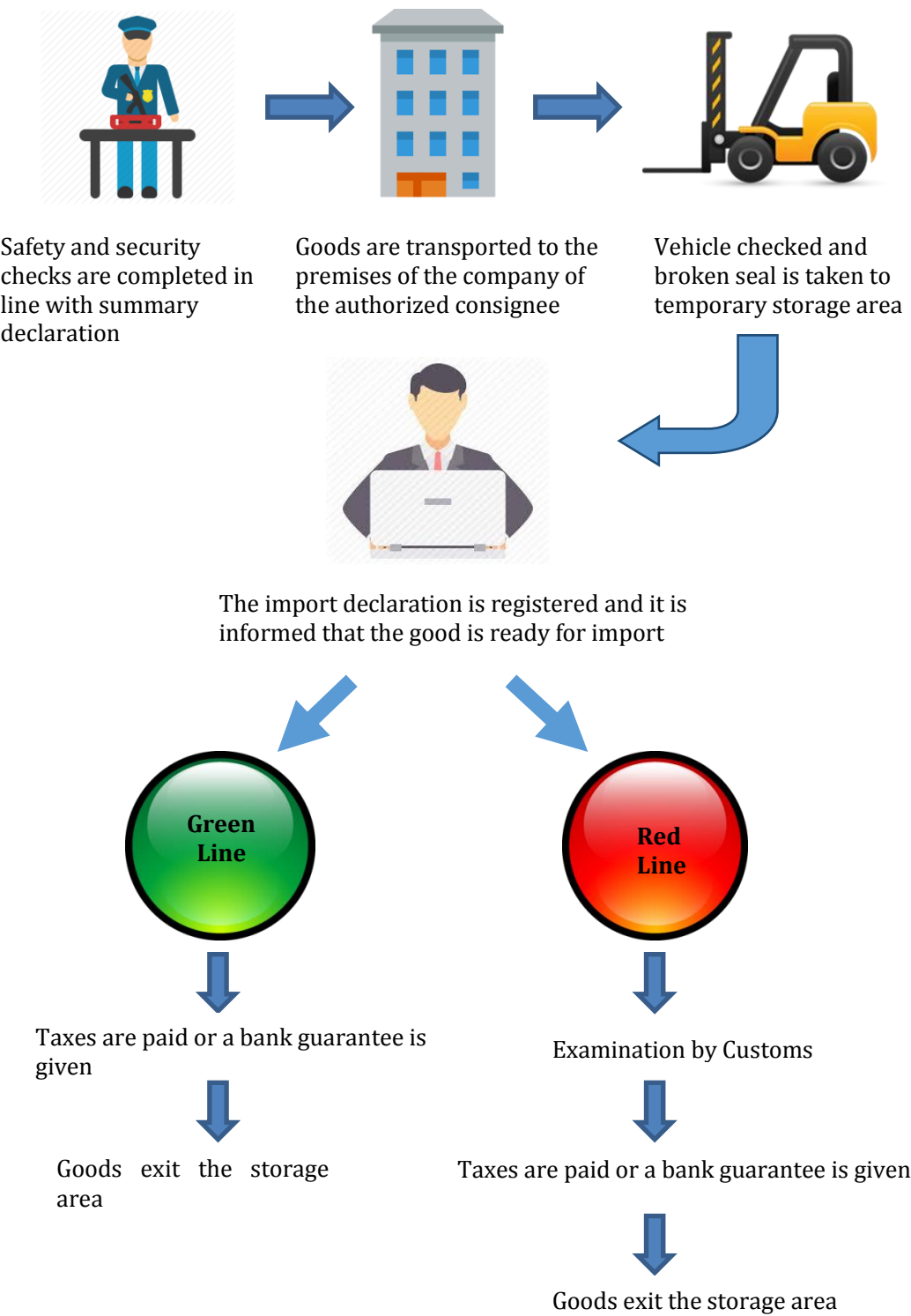


Figure 4.7. Local Clearance for Imports Flow Chart



Currently in Turkey, almost all of the requirements for applying for the AEO status can be satisfied by large and export/import intensive companies. Large companies that recognize the necessity of AEO status have been awarded this certificate. However, small and medium-sized firms have to invest heavily in order to satisfy the requirements and to make a structural transformation in their modus operandi.

The benefits of granting the AEO status to the SMEs are twofold: (i) By meeting the requirements of the AEO application, SMEs would experience a transformation in their institutional structure, which certainly has ripple effects for the entire economy as these firms make up almost 97 percent of all firms in Turkey. (ii) It is also valuable for large firms that SMEs obtain the AEO status. Many large firms interact with SMEs in their supply chain. Having AEO certification without business partners holding the same status would not bring the anticipated benefits at the most desired levels.

At this point, it is necessary to note that, for the last decade, there have been extensive amounts of subsidies given to boost the performance of SMEs in Turkey. However, Dincer and Tekin-Koru (2018) show that the productivity of SMEs has been much lower than the large firms without showing any improvements in spite of the subsidies. In other words, small and medium size firms could not increase their productivity leading to the sustained gap with large firms.

In conclusion, it is difficult for SMEs in Turkey to hold the AEO certification due to limited benefits they would utilize and high costs they should undertake. However, it is important that these firms should be included in a sub-program, as in the Jordanian Silver List, to increase their capacity in terms of institutional standards with the purpose of satisfying compliance and security requirements of the AEO program in a stepwise manner.

4.2.3.6. Training and Capacity Building

In order to process the AEO program, the Ministry set up new units in its Regional Directorates. Moreover, training is provided to the staff of Regional Directorates by Headquarters of the Ministry whenever there is an amendment in the legislation.

The Ministry of Trade employs the designated auditors of the AEO program, who were trained for two weeks by the experts from Netherlands and France regarding the on-site inspection, from the same group of auditors during the implementation. The aim is to develop specialization of the auditors on AEO and deepen their information. However, specialized auditor implementation is not supported by the legislation at the moment.

The Ministry has not designed any joint training activities with private sector at the moment. However, they provide training to the private sector when requested.

4.2.4. Evaluation of the AEO Program

4.2.4.1. Audit of AEOs

AEO holders are required every year to "update the self-assessment questionnaire" and "prepare the annual activity report".

The Ministry regularly monitors the validity of the conditions of the authorized operator certificate and whether the conditions for granting the authorization and permissions of the

certificate are maintained. For this purpose, the Ministry uses the questionnaire that are updated every year by the certificate holders, annual activity reports, and the database of the Ministry and on-site audit is carried out when necessary.

In addition, the Customs procedures carried out by the AEO holders are subject to a planned inspection. During these inspections, the annual report of the certificate holder is taken into account and it is checked whether the conditions required are still met.

The Ministry is planning to establish an online tracking system in the near future and has already started to set-up the necessary infrastructure.

4.2.4.2. Suspension, Revocation and Cancellation of the AEO Status

Suspension of the AEO Status

AEO certificate will be suspended under the conditions below:

1. Any of the conditions required for an AEO certificate are no longer met.
2. Unpaid Customs tax / penalty obligation
3. The issues foreseen as risk by the Directorate of Risk Management and Control could not be recovered within six months.
4. The form or report to be prepared by the company in the course of the certification tracking process has not been submitted.
5. The change in company information has not been reported to the relevant regional directorate within five business days.
6. The vehicle driver of the transporter employed by the AEO holder or the transporter with no AEO status employed by the AEO holder has been filed a lawsuit for transporting, exporting and importing goods prohibited by law or international agreements, or for the transport of road vehicles or containers to traffic or smuggle migrants.
7. In the case that the owner of the certificate acquires a non-certificate holder if the acquisition is not notified to the relevant regional directorate within five working days and a re-application is not filed within sixty working days.

The rights and authorities granted by the certificate cannot be used during the suspension period of the certificate. However, suspension does not take precedence over uncompleted Customs procedures that started before suspension.

Revocation of the AEO Status

The certificate is revoked in the following situations:

1. Failure to recover unmet conditions until the end of the suspension period
2. Members of the Board of Directors, shareholders with more than 10 percent of the capital or persons authorized to represent the company in Customs and foreign trade transactions are prosecuted for serious criminal offenses or serious financial crimes threatening public safety.
3. Changes to the conditions for granting the AEO status, or the addition of extra conditions or changes in the criteria for the assessment of circumstances, have not been complied within six months.
4. Requested by the certificate holder itself.

Cancellation of the AEO Status

The certificate is cancelled in the following situations:

1. Discovery that the certificate is given based on false or incomplete information or falsified documents.
2. Members of the Board of Directors, shareholders holding more than 10 percent of the capital or persons authorized to represent the company in Customs and foreign trade transactions are sentenced by a final judicial decision on serious criminal offenses or serious financial crimes that violated public safety.
3. Use of rights and privileges covered by the certificate as well as special type seals on behalf of another person.
4. If the certificate is cancelled, all rights and privileges related to the certificate are also revoked. Firms whose AEO certificates have been cancelled cannot apply for the certificate for 3 years following the cancellation.

4.2.5. Overview of the AEO Program

4.2.5.1. Challenges

Technology

The AEO implementation is a fast-developing area due to improvements in information and communication technologies. Adaptation of new technologies requires the government to respond immediately in order to prevent additional problems or difficulties that would emerge otherwise.

Large volumes of data are collected by the government from the AEOs, which create added safety and security concerns on the side of the government.

It is natural to expect that the other government bodies have access to this data to prevent double-entry by the companies. There is some degree of cooperation between the Ministry of Trade and the Ministry of Transport and Infrastructure in terms of data sharing related to the AEOs.

Private Sector

Expectations of private companies from the AEO program vary in accordance with their conception of the system.

Many companies are of the view that the application procedure takes a long time, there are many detailed criteria to comply with but there are no standards, sector-specific measures to be taken. Evaluation process is subject to the perception of different experts in the headquarters of Customs administration.

As most of the AEO holders were previous Type-A ATS certificate holders, they did not observe any further benefits of the AEO program such as the use of priority lines or reduced guarantees.

One misunderstanding on the part of private companies was that they were expecting to be exempted from submitting to Customs product-specific documents such as licenses,

permissions and certificates or to be subjected to post-release domestic market control of their products following entry into free circulation.

4.2.5.2. Lessons Learned

- Existing trade facilitation measures can be obstacles in the implementation to the AEO programs as the participation becomes limited.
- AEO certificates given to limited type of operators creates loopholes in the supply chain in terms of security and safety.
- Requirement of ISO 27001 in the application documents increases the cost of the certificate significantly, thereby reducing the number of AEO holders. Many countries control the IT security within the Customs without requiring external certificates.

4.2.5.3. Needs for Further Advancement Government Perspective

- Due to the large volumes of data collected by the government from the AEOs, added safety and security measures need to be taken by the government in order to protect the rights of the AEOs.
- To satisfy the needs of the private sector and to adapt to new technologies the government should revise the AEO legislation periodically through amendments to the current regulations or through completely new ones.
- To communicate these legislative changes to the stakeholders in a timely and efficient manner, addition of new financial and technological resources to the AEO program must be found.
- A new genre of personnel who are well-versed in technology and law should be employed.
- Dissemination of the data (when and if required) in a safe and secure environment should be broadened to all the relevant public sector institutions.

Private Sector Perspective

- Expectations of private companies from the AEO program should be harmonized through more efficient communication that dissipates to the grass-roots of the relevant sectors.
- The perception that evaluation process is subject to the opinion of different experts in the headquarters of Customs Administration should be eradicated through a strict adhering to standards and better communication.
- The misunderstandings such as exemptions from submitting to Customs product-specific documents such as licenses, permissions and certificates or being subject to post-release domestic market control of their products following entry into free circulation should be clarified.
- The current 6-month period for the AEO holders to adapt the new regulations may be too short due to possible cost, time and capacity limitations. Therefore, this requirement should be relaxed in a reasonable manner.

4.3. The AEO CASE STUDY of UGANDA

4.3.1. Evolution of the AEO Program

4.3.1.1. Background

Uganda, as known as the “Pearl of Africa”, is a landlocked country with substantial natural resources. The country has one of the fastest-growing populations in the world – the growth rate is estimated at 3.2 per cent in 2017. Agriculture is the most important sector of the economy employing more than 70 percent of the labor force and producing most of the export products (coffee, fish and fish products, tea, cotton, flowers, horticultural products) of the country. There is also a small manufacturing base that depends on imported inputs (capital equipment, vehicles, petroleum).

Uganda is also a vibrant transit route for other landlocked East African countries, particularly for Rwanda and the Democratic Republic of Congo (DRC).

In the midst of many economic and supply chain security challenges, Uganda became a part of the East African Countries (EAC) Regional Authorized Economic Operator Program Protocol⁹ that was conceived by the Commissioners of Customs of Burundi, Kenya, Rwanda, Tanzania and Uganda in 2005. This corresponds to a time frame after the adoption of the WCO SAFE Framework of Standards in 2005. Sudan is expected to join EAC regional AEO program soon.

Before the design and implementation of the AEO program in Uganda, Customs used a selectivity criteria based on compliance in the period 2005-2008. There were green and blue lane privileges along with yellow and red lane applications on the Ugandan borders.

Uganda’s experience amongst OIC members is unique in the sense that the country has established its AEO program under the EAC umbrella and became a part of a regional AEO program from its inauguration. In other words, national and regional AEO programs of Uganda were established simultaneously. This move was in line with the EAC Protocol that mandated the EAC region to set up its own Customs union. Moreover, the overarching objective in involvement in a regional AEO program for Uganda was to facilitate trade to its fullest extent and secure the supply chain to realize gains for all stakeholders ranging from traders to Customs.

The cumbersome application procedures were simplified and made sector-specific in 2017 to increase the number of AEO holders and to reduce the time costs in authorization process.

4.3.1.2. AEO Design

Firstly, the design of AEO program has involved a wide set of stakeholders such as clearing agents/brokers, manufacturers, importers, exporters, insurance companies, banks, media and radio publication houses, regional EAC partner states, international bodies (WCO, COMESA, EAC) and development partners (TMEA, DFID, World Bank, Uganda Government). Next, the AEO programs of other countries such as the US, the EU, Canada and Sweden were examined. Finally, Japan was chosen as the benchmark country in the AEO design of Uganda. There were

⁹ The EAC Regional AEO program operates under a common set of criteria, instruments, authorization process, benefits and monitoring system in all the Partner States. An applicant for AEO Status, irrespective of the Partner State as a result goes through the same set of criteria like her/his counterparts in other Partner States. The Customs experts who administer these criteria are trained together to ensure harmonization and uniformity in process.

field visits to China and Malaysia along with a WCO training for the team to design the AEO program in Uganda.

Different from the cases of Jordan and Turkey, Uganda Customs established a separate department under the Risk Management Directorate to operationalize the AEO program.

Uganda Customs, operating under the Uganda Revenue Authority (URA), commenced the piloting of the AEO program in 2009 by setting up an AEO task team that chose 10 companies to initiate the AEO application and authorization procedures in 2010. The program reached a roll out stage and on 5th September 2013 and the URA formalized the status of these 10 companies that piloted the program by issuing them authorization certificates.

In its design, the AEO program in Uganda targeted importers and Customs agents first. Later, exporters and bonded warehouses were included in the program. Currently, plans to involve transporters and freight-forwarders are in way.

The awareness about the AEO program was created by inviting a diverse set of companies to the Customs and giving seminars starting in 2010. In 2013, the AEO program was launched with a grand event where the AEO pilot companies received their certificates in the presence of 200 other firms. Moreover, the program was promoted in newspaper columns and radio talk shows as well. Manuals for Customs officials and handbooks, brochures and group emails through trade associations were the other awareness-creation channels used.

The main challenges that were faced in the design process of the AEO program in Uganda were the high degree of informality experienced in the country coupled with the disbelief of firms about the merits of the program.

4.3.1.3. Current Situation

Currently 51 companies in Uganda hold AEO status of which 23 are EAC Regional AEOs. Among these 51 companies, 30 are importers, 11 are bonded warehouse operators and 21 are Customs agents. These AEO companies account for 22 percent of trade volume in Uganda.

Current number of companies that hold a regional AEO certificate in EAC region is 82 of which 23 are Ugandan companies.

4.3.1.4. Mutual Recognition Agreements

Current

There are no MRAs signed by Uganda currently. However, there is a regional AEO certification available in the EAC framework. A company is eligible to apply for the regional AEO certification only after having the national one first. The application for the regional AEO program requires less documentation and authorization process takes 30-60 days. EAC delegates the power to grant the regional AEO certificate to the national Customs Authorities of the EAC members. Therefore, once the regional AEO certificate is obtained, the company is treated as an AEO in Burundi, Kenya, Rwanda and Tanzania.

Potential

The simplified procedures for AEOs has had tremendous effect with regard to reducing the cost associated with the movement and clearance of goods. The EAC is currently pursuing

mutual recognition with other trading blocs, a move which will lead to EAC AEOs enjoying more benefits when trading outside EAC region.

4.3.2. Benefits of the AEO Program

The aim of the Uganda AEO program is enhancing voluntary compliance with Customs laws, regulations and procedures, promoting secure international trade supply chains as well as Customs to business partnership, enhancing trade facilitation by embracing best practices while performing the roles and functions of Customs.

In this respect, the expected benefits of the AEO program of Uganda are as follows:

4.3.2.1. Safety and Security

Government Perspective

- Optimal use of government resources through channeling of the Customs resources to high-risk shipments
- More secure border transactions and transit trade
- Achieving self-assessment of the supply-chain companies by introducing them to and promoting voluntary compliance with Customs laws
- Keeping compliance records on each of the AEOs for eventual assessment of their performance at the appropriate time
- Addressing risks through post importation audit
- Reducing informality

Private Sector Perspective

- Improvement in safety and security procedures through AEO requirements
- Improved Business-Customs relationships

4.3.2.2. Trade Facilitation

Government Perspective

- Time saving transactions-processing
- Allocating less personnel and resources for license renewal and competence test procedures
- Improved Business-Customs relationships

Private Sector Perspective

- Extension of the license to operate as a clearing agent for three years
- Exemption from competence tests
- Choice of place of physical examination of cargo
- Priority treatment at all times when dealing with Customs such as free access to otherwise restricted Customs areas through the use of a badge
- Local clearance
- Self-management of bonded warehouse
- Withholding tax exemption status
- Blue lane

- In case of holding regional AEO status, trade facilitation is valid in all member countries.

Long Term Benefits

- Reduction in cost of doing business
- Increased business turnover
- Enhanced reputation and image
- Improved internal control systems
- Mutual Recognition Agreements (MRAs)

4.3.2.3. Benefits Management

Uganda Revenue Authority undertakes a benefits management program under the responsibility of the Client Relationship Management (CRM). Their tasks are as follows:

- National coordinators and CRMs fast track and ensure that AEOs receive all approved benefits
- Feedback engagements & courtesy visits are held with AEOs and respective Customs teams
- Continuous sensitization and trainings of field teams and Cross-Border Regulatory Agencies (CBRAs) such as the Bureau of Standards, the Ministry of Agriculture, the Drug Authority, Immigrations, etc.
- Change Management initiatives to increase visibility
- National Working Groups engagements (8 in a financial year): Customs, CBRAs and Private Sector

4.3.3. Implementation

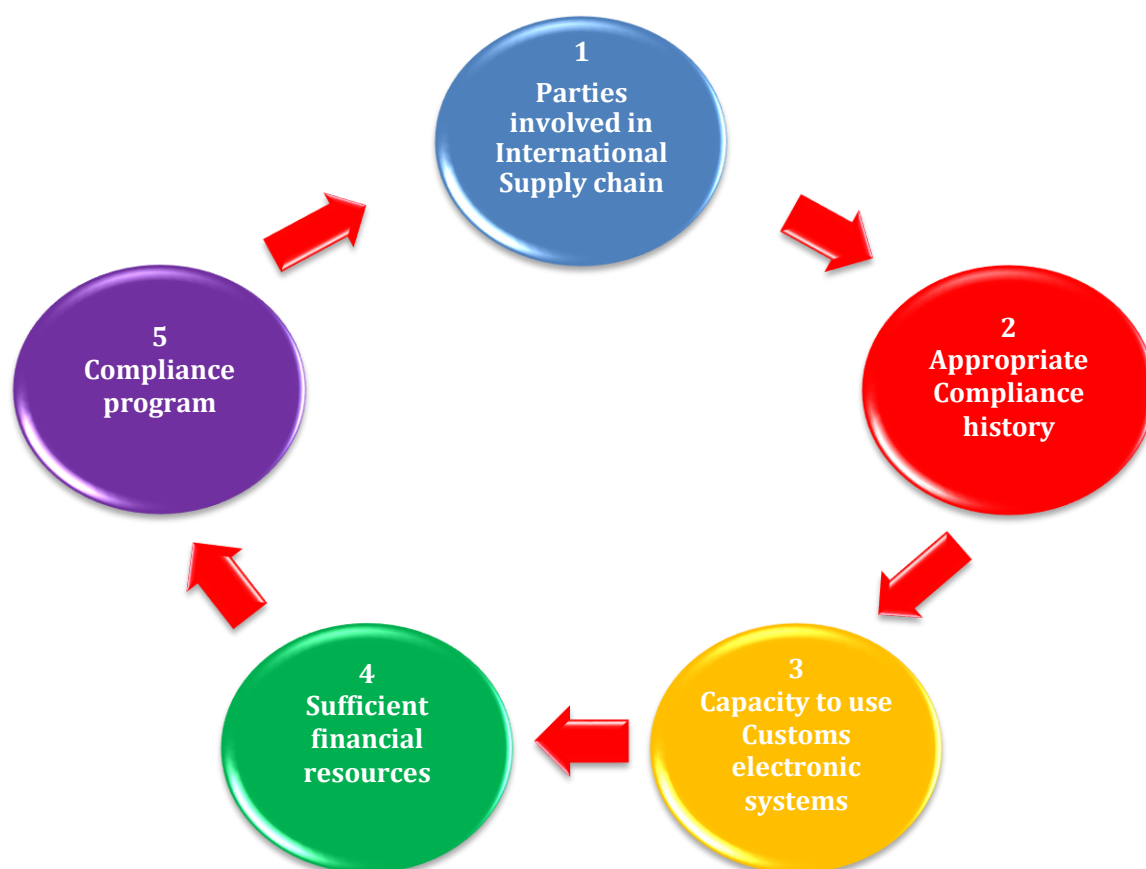
The Customs Audit Division of Uganda Revenue Authority is responsible for program management and oversight of the national AEO program. Regional Customs which have a central unit for AEO operations take part in the implementation of the program.

The AEO program is promoted through the brokerage houses to their clients and involvement of the URA staff.

The operators of AEO program in Uganda involve importers, exporters, Customs brokers and bonded warehouse operators.

The eligibility requirements to apply for the AEO certification are given in Figure 4.8.

Figure 4.8. Eligibility Requirements



Source: Uganda Revenue Authority

4.3.3.1. Application

AEO program in Uganda is voluntary. The authorization process starts with the persons interested in joining the AEO program express interest in writing to the head of Customs Department (Figure 4.9). The request is forwarded to the head of Customs Audit Division to manage the process. A response has to be given to the applicant within 7 days acknowledging receipt of the applicant's request.

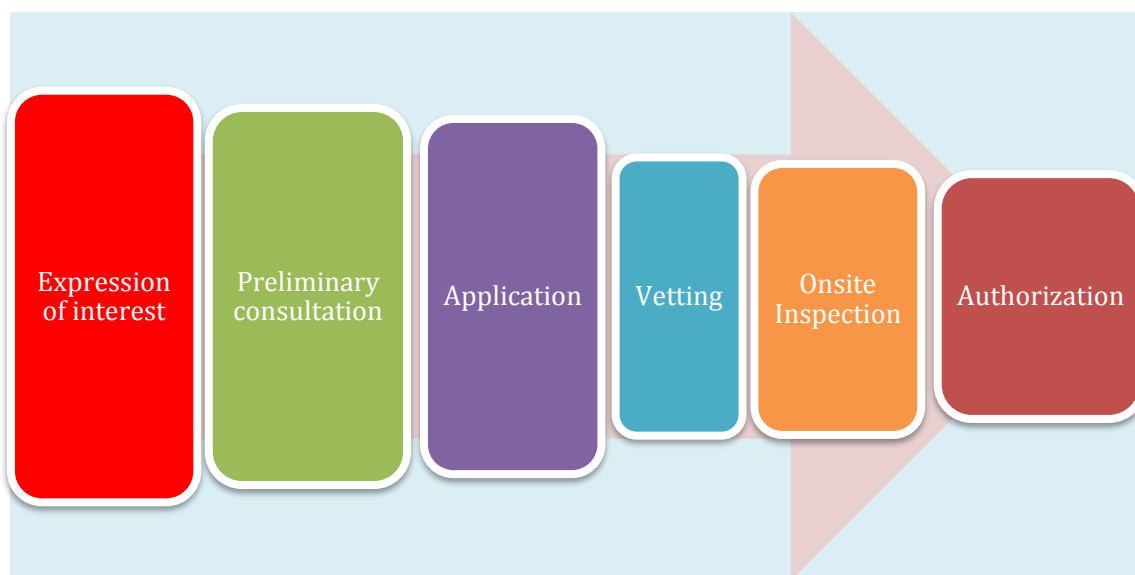
The head of the AEO center, then, commences the preliminary consultation with the employment of the head of Customs Audit Division. A team is assigned to be in charge of providing information as well as guidance to the client on the AEO program.

The applicant should submit the following documents:

- AEO self-assessment and application form
- Internal structure of the organization, standard operating procedures, especially the ones that cover Customs related operations

- Contracts signed with third parties that handle Customs related operations
- Audited financial reports for at least 2 years
- Records relating to tracking of cargo
- A schedule/catalogue of cargo imported
- Information security systems and records and any other document that has been mentioned in the self-assessment form depending on the nature of business and the category of AEO applied for

Figure 4.9. Authorization Process



Source: Uganda Revenue Authority

4.3.3.2. Verification and Authorization

Following the application, at the vetting stage, compliance information about the applicant including response in the Self-Assessment Form and any other documents submitted by the applicant are collected and analyzed.

Onsite inspection of the applicant's premises to confirm the information contained in the Compliance Program (self-assessment form) are carried out by the inspection team including the preliminary consultation team leader. The team also confirms other elements of eligibility as contained in the AEO framework.

Finally, the decision regarding authorization is communicated to the applicant by the Commissioner Customs in the inspection management letter and the successful applicant is invited to sign a Memorandum of Understanding with Customs. The MOU contains the details of authorization, spelling out the rights and obligations of both parties as well as the remedies in the event of default on either side. The validity of the Certificate is for a period of 12 months subject to renewal after an audit carried out before the expiry of the license period. Renewal of

a period of more than 12 months is granted upon a consistent demonstration of compliance in three consecutive years.

The application period for a company takes between 30-90 days. As Customs guide the company for compliance in case the company is not ready for holding the AEO status, the period may be much longer. The estimated time spent on the authorization process is between 30-60 months for the URA.

4.3.3.3. Customs - Trade Partnership Initiatives

The first initiative that is employed by the URA is Compliance Improvement Plan (CIP). The aim of CIP is to improve the company to be in line with the requirements of the AEO. If the company shows an interest in the AEO program but is found lacking in some of the requirements it is put on a CIP. A report stating the grounds for putting the client on a CIP is shared with the applicant. The two teams (URA & the applicant's management team) meet and agree on the CIP. After an agreed CIP period the URA AEO team conducts a re-inspection to confirm if the agreed upon control measures have been implemented. If the results of inspection are satisfactory, the applicant is granted the AEO status.

There are other methods that the URA employs for a strong Customs-Trade partnership. First, CRMs work to ensure AEOs get the benefits they are entitled to. Second, the URA regularly holds feedback engagements with the AEOs' respective Customs Teams and Cross Border Regulatory Agencies. Third, there are sensitizations and training of Customs staff, AEOs and CBRAs. Finally, there are two groups that regularly hold meetings; the AEO National Working Group (NWG) and the Regional Consultative Group.

4.3.3.4. Training and Capacity Building

The officers working in the AEO unit have undertaken AEO validators' training and transfer this knowledge to other Customs officers. Moreover, sensitizations for businesses were conducted.

There is a training planning unit of both regional and national AEO programs. The project managers of the unit determine the training needs of the officers and AEO clients and plan annual training programs.

4.3.4. Evaluation of the AEO Program

URA monitors the authorized economic operators to learn, account internally for resources used and results obtained and make decisions. Evaluation is done for the purposes of relevance, effectiveness, efficiency as well as impact and sustainability. Evaluation also allows a better identification of the relative strengths and weaknesses of an AEO and helps focus on setting the reform objectives, establishing priorities and sequencing implementation. Figure 4.10 summarizes the principles that guide the monitoring and evaluation processes in URA.

URA uses various tools to monitor and evaluate the AEO program:

- Information technology development with software like ASYCUDA, Etax, Ehub, RECTS, ECTS
- Reporting tools for all AEO's monthly reports (Key Performance Indicators reports)

- Training and sensitization of stakeholders and Customs officers with the current changes in the Customs areas, industry and business as general
- The scanner and nonintrusive systems (e.g. X-ray machines on the border, scanning of number plates of vehicles)
- Client Relationship Management

Figure 4.10. Monitoring and Evaluation Blocks



Source: Uganda Revenue Authority

4.3.4.1. Audit of AEOs

One of the mechanisms through which the URA audits authorized economic operators is its novel CRM system. Within the framework of the CRM, an officer is designated to be the AEO's contact person within Customs. Managing the affairs of an AEO includes collecting data on AEO operations, ensuring that the AEO receives authorized benefits, identifying new relevant risks and benefits, preparing reports on the AEO operations and updating the AEO records in the database (Figure 4.11).

URA monitors AEO performance through monthly and quarterly reports as well. In these reports time clearance, revenue performance and AEO compliance are assessed for clearing agents, importers and exporters as well as self-managed bonded warehouses.

Figure 4.11. Client Relationship Management



Source: Uganda Revenue Authority

The AEOs are subject to regular scheduled post authorization audits (PAA) before the expiry of the certification period. These audits are conducted to confirm that the operations of the AEOs are still in conformity with the eligibility requirements.

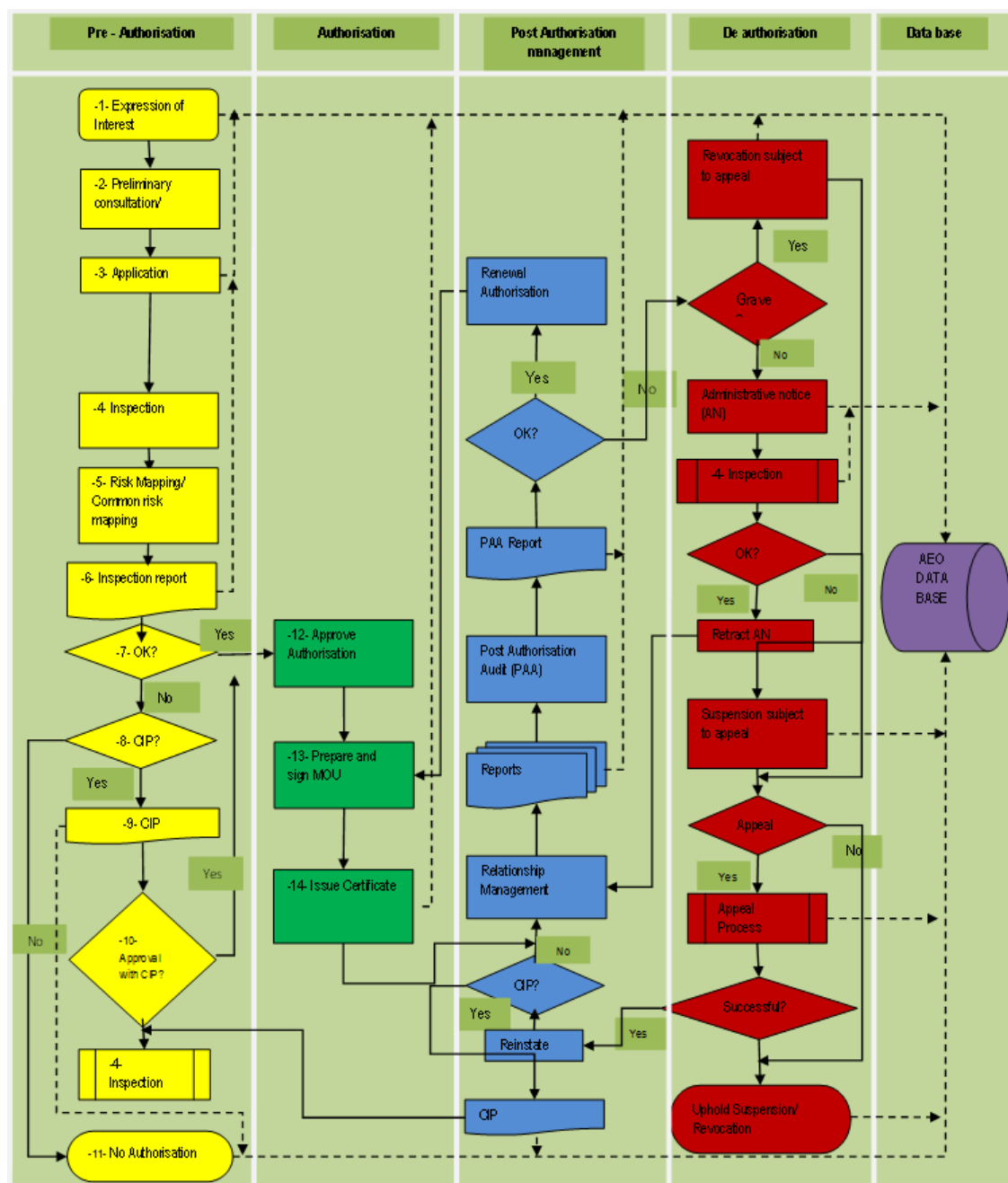
The audit of the transactions of the AEO is done under the Post Clearance Audit (PCA) arrangement which has a separate scheduling.

However, the outputs from the two types of audits (PAA and PCA) complement each other. In the event that the two types of audits are scheduled to take place in the same year, then they have to be conducted at the same time in order to minimize audit fatigue.

There are two types of post-authorization audits:

- **Scheduled audits:** These are routine audits which are scheduled at the time of authorization or at a later date as have been agreed between the AEO and Customs. These audits are carried out to confirm that the conditions at the time of authorization are still maintained by the AEO.
- **Ad hoc audits:** These are unscheduled audits which are conducted to address urgent issues that have arisen. The PAA process is conducted through the same procedures as the pre-audit.

Figure 4.12. AEO Management Flow of Uganda Customs



Source: Uganda Revenue Authority

All AEOs are subject to Post Clearance Audits (PCA) before renewal of the certification. The PAA process follows the same procedure as the pre-audit for the PCA:

- Review of the general performance of an AEO
- Joint audit (PCA & PAA)

- Issuance of a new certificate or
- Compliance Improvement Plan (CIP)

4.3.4.2. Suspension, Revocation and Cancellation of the AEO Status

The following are the conditions that call upon revocation, administrative notice or suspension of the AEO status:

Revocation of the Certificate

- AEO is no longer compliant.
- Risks identified during PAA are intolerable risks.
- State grounds of revocation

Administrative Notice

- Tolerable risks discovered during the PAA
- The administrative note is issued for corrective action.
- Areas of improvement & timelines stated in the administrative note

Suspension

- Failure to implement the agreed-upon corrective actions in the administrative note
- Grave non-compliance issues identified during PAA
- Verifiable intelligence information indicating that the AEO is involved in grave non-compliance acts

In case of de-authorization, the AEO has a right to appeal in 30 days. In other words, the AEO submits an appeal and evidence to the Commissioner Customs. Upon this submission

- The Commissioner Customs constitutes an independent committee.
- The committee reviews the grounds of appeal and evidence submitted by the AEO and prepares a report.
- The committee can request for more information from the AEO if what was provided is not sufficient.
- The committee submits the report to the Commissioner Customs.
- The Commissioner Customs informs the appellant regarding the outcomes of the appeal. The decision made by the Commissioner Customs is considered as final.

4.3.5. Overview of the AEO Program

4.3.5.1. Challenges

- One Customs official manages many traders and bonded warehouses, which reduces the required speed of operations.
- The AEO companies are not identified by the Customs officers on the border, which prevents the companies to ensure preferential treatment.
- Bond guarantee waiver is not available at the moment.
- Uganda is a transit hub for the EAC region. There are very few Ugandan Customs officials in port cities in Kenya or Tanzania. The resulting congestion is a barrier to fully recognize the AEO benefits.

- AEO benefits are not available in dealings with other URA Departments and government agencies on the border such as Bureau of Standards, National Drug Authority or Immigrations.

4.3.5.2. Lessons Learned

- Being involved in a regional AEO program from its start facilitates capacity building and increases the participation by private sector in the AEO programs due to higher potential benefits.
- CRM system works very efficiently in improving the capacity of the private sector in terms of AEO application and implementation.
- Without a critical mass of qualified staff in AEO program implementation in the Customs, a smooth operation is not possible.
- Customs staff at the borders should be sensitized for private companies to enjoy the benefits of the AEO status.

4.3.5.3. Needs for Further Advancement of the AEO Program Government Perspective

Table 4.6 summarizes the challenges and proposed solutions for the further advancement of the AEO program of Uganda.

Furthermore, the Uganda Customs plans to develop the simplified AEO Program for particular sectors such as textiles and automobiles as a part of national economic objectives. The main objectives are to involve the SMEs in the process to groom them to meet international standards and to reduce informal trade. These SMEs are planned to be reached by SME associations in Uganda by making presentations in their biannual meetings.

There are also plans for instating a simplified AEO Program to improve the gender based involvement in the AEO process. In Uganda, many small companies are headed by women and there is a well-established stigma in women to participate in formal programs. The objective of gender-based involvement is to reduce informality and capacity-building in the female population.

Private Sector Perspective

The understaffing of the AEO related departments in the Uganda Customs should be solved by employing skilled individuals for the AEO holders to fully utilize the planned benefits of the program. In particular, the border personnel including the ones located in port cities in Kenya and Tanzania should be increased and trained to solve the congestion problem.

Even though the Customs officials serve the AEO holders for 24/7, the other government agencies on the border operate during regular working hours. Therefore, the around-the-clock working hours of Customs officials only do not provide the intended time saving for the companies.

Finally, simplification of the authorization procedures would increase the number of AEO applicants in Uganda.

Table 4.6. Challenges of the AEO Program Addressed by Uganda Customs

Challenge	Solutions
Limited manpower/skill set	Hiring new staff to support the AEO team (AEO coordinators and validation team) and providing necessary training to update skills
Limited resources	Support from trade partners
Slow rate of buy in by Customs officers	<ul style="list-style-type: none"> – Continuous change management drive – Sensitizations & trainings – Plan to incorporate AEO aspects in the HR curriculum.
Limited trust in the value of the program	<ul style="list-style-type: none"> – Continuous change management drive – Sensitizations & trainings
New Customs initiatives render some benefits absolute.	Continuous research on new benefits
Failure to automate authorization process	Investing in automation

Source: Uganda Revenue Authority

5. CONCLUSION AND RECOMMENDATIONS

5.1 General Success Factors

This section synthesizes the information gathered from best international practices, survey results of OIC AEO programs and experiences of OIC Member States visited for the case studies.

DESIGN STAGE

Success Factor 1- Active participation of at least one best-practice-developed country in the design process of AEO program.

It is common practice to learn from the experiences of the existing AEO programs in the design process. This includes (i) desk study of the WCO SAFE Framework as well as the international best practice examples, (ii) training of the Customs personnel by WCO or officials from countries that are experienced in AEO program design and implementation, and (iii) field visits. These are necessary but not sufficient particularly for countries with underdeveloped institutions. Closer guidance of officials from a best-practice country will increase the success of the AEO program in terms of implementation and prospective MRAs with best-practice countries.

Jordan can be considered as a best-practice country in OIC region in this respect. The Golden List program was developed together with USAID from the scratch, which provided a strong start that resulted in an MRA with the USA.

Success Factor 2- Regional AEO design and implementation to align the programs from their inauguration

The share of many OIC member countries in the world trade is miniscule and their international trade involves only a few significant trade partners. Therefore, it might be hard to justify the costs attached to an AEO program design. These costs vary from capacity building to technology adoption, from training existing personnel to hiring new staff. Canada, for example, revised and improved its program in 2008 which costed the country 11.6 million CAD (10.8 million USD)¹⁰. Moreover, a regional AEO program increases the likelihood of MRAs for the involved countries as the total trade volume becomes significant.

The main benefit of getting involved in a regional AEO is the minimization of the inconsistencies among programs in terms of application, verification and evaluation processes along with operating under the same legal framework.

The best international practice in this regard can be considered as the EU, however, one should note that the EU is an economic and political union and the common AEO program across 28 countries is a direct result of status quo.

The best practice among the OIC countries in terms of regional AEO design is the EAC (Uganda is a member) initiative.

¹⁰ See <http://www.pcb.ca>

Success Factor 3- Development of regional MRAs to increase the benefits to the AEO certificate holders and reduce the costs of designing the agreement

One of the precursors of obtaining maximum gains from holding an AEO certificate is mutual recognition agreements. MRAs make it possible for AEO holders to enjoy the trade facilitation benefits provided by the partner countries. Furthermore, these agreements guarantee the security of the supply chain due to recognition of AEO status across partner countries.

Standardization and harmonization of supply chain security measures are costly endeavors. Therefore, for cost minimization purposes it is desirable to design MRAs with regional trade partners that tend to have higher levels of bilateral trade volumes due to proximity.

The best practice among OIC countries in terms of regional MRA design can be considered as the Agadir Agreement between Egypt, Jordan, Morocco and Tunisia. These countries have signed a trade agreement that includes an MRA for AEO recognition at the same time.

Success Factor 4- Adopting an integrated approach in the legislative, organizational and operational dimensions

Design of the AEO program should follow an integrated approach taking into account multiple dimensions (legislative, organizational and operational). During the design phase, legislative and regulatory reform is often needed, as well as possible organizational restructuring and alignment with OGAs. In many countries, overlap is often present between Customs Authorities and OGAs involved in border security and control of exports and imports. Consultation and alignment with other governmental agencies during the design phase is therefore crucial to avoid redundant and burdensome procedures in areas of overlap.

Success Factor 5-Designing an attractive package where benefits to AEOs outnumber costs

As concluded from the three case studies, benefits to authorized operators are numerous. However, these benefits should be evaluated in relation to the costs borne by firms and traders to obtain authorization. Such costs include application and procedure-related fees, but also the costs of carrying out necessary changes in order to become eligible for authorization. The EU case provides a good example for package design, where AEO guidelines are published and updated by the Taxation and Customs Unit. The guidelines provide a clear demonstration of benefits, procedures, legal texts and contact offices for agents wishing to obtain authorization.

ICC (2016) suggests the following benefits to be satisfied at a minimum:

- Immediate release of cargo upon arrival by Customs and other government agencies.
- Deferred payment of duties and taxes
- Relief from guarantee/bond requirements

IMPLEMENTATION STAGE

Success Factor 6- Consultation with Customs prior to application

The consultation of prospective AEO holders with the Customs Authorities in the pre-application period help companies build capacity in terms of compliance and safety/security requirements of the program. This consultation may be in the form of a compulsory expression of interest or a formalized voluntary meeting between the applicant and the Customs

Authority. Having a priori consultation with the Customs may also assist the applicant to reduce mistakes during the application process and thus shorten the authorization timeline.

Jordan, Oman and Uganda have formalized processes where applicants consult with the Customs Authority prior to application.

Success Factor 7- Awareness about the importance of private sector partnership

AEO programs are essentially voluntary and require continued cooperation between the Customs Authority and private sector. Formal and informal consultations with the private sector representatives in design and implementation of the AEO programs in OIC are thought to increase the success of the operational programs.

Both the survey results and the case study analysis suggest that in all AEO programs within OIC there is a heightened awareness about the critical nature of the Customs to business pillar of the WCO SAFE Framework.

Success Factor 8- Client Relations Management

Client Relations Management that is used by a number of OIC AEO programs increases the attractiveness and the viability of the AEO programs. The idea and application of having a designated expert in the Customs Authority to answer the questions of AEO holders is very effective as it reduces the unnecessary and fruitless endeavors of the companies in Customs matters and increases the sense of belonging to the program.

Both Jordan and Uganda employ client relations managers to guide and engage the current and prospective AEO holders.

Success Factor 9- Providing wide coverage of offices to reduce centralization in handling applications

Reducing centralization in handling applications encourages potential applicants to join the AEO program. This is due to the fact that several offices can work in parallel to speed up the application process. As it was mentioned before, in Japan, there are 9 regional offices that can provide operators with authorizations. In the EU, 127 central and regional offices operate in the 28 member countries. In the case of Canada, there is a clear division of tasks between regional and field offices and the headquarters responsible for the AEO program.

Success Factor 10- Working on the continuous development of the AEO program

This includes, above all, the adoption of innovative solutions to increase efficiency of the program. The “paperless model” to be completed by the EU in the next few years is expected not only to simplify application and membership, but also enhance risk management by operators. In the case of the EU, full AEOs manage Customs processes; security and safety processes; internal and any outsourced operational processes. In such cases, the paperless framework would help with a more efficient monitoring and follow-up of all areas of compliance, while reducing the risk of losses and errors. Application to the Partners in Protection has also been simplified with the launch of the Trusted Traders Online Portal in Canada and the possibility to upload all documents on an e-profile.

5.2 Challenges and Policy Recommendations

Challenges and policy recommendations for AEO programs in OIC countries are provided in this section. Note that these recommendations are not tailor-made to each country and should be used with caution. In other words, no single prescription should be used for every AEO program.

APPLICATION PROCESS

Challenge 1- Lengthy AEO approval times

Lengthy AEO approval times reduce predictability in the approval process and diminish interest in AEO certification.

The EU announces the timeline of its authorization process on its website and is held accountable if discrepancies occur. Japan employs a voluntary consultation mechanism prior to the AEO application, which is thought to reduce processing times to 1-2 months. Among OIC members, Uganda is particularly noteworthy in this respect. URA also utilizes the same mechanism; however, due to immaturity of the private sector resulting from financial incapability and wide variety of doing business practices across the country, the approval time does not decrease and stays at record levels in the OIC region.

Recommendations:

1. Online application capability should be developed. That way, significant gains in the application, verification and authorization processes would be realized.
2. Frequently asked questions should be posted on web sites to reduce the trivial questions in regards to AEO implementation.
3. Ex-ante consultation of the prospective AEOs with related Customs officials should be incorporated into the program design to avoid trivial mistakes and to provide guidance before application.
4. An anticipated processing timeline should be developed and then announced on the website of the Customs Authority. Furthermore, the Customs Authority should be responsible from standardization of processing times by operator type.
5. The data on actual processing times should be published on the website along with the targeted time frames.
6. In case of significant delays, the Customs Authority should be held accountable through predetermined and announced rules.

Challenge 2- Lengthy self-assessment questionnaires

Lengthy self-assessment questionnaires discourage applicants and diminish interest in AEO certification.

Turkey has shortened its questionnaire in 2017 that resulted in a significant increase in the number of applicants.

Recommendations:

1. Online application capability would help this challenge as well by providing a time-saving opportunity for the applicants.
2. Shortening of the questionnaire without compromising the collection of information vital for the evaluation of the AEO application can be achieved by identifying the

information needs in a systematic way rather than gathering all available information about the firm.

3. An extensive guideline regarding the questionnaire should be posted on the web site of Customs.
4. A dedicated phone-line to answer the questionnaire related questions should be established.

MONITORING and IMPROVEMENT of AEO BENEFITS

Challenge 3- Communication of Customs Authority with private sector

AEO programs are voluntary-based and heavily depend on open communication channels between the Customs Authority and the stakeholders. Insufficient consultation with the private sector can be challenging as it is possible to cause potential misconceptions about the anticipated benefits, thereby reducing the incentives for companies from becoming an AEO.

Even though almost all Customs Authorities in OIC member countries welcome open communication channels with the private sector, it is hard to gauge the degree, quality and impact of these through survey or case study results only.

In Canada, CBSA developed the Border Commercial Consultative Committee to communicate with companies through a formal mechanism. Several sub-committees are dedicated to specific topics as well. Among OIC members visited for this study, URA in Uganda holds regular meetings under two groups: The AEO National Group and the Regional Consultative Group.

Recommendations:

1. The Customs Authorities should formalize the communication methods such as regular and inclusive meetings, regular email correspondence or designated phone-lines.
2. A survey of AEO company satisfaction should be incorporated to the post-authorization procedures. It is important to have regular surveys to collect data on success and challenge factors of the particular AEO program so that improvements can be devised and applied. Furthermore, anonymity of the survey respondents would be guaranteed if the surveys are contracted to independent third-party service providers. This way, survey respondents would answer questions without thinking about being politically correct.

Challenge 4- Communication of Customs Authority with other government agencies

Communication with other government agencies about AEO program is rather low in the OIC member countries. Note that the WCO revised the SAFE Framework in June 2015 and has recently added Pillar 3, which identifies specific technical standards to ensure that the AEO program has the support of other government stakeholders.

One of the exceptions to this challenge in the OIC region is Jordan, where there are ongoing efforts to establish a National Golden List where several government agencies cooperate in terms of compliance and security requirements that fall in to the areas of their respective fields of duty. Food and Drug Administration, Ministries of Agriculture, Health, Communications, Energy, Standards and Metrology are among the stakeholders in the National Golden List program.

Recommendation:

A centralized and automated data exchange system between the different AEOs and related government agencies should be adopted. The import/export declarations of the trader should be sent to all stakeholders in a safe and secure electronic environment for their examination, verification and authorization of transactions. Next, the government agencies either authorize electronically or require physical inspection.

Challenge 5- Difficulties in identification of tangible benefits

In spite of the number and the diversity of benefits offered in the OIC AEO programs, these benefits may not be enough to join the program in an economy that already has many trade facilitation measures in place.

Turkey, for example, had a trade facilitation measure called authorized trader status which granted most of the trade facilitation benefits of the AEO program without requiring stringent safety/security measures. Under these circumstances it was very hard to convince companies to participate in the AEO program.

Recommendation:

1. The private sector should be involved in the design of the AEO program from the beginning to pinpoint the needed tangible benefits.
2. Awareness about the security of supply chain should be created among prospective AEO status applicants.
3. The number of MRAs should be increased, particularly with the major trading partners, to extend the tangible benefits across the borders.

Challenge 6- Insufficient number of MRAs

OIC region countries are experiencing difficulties in engaging and succeeding in MRA negotiations due to diverse set of implementation practices across countries. MRAs have utmost importance for AEO programs as the aim behind them is the globalization of supply chain security and compliance standards.

Standardization and harmonization of security assessment, and implementation processes take time for the Customs to sign MRAs. However, once Customs start to sign MRAs, maintaining compliance and risk management will become more effective and will lead to new MRAs.

For the participation of developed countries in the MRAs with the OIC countries, the quality of AEO implementation is important, which crucially depends on institutions such as rule of law and control of corruption.

The European Union uses mechanisms to electronically exchange data automatically.

Majority of APEC countries exchange data through encrypted Excel files.

Recommendation

1. The governments should note the challenges presented in Box 5.1 to design a successful MRA.
2. For mutual benefits to be tangible for AEO holders in partner countries, trade identification numbers should be harmonized.
3. The Customs Authorities should invest in capacity building initiatives to exchange data in a safe and secure manner across MRA participants.

Box 5.1. Challenges in the Design of a Successful MRA

The commitment for cooperation and intention to implement all pillars of the SAFE Framework of the partner Customs is the most important prerequisite for a successful MRA. For the partner countries having a transparent and well published AEO program and utilizing the application standards homogenously will enhance the implementation of the MRA through the easy and symmetric information provided to the partners' traders.

Compatibility of the legislative framework, data security and data protection provisions is another issue that should be satisfied for a successful MRA.

Aigner (2017) and WCO Framework both summarize the challenges of an MRA as follows:

1. WCO does not have a formal process or guideline for successful MRA negotiations, which decreases standardization.
2. Each AEO program is tailored to the country needs which brings heterogeneity in application, implementation and evaluation. Thereby, these differences bring more discussion.
3. The degree of engagement of each Customs Administrations is different from each other.
4. The terminologies of AEO programs are different from each other.
5. Information sharing is a vital part of the MRAs. However, due to legislation, the degree of sharing varies in each country.
6. AEO Programs offer different benefits to traders. Thereby, it is not easy to provide reciprocity with MRA.
7. It is not easy to identify the traders of partner countries preventing AEO holders to utilize the benefits with the MRA agreement.
8. The IT technologies used by Customs are different from each other which sometimes make it very difficult to work together in a coherent way. WCO does not have a standard on these.
9. In order to work together under an MRA, the costs and investments for adopting new and compatible technologies may be outrageous.
10. There is the issue of big data for storing the partner country's AEO related data. Data storage and security becomes a problem both in terms of cost and incompatible legislative framework.
11. Following an MRA, the partner countries should capture and validate the traders AEO status which require the adoption of Customs declaration systems.
12. The Customs in each country should adopt risk management engines for recognizing the AEOs and treating them favorably.
13. MRA partners AEO identifying scheme may not be compatible.
14. The scope of each AEO Program may not be the same, for example, Customs brokers are covered in one partner's AEO program but not in the others.
15. It is not easy to cover all the traders in the supply chain.
16. Benefits provided to AEO holders may not be compatible in MRA partner countries.

4. Regional MRA efforts should increase across OIC countries to gain experience, to harmonize AEO practices and to reach a trade volume that attracts third-parties for potential MRAs.
5. The institutions such as rule of law and control of corruption should be improved.

ORGANIZATION and CAPACITY BUILDING

Challenge 7- Employing existing staff for the AEO design/implementation, which causes scarcity or misallocation of resources.

The analysis conducted for this project show that none of the OIC AEO programs established new Customs technical specialty positions for their AEO programs.

The transfer of existing personnel to the AEO design and implementation processes may cause problems in at least two respects: (i) The transferred staff may not be endowed with the knowledge and the skills necessary to successfully operate; (ii) As the numbers of AEO companies increase, there might be a noticeable deficit in qualified personnel to handle the verification, authorization and post-authorization processes.

Recommendation:

1. Existing staff of the Customs Authority should not be spread thin to design and implement an AEO program.
2. The risk management departments should form a new AEO sub-department staffed with AEO-devoted personnel.
3. The existence of an AEO program might reduce the staff-need on the borders but on the contrary the management of AEO programs in the headquarters requires an increase in the number of well-trained individuals in the risk management departments.

Challenge 8- Sustainable and regular training programs

It is commendable that all Customs Authorities in the OIC economies are aware of the importance of training related to the AEO programs. However, these training opportunities are sparse and timed erratically.

Training of Customs officials are important for at least four reasons: (i) The staff that design and implement the program should be knowledgeable in best-practice country experiences, MRAs, risk analysis, validation and auditing; (ii) The staff is in need of skills-updating to cope with the changing business practices along the international supply chains; (iii) For Customs staff to implement AEO programs successfully, they need to be convinced about the benefits of the program even before the private sector; (iv) To bring standardization to the implementation of the AEO program and prevent the misperceptions about differential treatment by different Customs officials, training should be provided to follow the rules to the letter.

Customs Authority of Canada provides a formal training program for Customs officers in AEO programs. These programs are endowed with background in commercial trade and supply chain security and operational experience. One noteworthy feature of the Canadian experience is that AEO self-learning tools and training online are incorporated to the training programs. Furthermore, Customs officers are required to attend monthly teleconferences with headquarters.

Among OIC member states, Malaysia adopts a formal, three-day training process covering subjects such as AEO implementation, MRA implementation, AEO systems and audit processes.

Recommendation:

1. Formal and regular training programs should be designed and implemented both in headquarters and in the regional offices of the Customs Authority.
2. International organizations related to OIC countries, including COMCEC, should provide training programs.
3. Self-learning tools should be made available to all involved parties.

EXTENSION of AEO STATUS

Challenge 9- Participation of SMEs

The OIC AEO programs seem to favor large businesses. This is due to the fact that the costs involved in upgrading security systems to meet AEO requirements seem astronomical for SMEs. Requiring all-over fencing for all AEOs, 24-hour security services and constant tracking technology for cargo may become prohibitive barriers for the SMEs. Therefore, inflexibility and prescriptive nature of security requirements may become insurmountable barriers for SMEs and prohibit their participation in the program.

The way Japan addresses the difficulty of SMEs' participation to the AEO program is to utilize Customs brokers. Hence, SMEs can enjoy almost all procedural benefits of AEO status while diminishing the cost of further investment.

Among the OIC countries Jordan offers an AEO-like program called the Silver List to incentivize SMEs to participate in trade practices that are compliant and safe by offering some of the trade facilitations in the Golden List program. Furthermore, successful Silver List participants are invited to apply for the Golden List program.

Turkey has recently started a project to increase SMEs' participation in the AEO program. The objective is to increase compliance and institutional structure of these small firms. The project involves subsidizing SMEs to fulfill compliance and physical security requirements. SMEs are planned to be selected using a predetermined set of criteria.

Recommendations:

1. The Customs Authorities that prefer increased involvement of SMEs in the AEO programs should first design an AEO-like program as a stepping tool.
2. The governments can provide guidance or financial aid for SMEs to be eligible for applying to the AEO programs.
3. As discussed in Dincer and Tekin-Koru (2018), the governments can choose to subsidize large firms to pull up the SMEs that are in their supply chain to be more compliant and secure in their transactions. That way, the bottleneck of SMEs' participation in AEO programs can be addressed by prepping SMEs to be eligible to apply to the program.

COMPLIANCE and SECURITY STANDARDS

Challenge 10- Data Security

Due to the large volumes of data collected by governments from the AEOs, added safety and security measures need to be taken in order to protect the commercial interests of the AEOs.

Recommendation:

1. To satisfy the needs of the private sector and to adopt new technologies the government should revise the AEO legislation periodically through amendments to the current regulations or through completely new ones.
2. A new genre of personnel who are well-versed in technology and law should be employed.
3. Dissemination of data (when and if required) in a safe and secure environment should be broadened to all the relevant public sector institutions. One way of achieving this outcome is employing the state-of-the-art block-chain technology which has started to gain traction in the developed countries.

5.3. Towards a Regional MRA/AEO

The aim behind the WCO SAFE Framework, thus AEO, is to provide secure and safe transactions along the supply chain. The tool for the companies in the supply chain to become interested in participating in an AEO program is to provide them sufficient incentives that translate into actual savings. Through mutual recognition agreements an AEO company having a certificate in one country will have the opportunity to enjoy the benefits in all the AEO programs that the country has signed an MRA.

MRAs are mostly carried out on bilateral basis around the world, with some limitations, restrictions and distinct practices and procedures. Widdowson (2014) explain the difficulties that would be faced by bilateral MRAs as follows:

“Consider for a moment what it would mean for the 179 WCO Members if each had an AEO program in place, and mutual recognition was to be achieved across all such programs. Taking into account the fact that the EU initiative has effectively reduced the potential number of ‘national’ programs from 179 to 152, the number of bilateral agreements that would need to be struck in order to achieve this ambition is 11,476, with each country being involved in the negotiation of 151 individual agreements.”

Considering that designing an MRA has significant administrative costs during the negotiation and maintaining the agreement phases, it is a burden for a country to carry on several bilateral MRAs simultaneously. Therefore, it takes time for a country to enrich its set of MRAs which limits the benefits of AEO certificate holders.

Regional AEO Programs or Regional MRAs would be the effective way to achieve a safe and secure supply chain and to facilitate trade in a country by encouraging economies to collaborate in establishing common AEO programs.

Regional AEO programs would be a cost-minimizing and efficient way of achieving supply chain security and higher numbers of interested companies to hold the AEO status. The EU AEO program is an example for a regional AEO program that is established by an internal

agreement among its Member States. Although there are some differences in AEO practices among the EU nations, still they are acting as a single AEO that signs MRAs with other countries.

The level of regional economic integration and the high degree of regional consistency supported by regulations make the EU a distinct case. However, it is still possible to design a regional AEO program as it is in East African Community, where an OIC member state, Uganda, is a participant. EAC countries, namely, Kenya, Tanzania, Rwanda, Uganda and Burundi, achieved enhanced cooperation on Customs policy and procedure, with harmonized AEO practices.

Designing a regional AEO brings together the countries with utmost economic relations and decreases the administrative cost of individually designing an AEO and makes the capacity building initiatives in the region easier with improved cooperation among the Customs. Moreover, particularly for small countries, the interest of companies in joining AEO programs would be limited due to scarce expected benefits. However, with the regional AEO the economic benefits provided by the AEO program multiply with the number of participant countries, which escalates the companies' desire to hold the AEO status.

As it bares costs for a country to initiate MRA negotiations, they naturally choose the countries which they have significant economic relations. Therefore, it is much easier to find interested parties to initiate MRA negotiations for regional AEOs rather than single economies.

Regional MRAs are also an effective way of increasing the benefits of AEO status holder companies in a fast and efficient way. Although it takes some time for the parties of agreement to align their rules and regulations as well as application and implementation procedures of the AEO programs, once the agreement signed, the benefits of a regional MRA will be very similar to the benefits of a regional AEO. In other words, the regional MRA is more costly compared to the regional AEO in that the administrative cost of alignment and harmonization of the AEO program is not relevant in the latter one. Moreover, capacity building is much easier in the regional AEO programs due to the extensive cooperation of the member states.

Free trade agreements have already signed between the groups of countries around the globe. The existing FTAs would play the role of necessary infrastructure to create regional AEO/MRA networks. The examples to plurilateral FTAs are the ASEAN (Association of Southeast Asian Nations), the GCC (Gulf Cooperation Council), SADC (South African Development Community), and APEC (Asia-Pacific Economic Cooperation). APEC member states have already started the regional AEO initiative.

Negotiations regarding free trade agreements as well as regional AEO programs are not straight forward. The main challenge is the disparate level of development of the AEO programs. The regulatory framework of the countries also plays an important role in this process.

Regarding OIC countries, the existing free trade agreements are Agadir Agreement between, Egypt, Jordan, Tunisia and Morocco; GCC between Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates; and TPS-OIC (Trade Preferential System among the Member States of the OIC), which is still not in effect.

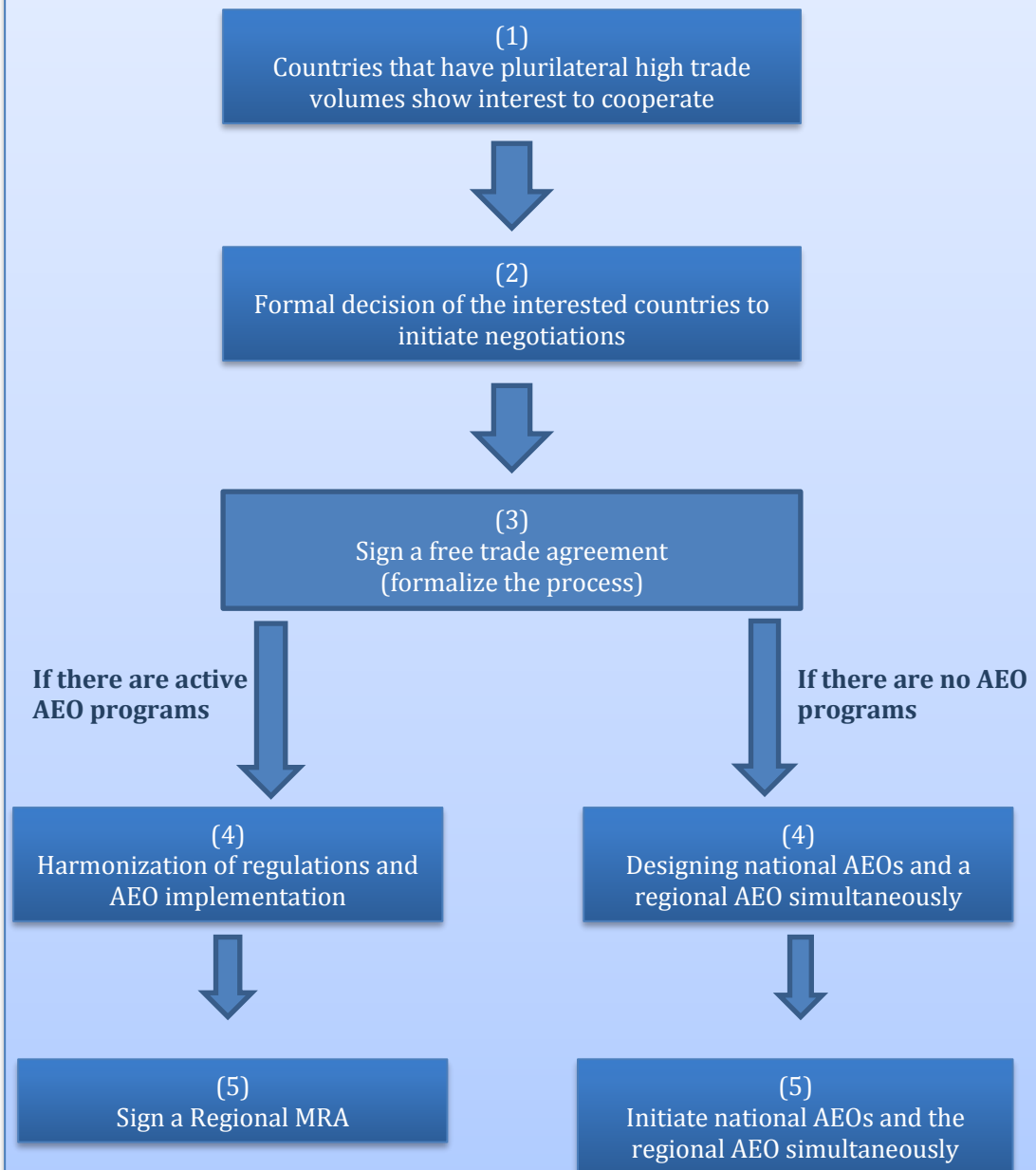
Indeed, Agadir agreement has already turned into a regional MRA. Likewise, GCC is composed of countries with significant trade between each other. Most of the member states have an AEO program or already initiated one. Therefore, in the future a regional AEO in GCC may be expected.

Box 5.2 provides guidelines for the design of a successful regional AEO/MRA.

TPS-OIC is a preferential trade system for OIC countries proposed by COMCEC in 2002 to promote trade between OIC Member States. When the system become operational it may serve as the basis for regional AEO among OIC Member States. For TPS-OIC to be operational the necessary conditions are as follows: (i) 10 Member States have to fulfill two conditions at the same time, namely the ratification of the three TPS-OIC Agreements and (ii) the submission of the list of concessions to the TNC Secretariat. These conditions have been met in 2014. However, there are some practical steps that need to be completed.

In conclusion, the OIC Member States are composed of heterogeneous groups of countries. It is not easy to gather all these countries and form a regional AEO with 57 countries for securing the entire supply chain. However, a good start has been made: There are already 12 members with AEO schemes among the member states. To increase the prospects of a safe and secure supply chain among all OIC Member States, the beginners can design their AEO programs with a regional AEO perspective from the outset. In fact, it is more likely that countries with trade which is above a certain threshold will unite and initiate a regional AEO. Another alternative is to design and operationalize bilateral/sub-regional/regional MRAs across OIC Member States in order to increase the effectiveness of AEO programs to achieve supply chain security and facilitation of trade.

Box 5.2. Guidelines for a Successful Regional AEO/MRA



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ANNEX I. AEO and CCP programs in OIC Countries

	AEO	CCP	AEO under development	No AEO or CCP
Afghanistan				✓
Albania				✓
Algeria		✓		
Azerbaijan	✓			
Bahrain			✓	
Bangladesh			✓	
Benin				✓
Brunei Darussalam	✓			
Burkina Faso				✓
Cameroon		✓		
Chad				✓
Comoros				✓
Cote d'Ivoire				✓
Djibouti				✓
Egypt	✓			
Gabon				✓
Gambia				✓
Guinea				✓
Guinea-Bissau				✓
Guyana				✓
Indonesia	✓			
Iran		✓		
Iraq				✓
Jordan	✓			
Kazakhstan		✓		
Kuwait				✓
Kyrgyz Republic				✓
Lebanon				✓
Libya				✓
Malaysia	✓			
Maldives				✓
Mali				✓
Mauritania				✓

	AEO	CCP	AEO under development	No AEO or CCP
Morocco	✓			
Mozambique		✓		
Niger				✓
Nigeria				✓
Oman	✓			
Pakistan				✓
Palestine				✓
Qatar				✓
Saudi Arabia	✓			
Senegal		✓		
Sierra Leone				✓
Somalia				✓
Sudan		✓		
Suriname				✓
Syria				✓
Tajikistan				✓
Togo		✓		
Tunisia	✓			
Turkey	✓			
Turkmenistan				✓
Uganda	✓			
United Arab Emirates		✓		
Uzbekistan				✓
Yemen				✓

Source: Authors' own design from WCO (2018)

ANNEX II. Survey Sent to OIC Customs

Adopted from "Study of APEC Best Practices in Authorized Economic Operator (AEO) Programs", May 2016, APEC Policy Support Unit.

OIC Survey of AEO in their Member States

When finished kindly return the questionnaire by email to trc@tedu.edu.tr

Country Information

Country: Click here to enter text.

Date: Click here to enter a date.

Department: Click here to enter text.

Unit: Click here to enter text.

Phone: Click here to enter text.

Email: Click here to enter text.

Name, Surname: Click here to enter text.

Position: Click here to enter text.

Customs Service website: Click here to enter text.

1. Number of Border Crossing Points (BCP): [Click here to enter text.]
2. Volume of Transport on entry on the Customs territory:

Total volume of Transport (annual basis - 2017)				
Road	Rail	Sea / River	Air Cargo	Air
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.

Description

1. Is there an operational AEO Program, at the moment?

If yes:

Please click on [Survey A](#)

If no:

2. Is there an AEO Program under development?

If yes:

Please click on [Survey B](#)

If no:

4. Is there an operational Customs Compliance Program similar to AEO such as Privileged Partnership Program, Golden List?

If yes:

Please click on [Survey C](#)

If no:

5. Is there a Customs Compliance Program similar to AEO such as Privileged Partnership Program, Golden List under development?

If yes:

Please click on [Survey D](#)

If no:

Please click on [Survey E](#)

Survey A: Operational AEO Programs

General Information

1. Please state the objectives of the program.
[Click here to enter text.]
2. Please list the stakeholders that were involved in this process.
[Click here to enter text.]
3. What was the schedule of the process to grant AEO certificate for the businesses?
[Click here to enter text.]
4. Please mark the scope of the AEO program below:
 - ☐ *Covers import only*
 - ☐ *Covers export only*
 - ☐ *Covers both import and export*
 - ☐ *Freight forwarder*
 - ☐ *Others (please specify: Click here to enter text.)*
5. Please mark the sector of AEOs:
 - ☐ *Agriculture, forestry, and fishing*
number of AEOs:
Pilot Phase: [Click here to enter text.]
Currently: [Click here to enter text.]
 - ☐ *Mining and quarrying*
number of AEOs:
Pilot Phase: [Click here to enter text.]
Currently: [Click here to enter text.]
 - ☐ *Manufacturing*
number of AEOs:
Pilot Phase: [Click here to enter text.]
Currently: [Click here to enter text.]
 - ☐ *Energy*
number of AEOs:
Pilot Phase: [Click here to enter text.]
Currently: [Click here to enter text.]
 - ☐ *Wholesale and retail trade*
number of AEOs:
Pilot Phase: [Click here to enter text.]

Currently: [Click here to enter text.]

- ☐ *Transportation and storage*
number of AEOs:

Pilot Phase: [Click here to enter text.]

Currently: [Click here to enter text.]

- ☐ *Other services*
number of AEOs:

Pilot Phase: [Click here to enter text.]

Currently: [Click here to enter text.]

- ☐ *Others*
please specify: [Click here to enter text.]

Pilot Phase: [Click here to enter text.]

Currently: [Click here to enter text.]

6. Please mark the types of the operators

- ☐ *Importer*
number of AEO importers:

Pilot Phase: [Click here to enter text.]

Currently: [Click here to enter text.]

- ☐ *Exporter*
number of AEO exporters:

Pilot Phase: [Click here to enter text.]

Currently: [Click here to enter text.]

- ☐ *Customs broker*
number of AEO Customs brokers:

Pilot Phase: [Click here to enter text.]

Currently: [Click here to enter text.]

- ☐ *Warehouse operator*
number of AEO warehouse operators:

Pilot Phase: [Click here to enter text.]

Currently: [Click here to enter text.]

- ☐ *Logistics operator*
number of AEO logistics operators:

Pilot Phase: [Click here to enter text.]

Currently: [Click here to enter text.]

☐ *Manufacturer*

number of AEO manufacturers:

Pilot Phase: [Click here to enter text.]

Currently: [Click here to enter text.]

☐ *Terminal operators*

number of AEO terminal operators:

Pilot Phase: [Click here to enter text.]

Currently: [Click here to enter text.]

☐ *Others*

please specify: [Click here to enter text.]

Pilot Phase: [Click here to enter text.]

Currently: [Click here to enter text.]

Total AEOs:

Pilot Phase: [Click here to enter text.]

Currently: [Click here to enter text.]

7. Please mark the form of instructions provided to the AEO operators and to Customs officers

☐ *Standard operating procedures*

☐ *Manuals*

☐ *Public notices*

☐ *Others (please specify:* Click here to enter text.)

8. Please describe the post-authorization audit/re-validation procedures.

[Click here to enter text.]

9. Please describe the procedures for suspension and revocation of the AEO status and appeal, if any, within the AEO program.

[Click here to enter text.]

10. Please specify special requirements for foreign company to hold AEO certificate, if any.

[Click here to enter text.]

Application, Verification, and Authorization

1. Please list the AEO application, verification and authorization procedures for the AEO program.

[Click here to enter text.]

2. Please provide copies of any instructions or documents used during this process.

[Click here to enter text.]

3. Please list the types and number of documents to be submitted.
[Click here to enter text.]
4. Please specify the estimated time spent on the authorization process
 - *by traders* [Click here to enter text.]
 - *by Customs* [Click here to enter text.]

Security and Compliance and Requirements

1. Please mark the compliance requirements for the AEO program.
 - ☐ *The compliance record of the applicant*
 - ☐ *Financial solvency/integrity*
 - ☐ *Maintenance of commercial records*
 - ☐ *Compliance programs*
 - ☐ *Others (please specify: Click here to enter text.)*
2. Please mark the physical security requirements of the AEO program.
 - ☐ *Requirements related to cargo*
 - ☐ *Conveyance and/or premises security*
 - ☐ *IT security*
 - ☐ *Trade partner security (such as the use of seals, restricted areas, identification of employees and visitors, gate, gateman, keys, fence, surveillance camera, etc.)*
 - ☐ *Others (please specify: Click here to enter text.)*
3. If Customs has developed compliance and/or security requirement checklists, please attach a copy.
[Click here to enter text.]

Organizational Structure of the Customs

1. Please mark how Customs organized the development and implementation of the AEO program
 - ☐ *Ad hoc committee*
 - ☐ *Joint public private working group including engagement/consultation with other government agencies,*
 - ☐ *Project management department*
 - ☐ *Others (please specify: Click here to enter text.)*
2. Please specify which Customs unit is responsible for program management and oversight.
[Click here to enter text.]

3. Please mark where the applications received and processed by staff at:
 - ☐ *Headquarters*
 - ☐ *Regional Customs which has the central unit for AEO operations*
 - ☐ *Regional Customs*
 - ☐ *Other (please specify: Click here to enter text.)*
4. Please mark who is responsible from approving, suspending or revoking AEO status:
 - ☐ *Headquarters*
 - ☐ *Regional Customs which has the central unit for AEO operations*
 - ☐ *Regional Customs*
 - ☐ *Other (please specify: Click here to enter text.)*
5. Please mark how Customs bring uniformity of operations to the AEO program.
 - ☐ *the use of Customs manual*
 - ☐ *temporary assignment of Customs officers to different Customs offices*
 - ☐ *a help desk within the Customs administration.*
 - ☐ *Other (please specify: Click here to enter text.)*

Private Sector Partnership

1. Please describe the current state of regular Customs-Business consultation, engagement, and partnership mechanisms.
[Click here to enter text.]
2. Are there any mechanisms to allow business partners to bring questions, concerns and suggestions to Customs attention and receive prompt consideration and response?
 - ☐ *Yes*
 - ☐ *No*
 Comment (if any): Click here to enter text.
3. Are there any subsidies to promote adoption of the AEO program by traders?
 - ☐ *Yes*
 - ☐ *No*
 Comment (if any): Click here to enter text.
4. Are there any subsidies to promote adoption of the AEO program by SMEs?
 - ☐ *Yes*
 - ☐ *No*
 Comment (if any): Click here to enter text.
5. Please list the plans to increase the number and types of operators in the AEO program, if any.
[Click here to enter text.]

Benefits of AEO Status

1. Please list and describe the benefits the AEO program provides to traders.
[Click here to enter text.]
2. Does Customs have different levels of benefits for different types or tiers of operators? If so, please elaborate.
[Click here to enter text.]
3. Are there any existing compliance initiatives through which Customs offers benefits?
 - ☐ *Yes (Please specify the name of the program: Click here to enter text.)*
 - ☐ *No*

Mutual Recognition Agreement (MRAs)

1. Please list all signed MRAs (with signing dates), if any.

Country	Signing Date
Click here to enter text.	Click here to enter a date.
Click here to enter text.	Click here to enter a date.
Click here to enter text.	Click here to enter a date.
Click here to enter text.	Click here to enter a date.
Click here to enter text.	Click here to enter a date.
Click here to enter text.	Click here to enter a date.

2. Were these MRAs part of a Free Trade Agreement?

- ☐ *Yes*
- ☐ *No*

Comment (if any): Click here to enter text.

3. Please list all MRAs currently under consultation (and targeted signing date).
[Click here to enter text.]
4. How does Customs determine which economies to sign MRAs with?
[Click here to enter text.]
5. What documents does Customs provide/require from a partner economy in order to determine whether a MRA is suitable?
[Click here to enter text.]
6. Please mark how Customs exchange information about AEOs with MRA partners.
 - ☐ *An automatic system*
 - ☐ *Electronically with manual intervention (e.g. Excel exchange)*
 - ☐ *Other (please specify: Click here to enter text.)*
7. How often are AEO related data exchanged between the MRA partners?
 - ☐ *Never*
 - ☐ *Daily*
 - ☐ *Weekly*
 - ☐ *Monthly*
 - ☐ *Quarterly*
 - ☐ *Yearly*
 - ☐ *Other (please specify: Click here to enter text.)*
8. How are traders identified during the implementation of the AEOs/MRAs?
 - ☐ *Different trader identification; The receiving Customs agency translated trader identification to its own system after receiving AEO data.*
 - ☐ *Different trader identification; The sending Customs agency translated trader identification to the receiving partners' system before sending AEO data.*
 - ☐ *Common trader identification; Your economy adopted a partner's trader identification in negotiating/concluding the MRA.*
 - ☐ *Common trader identification; The partner Customs agency adopted your trader identification in negotiating/concluding the MRA.*
 - ☐ *Common trader identification; Both sides developed common trader identification in negotiating/concluding the MRA.*
 - ☐ *Common trader identification; Both sides used common trader identification prior to negotiation/conclusion of the MRA.*
 - ☐ *Other (please specify: Click here to enter text.)*
9. Are there regular meetings for MRA monitoring between the parties involved?
 - ☐ *Yes*
 - ☐ *No*

Comment (if any): Click here to enter text.
10. What are the main challenges for negotiating or implementing a MRA?
[Click here to enter text.]

AEO Program Training

1. Please describe existing training resources for Customs officers to learn about and effectively carry out the AEO program.

[Click here to enter text.]

2. Did Customs make training resources available to AEO business partners?

☐ Yes

☐ No

Comment (if any): Click here to enter text.

3. Were there any joint training activities/workshops undertaken with the private sector to enhance understanding of each other's roles/responsibilities in the supply chain?

☐ Yes

☐ No

Comment (if any): Click here to enter text.

Other Information

1. Please mark what Customs and other involved agencies need in order to continue implementing the AEO program successfully?

☐ *Specific capacity-building requirements,*

☐ *Funding to further refine the program,*

☐ *Better data systems to enable data-exchange at borders,*

☐ *improved regional integration with other Customs administrations for MRA purposes*

☐ *Other (please specify: Click here to enter text.)*

2. What other comments and/or concerns would Customs like to make that have not been previously addressed in this survey? Any additional information would be extremely helpful.

[Click here to enter text.]

End of survey

Survey B: AEO Program under Development

General Information

1. Please state the objectives of the program.
[Click here to enter text.]
2. Please list the stakeholders that were involved in this process.
[Click here to enter text.]
3. What is the schedule of the process to grant AEO certificate for the businesses?
[Click here to enter text.]
4. Please mark the scope of the AEO program below:
 - ☐ *Covers import only*
 - ☐ *Covers export only*
 - ☐ *Covers both import and export*
 - ☐ *Freight forwarder*
 - ☐ *Others (please specify: Click here to enter text.)*
5. Please describe the post-authorization audit/re-validation procedures.
[Click here to enter text.]
6. Please describe the procedures for suspension and revocation of the AEO status and appeal, if any, within the AEO program.
[Click here to enter text.]
7. Please specify special requirements for foreign company to hold AEO certificate, if any.
[Click here to enter text.]

Application, Verification, and Authorization

1. Please list the AEO application, verification and authorization procedures for the AEO program.
[Click here to enter text.]
2. Please provide copies of any instructions or documents to be submitted during this process.
[Click here to enter text.]
3. Please list the types and number of documents to be submitted.
[Click here to enter text.]
4. Please specify the estimated time spent on the authorization process

- *by traders* (Click here to enter text.)
- *by Customs* (Click here to enter text.)

Security and Compliance Requirement

1. Please mark the compliance requirements for the AEO program.
 - ☐ *The compliance record of the applicant*
 - ☐ *Financial solvency/integrity*
 - ☐ *Maintenance of commercial records*
 - ☐ *Compliance programs*
 - ☐ *Others (please specify: Click here to enter text.)*
2. Please mark the physical security requirements of the AEO program.
 - ☐ *Requirements related to cargo*
 - ☐ *Conveyance and/or premises security*
 - ☐ *IT security*
 - ☐ *Trade partner security (such as the use of seals, restricted areas, identification of employees and visitors, gate, gateman, keys, fence, surveillance camera, etc.)*
 - ☐ *Others (please specify: Click here to enter text.)*
3. If Customs has developed compliance and/or security requirement checklists, please attach a copy.

Organizational Structure of the Customs

1. Please mark how Customs organizes the development and implementation of the AEO program
 - ☐ *Ad hoc committee*
 - ☐ *Joint public private working group including engagement/consultation with other government agencies,*
 - ☐ *Project management department*
 - ☐ *Others (please specify: Click here to enter text.)*
2. Please specify which Customs unit is responsible for program management and oversight.
[Click here to enter text.]
3. Please mark where the applications will be received and processed by staff at:
 - ☐ *Headquarters*
 - ☐ *Regional Customs which has the central unit for AEO operations*

- ☐ *Regional Customs*
 - ☐ *Other (please specify: Click here to enter text.)*
4. Please mark who will be responsible from approving, suspending or revoking AEO status:
- ☐ *Headquarters*
 - ☐ *Regional Customs which has the central unit for AEO operations*
 - ☐ *Regional Customs*
 - ☐ *Other (please specify: Click here to enter text.)*
5. Please mark how Customs will bring uniformity of operations to the AEO program.
- ☐ *The use of Customs manual*
 - ☐ *Temporary assignment of Customs officers to different Customs offices*
 - ☐ *A help desk within the Customs administration.*
 - ☐ *Other (please specify: Click here to enter text.)*

Private Sector Partnership

1. Please describe the current state of regular Customs-Business consultation, engagement, and partnership mechanisms.
- [Click here to enter text.]
2. Will there be any mechanisms to allow business partners to bring questions, concerns and suggestions to Customs attention and receive prompt consideration and response?
- ☐ *Yes*
 - ☐ *No*
- Comment (if any): Click here to enter text.*
3. Will there be any subsidies to promote adoption of the AEO program by traders?
- ☐ *Yes*
 - ☐ *No*
- Comment (if any): Click here to enter text.*
4. Will there be any subsidies to promote adoption of the AEO program by SMEs?
- ☐ *Yes*
 - ☐ *No*
- Comment (if any): Click here to enter text.*

Benefits of AEO Status

1. Please list and describe the benefits the AEO program provides to traders.
[Click here to enter text.]
2. Do Customs have different levels of benefits for different types or tiers of operators? If so, please elaborate.
[Click here to enter text.]
3. Are there any existing compliance initiatives through which Customs offers benefits?
☐ *Yes (Please specify the name of the program: Click here to enter text.)*
☐ *No*

Other Information

1. Please mark what Customs and other involved agencies need in order to continue implementing the AEO program successfully?
☐ *Specific capacity-building requirements,*
☐ *Funding to further refine the program,*
☐ *Better data systems to enable data-exchange at borders,*
☐ *Improved regional integration with other Customs administrations for MRA purposes*
☐ *Other (please specify: Click here to enter text.)*
2. What are the main challenges facing the AEO under development?
☐ *Financial*
☐ *Legislative*
☐ *Technical*
☐ *Other (please specify: Click here to enter text.)*
3. What other comments and/or concerns would Customs like to make that have not been previously addressed in this survey? Any additional information would be extremely helpful.
[Click here to enter text.]

End of survey

Survey C: Operational CCPs

General Information

1. What is the name of the program?
[Click here to enter text.]
2. What were the reasons for not developing an authorized economic operator (AEO) program?
[Click here to enter text.]
3. Please state the objectives of the program.
[Click here to enter text.]
4. Please list the stakeholders that were involved in this process.
[Click here to enter text.]
5. What was the schedule of the process to grant CCP certificate for the businesses?
[Click here to enter text.]
6. Please mark the scope of the CCP below:
 - ☐ *Covers import only*
 - ☐ *Covers export only*
 - ☐ *Covers both import and export*
 - ☐ *Freight forwarder*
 - ☐ *Others (please specify: Click here to enter text.)*
7. Please mark the sector of CCPs:
 - ☐ *Agriculture, forestry, and fishing*
number of CCPs:
Pilot Phase: [Click here to enter text.]
Currently: [Click here to enter text.]
 - ☐ *Mining and quarrying*
number of CCPs:
Pilot Phase: [Click here to enter text.]
Currently: [Click here to enter text.]
 - ☐ *Manufacturing*
number of CCPs:
Pilot Phase: [Click here to enter text.]
Currently: [Click here to enter text.]
 - ☐ *Energy*
number of CCPs:

Pilot Phase: [Click here to enter text.]

Currently: [Click here to enter text.]

☐ *Wholesale and retail trade*

number of CCPs:

Pilot Phase: [Click here to enter text.]

Currently: [Click here to enter text.]

☐ *Transportation and storage*

number of CCPs:

Pilot Phase: [Click here to enter text.]

Currently: [Click here to enter text.]

☐ *Other services*

number of CCPs:

Pilot Phase: [Click here to enter text.]

Currently: [Click here to enter text.]

☐ *Others*

please specify: [Click here to enter text.]

Pilot Phase: [Click here to enter text.]

Currently: [Click here to enter text.]

8. Please mark the types of the operators

☐ *Importer*

number of CCP importers:

Pilot Phase: [Click here to enter text.]

Currently: [Click here to enter text.]

☐ *Exporter*

number of CCP exporters:

Pilot Phase: [Click here to enter text.]

Currently: [Click here to enter text.]

☐ *Customs broker*

number of CCP Customs brokers:

Pilot Phase: [Click here to enter text.]

Currently: [Click here to enter text.]

☐ *Warehouse operator*

number of CCP warehouse operators:

Pilot Phase: [Click here to enter text.]

Currently: [Click here to enter text.]

- ☐ *Logistics operator*
number of CCP logistics operators:
Pilot Phase: [Click here to enter text.]
Currently: [Click here to enter text.]
- ☐ *Manufacturer*
number of CCP manufacturers:
Pilot Phase: [Click here to enter text.]
Currently: [Click here to enter text.]
- ☐ *Terminal operators*
number of CCP terminal operators:
Pilot Phase: [Click here to enter text.]
Currently: [Click here to enter text.]
- ☐ *Others*
please specify: [Click here to enter text.]
Pilot Phase: [Click here to enter text.]
Currently: [Click here to enter text.]

Total CCPs:

- Pilot Phase:*** [Click here to enter text.]
- Currently:*** [Click here to enter text.]

9. Please mark the form of instructions provided to the CCP operators and to Customs officers
 - ☐ *Standard operating procedures*
 - ☐ *Manuals*
 - ☐ *Public notices*
 - ☐ *Others (please specify: Click here to enter text.)*
10. Please describe the post-authorization audit/re-validation procedures.
 [Click here to enter text.]
11. Please describe the procedures for suspension and revocation of the CCP status and appeal, if any, within the CCP.
 [Click here to enter text.]
12. Please specify special requirements for foreign company to hold CCP certificate, if any.
 [Click here to enter text.]

Application, Verification, and Authorization

1. Please list the CCP application, verification and authorization procedures for the CCP.
[Click here to enter text.]
2. Please provide copies of any instructions or documents used during this process.
[Click here to enter text.]
3. Please list the types and number of documents to be submitted.
[Click here to enter text.]
4. Please specify the estimated time spent on the authorization process
 - *by traders* (Click here to enter text.)
 - *by Customs* (Click here to enter text.)

Security and Compliance Requirements

1. Please mark the compliance requirements for the CCP.
 - ☐ *The compliance record of the applicant*
 - ☐ *Financial solvency/integrity*
 - ☐ *Maintenance of commercial records*
 - ☐ *Compliance programs*
 - ☐ *Others (please specify: Click here to enter text.)*
2. Please mark the physical security requirements of the CCP.
 - ☐ *Requirements related to cargo*
 - ☐ *Conveyance and/or premises security*
 - ☐ *IT security*
 - ☐ *Trade partner security (such as the use of seals, restricted areas, identification of employees and visitors, gate, gateman, keys, fence, surveillance camera, etc.)*
 - ☐ *Others (please specify: Click here to enter text.)*
3. If Customs has developed compliance and/or security requirement checklists, please attach a copy.
[Click here to enter text.]

Organizational Structure of the Customs

1. Please mark how Customs organized the development and implementation of the CCP
 - ☐ *Ad hoc committee*
 - ☐ *Joint public private working group including engagement/consultation with other government agencies,*
 - ☐ *Project management department*
 - ☐ *Others (please specify: Click here to enter text.)*
2. Please specify which Customs unit is responsible for program management and oversight.
[Click here to enter text.]
3. Please mark where the applications received and processed by staff at:
 - ☐ *Headquarters*
 - ☐ *Regional Customs which has the central unit for CCP operations*
 - ☐ *Regional Customs*
 - ☐ *Other (please specify: Click here to enter text.)*
4. Please mark who is responsible from approving, suspending or revoking CCP status:
 - ☐ *Headquarters*
 - ☐ *Regional Customs which has the central unit for CCP operations*
 - ☐ *Regional Customs*
 - ☐ *Other (please specify: Click here to enter text.)*
5. Please mark how Customs bring uniformity of operations to the CCP.
 - ☐ *The use of Customs manual*
 - ☐ *Temporary assignment of Customs officers to different Customs offices*
 - ☐ *A help desk within the Customs administration.*
 - ☐ *Other (please specify: Click here to enter text.)*

Private Sector Partnership

1. Please describe the current state of regular Customs-Business consultation, engagement, and partnership mechanisms.
[Click here to enter text.]
2. Are there any mechanisms to allow business partners to bring questions, concerns and suggestions to Customs attention and receive prompt consideration and response?
 - ☐ *Yes*
 - ☐ *No**Comment (if any): Click here to enter text.*

3. Are there any subsidies to promote adoption of the CCP by traders?

☐ Yes

☐ No

Comment (if any): Click here to enter text.

4. Are there any subsidies to promote adoption of the CCP by SMEs?

☐ Yes

☐ No

Comment (if any): Click here to enter text.

5. Please list the plans to increase the number and types of operators in the CCP, if any.

[Click here to enter text.]

Benefits of CCP

1. Please list and describe the benefits the CCP provides to traders.

[Click here to enter text.]

2. Does Customs have different levels of benefits for different types or tiers of operators? If so, please elaborate.

[Click here to enter text.]

3. Are there any existing compliance initiatives through which Customs offers benefits?

☐ Yes *(Please specify the name of the program: Click here to enter text.)*

☐ No

Mutual Recognition Agreements (MRAs)

1. Please list all signed MRAs (with signing dates), if any.

[Click here to enter text.]

2. Were these parts of a Free Trade Agreement?

☐ Yes

☐ No

Comment (if any): Click here to enter text.

3. Please list all MRAs currently under consultation (and targeted signing date).

[Click here to enter text.]

4. How does Customs determine which economies to sign MRAs with?

[Click here to enter text.]

5. What documents does Customs provide/require from a partner economy in order to determine whether a MRA is suitable?

[Click here to enter text.]

6. Please mark how Customs exchange information about CCPs with MRA partners.

- ☐ *An automatic system*
☐ *Electronically with manual intervention (e.g. Excel exchange)*
☐ *Other (please specify: Click here to enter text.)*

7. How often are CCP related data exchanged between the MRA partners?

- ☐ *Never*
☐ *Daily*
☐ *Weekly*
☐ *Monthly*
☐ *Quarterly*
☐ *Yearly*
☐ *Other (please specify: Click here to enter text.)*

8. How are traders identified during the implementation of the CCPs/MRAs?

- ☐ *Different trader identification; The receiving Customs agency translated trader identification to its own system after receiving CCP data.*
☐ *Different trader identification; The sending Customs agency translated trader identification to the receiving partners' system before sending CCP data.*
☐ *Common trader identification; Your economy adopted a partner's trader identification in negotiating/concluding the MRA.*
☐ *Common trader identification; The partner Customs agency adopted your trader identification in negotiating/concluding the MRA.*
☐ *Common trader identification; Both sides developed common trader identification in negotiating/concluding the MRA.*
☐ *Common trader identification; Both sides used common trader identification prior to negotiation/conclusion of the MRA.*
☐ *Other (please specify: Click here to enter text.)*

9. Are there regular meetings for MRA monitoring between the parties involved?

- ☐ *Yes*
☐ *No*

Comment (if any): Click here to enter text.

10. What are the main challenges for negotiating or implementing a MRA?

[Click here to enter text.]

CCP Training

1. Please describe existing training resources for Customs officers to learn about and effectively carry out the CCP.

[Click here to enter text.]

2. Did Customs make training resources available to CCP business partners?

☐ *Yes*

☐ *No*

Comment (if any): Click here to enter text.

3. Were there any joint training activities/workshops undertaken with the private sector to enhance understanding of each other's roles/responsibilities in the supply chain?

☐ *Yes*

☐ *No*

Comment (if any): Click here to enter text.

Other Information

1. Please mark what Customs and other involved agencies need in order to continue implementing the CCP successfully?

☐ *Specific capacity-building requirements,*

☐ *Funding to further refine the program,*

☐ *Better data systems to enable data-exchange at borders,*

☐ *Improved regional integration with other Customs administrations for MRA purposes*

☐ *Other (please specify: Click here to enter text.)*

2. What other comments and/or concerns would Customs like to make that have not been previously addressed in this survey? Any additional information would be extremely helpful.

[Click here to enter text.]

End of survey

Survey D: CCP under Development

General Information

1. What will be the name of the program?
[Click here to enter text.]
2. What are the reasons for not developing an authorized economic operator (AEO) program?
[Click here to enter text.]
3. Please state the objectives of the program.
[Click here to enter text.]
4. Please list the stakeholders that were involved in this process.
[Click here to enter text.]
5. What is the schedule of the process to grant AEO certificate for the businesses?
[Click here to enter text.]
6. Please mark the scope of the CCP below:
 - ☐ *Covers import only*
 - ☐ *Covers export only*
 - ☐ *Covers both import and export*
 - ☐ *Freight forwarder*
 - ☐ *Others (please specify: Click here to enter text.)*
7. Please describe the post-authorization audit/re-validation procedures.
[Click here to enter text.]
8. Please describe the procedures for suspension and revocation of the CCP status and appeal, if any, within the CCP.
[Click here to enter text.]
9. Please specify special requirements for foreign company to hold CCP certificate, if any.
[Click here to enter text.]

Application, Verification and Authorization

1. Please list the CCP application, verification and authorization procedures for the CCP.
[Click here to enter text.]
2. Please provide copies of any instructions or documents to be submitted during this process.

[Click here to enter text.]

3. Please list the types and number of documents to be submitted.

[Click here to enter text.]

4. Please specify the estimated time spent on the authorization process

- *by Traders* (Click here to enter text.)
- *by Customs* (Click here to enter text.)

Security and Compliance Requirements

1. Please mark the compliance requirements for the CCP.

- ☐ *The compliance record of the applicant*
- ☐ *Financial solvency/integrity*
- ☐ *Maintenance of commercial records*
- ☐ *Compliance programs*
- ☐ *Others (please specify: Click here to enter text.)*

2. Please mark the physical security requirements of the CCP.

- ☐ *Requirements related to cargo*
- ☐ *Conveyance and/or premises security*
- ☐ *IT security*
- ☐ *Trade partner security (such as the use of seals, restricted areas, identification of employees and visitors, gate, gateman, keys, fence, surveillance camera, etc.)*
- ☐ *Others (please specify: Click here to enter text.)*

3. If Customs has developed compliance and/or security requirement checklists, please attach a copy.

Organizational Structure of the Customs

1. Please mark how Customs organizes the development and implementation of the CCP

- ☐ *Ad hoc committee*
- ☐ *Joint public private working group including engagement/consultation with other government agencies,*
- ☐ *Project management department*
- ☐ *Others (please specify: Click here to enter text.)*

2. Please specify which Customs unit is responsible for program management and oversight.
[Click here to enter text.]
3. Please mark where the applications will be received and processed by staff at:
 - ☐ *Headquarters*
 - ☐ *Regional Customs which has the central unit for CCP operations*
 - ☐ *Regional Customs*
 - ☐ *Other (please specify: Click here to enter text.)*
4. Please mark who will be responsible from approving, suspending or revoking CCP status:
 - ☐ *Headquarters*
 - ☐ *Regional Customs which has the central unit for CCP operations*
 - ☐ *Regional Customs*
 - ☐ *Other (please specify: Click here to enter text.)*
5. Please mark how Customs will bring uniformity of operations to the CCP.
 - ☐ *The use of Customs manual*
 - ☐ *Temporary assignment of Customs officers to different Customs offices*
 - ☐ *A help desk within the Customs administration.*
 - ☐ *Other (please specify: Click here to enter text.)*

Private Sector Partnership

1. Please describe the current state of regular Customs-Business consultation, engagement, and partnership mechanisms.
[Click here to enter text.]
2. Will there be any mechanisms to allow business partners to bring questions, concerns and suggestions to Customs attention and receive prompt consideration and response?
 - ☐ *Yes*
 - ☐ *No*

Comment (if any): Click here to enter text.
3. Will there be any subsidies to promote adoption of the CCP by traders?
 - ☐ *Yes*
 - ☐ *No*

Comment (if any): Click here to enter text.
4. Will there be any subsidies to promote adoption of the CCP by SMEs?
 - ☐ *Yes*
 - ☐ *No*

Comment (if any): Click here to enter text.

Benefits of CCP Status

1. Please list and describe the benefits the CCP provides to traders.
[Click here to enter text.]
2. Do Customs have different levels of benefits for different types or tiers of operators? If so, please elaborate.
[Click here to enter text.]
3. Are there any existing compliance initiatives through which Customs offers benefits?
☐ *Yes (Please specify the name of the program: Click here to enter text.)*
☐ *No*

Other Information

1. Please mark what Customs and other involved agencies need in order to continue implementing the CCP successfully?
☐ *Specific capacity-building requirements,*
☐ *Funding to further refine the program,*
☐ *Better data systems to enable data-exchange at borders,*
☐ *Improved regional integration with other Customs administrations for MRA purposes*
☐ *Other (please specify: Click here to enter text.)*
2. What are the main challenges facing the CCP under development?
☐ *Financial*
☐ *Legislative*
☐ *Technical*
☐ *Other (please specify: Click here to enter text.)*
3. What other comments and/or concerns would Customs like to make that have not been previously addressed in this survey? Any additional information would be extremely helpful.
[Click here to enter text.]

End of survey

Survey E: No AEO Program or CCP

Chapter 1. Background

1. Does your country have any plans of designing and implementing an AEO program or a CCP?

If yes;

- a. Please state the objectives of the program.

[Click here to enter text.]

- b. Please list the stakeholders that were involved in this process.

[Click here to enter text.]

- c. What is the schedule?

[Click here to enter text.]

- d. Please mark the scope of the CCP below:

- ☐ *Covers import only*
- ☐ *Covers export only*
- ☐ *Covers both import and export*
- ☐ *Freight forwarder*
- ☐ *Others (please specify: Click here to enter text.)*

If no;

What are the main reasons behind not having an AEO program or a CCP in your country?

[Click here to enter text.]

End of survey

ANNEX III. Summary Information on Operational AEOs

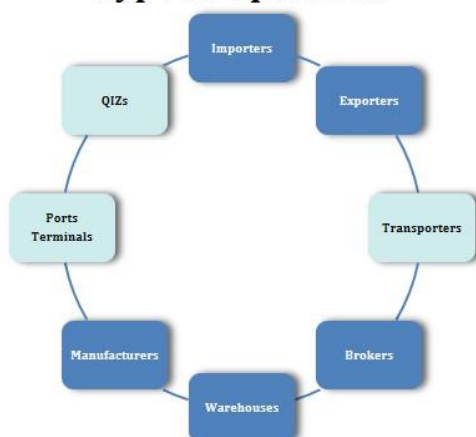
EGYPT

AUTHORIZED ECONOMIC OPERATOR PROGRAM

Country Information



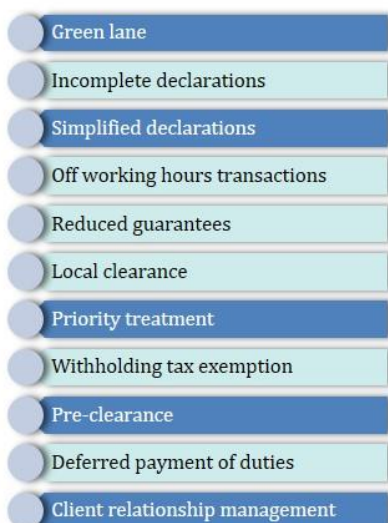
Type of Operators



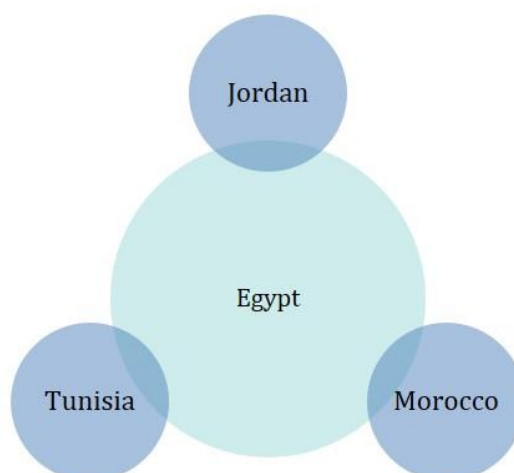
Number of Operators



Benefits



Mutual Recognition Agreements



INDONESIA

AUTHORIZED ECONOMIC OPERATORS PROGRAM



Country Information

POPULATION



261 M

GDP



\$1,011 B

EXPORTS



\$158 B

IMPORTS

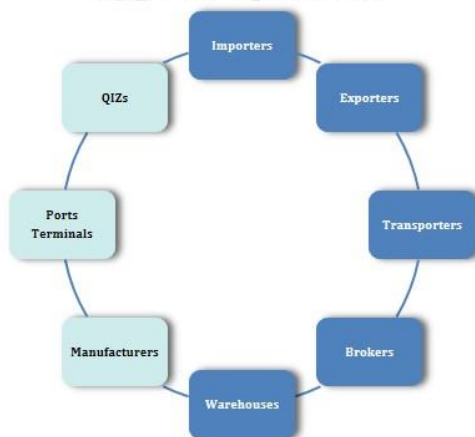


\$142 B

#BORDER CROSSINGS



Type of Operators



Number of Operators



Benefits

- Green lane
- Incomplete declarations
- Simplified declarations
- Off working hours transactions
- Reduced guarantees
- Local clearance
- Priority treatment
- Withholding tax exemption
- Pre-clearance
- Deferred payment of duties
- Client relationship management

Mutual Recognition Agreements

JORDAN

GOLDEN LIST PROGRAM



Country Information

POPULATION



10 M

GDP



\$40.5 B

EXPORTS



\$7.7 B

IMPORTS



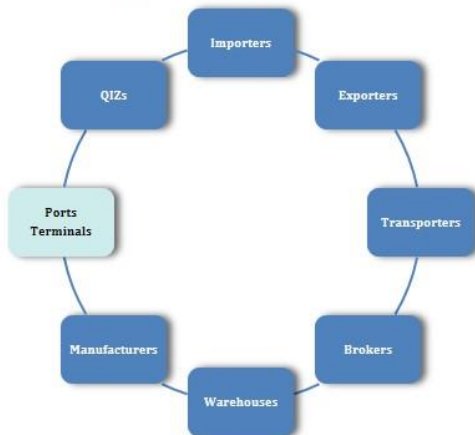
\$17.6 B

#BORDER CROSSINGS



11

Type of Operators



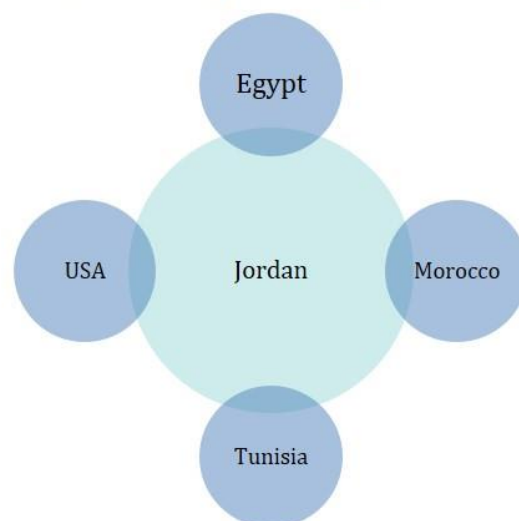
Number of Operators



Benefits

- Green lane
- Incomplete declarations
- Simplified declarations
- Off working hours transactions
- Reduced guarantees
- Local clearance
- Priority treatment
- Withholding tax exemption
- Pre-clearance
- Deferred payment of duties
- Client relationship management

Mutual Recognition Agreements



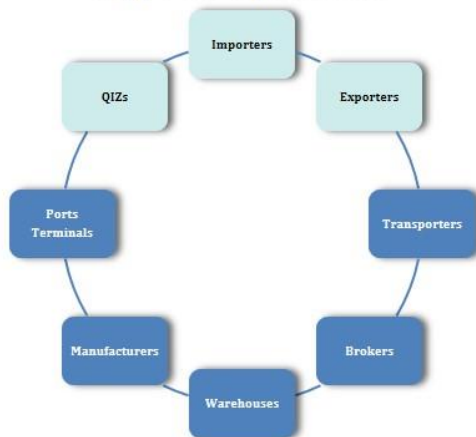
MOROCCO

AUTHORIZED ECONOMIC OPERATORS PROGRAM

Country Information



Type of Operators



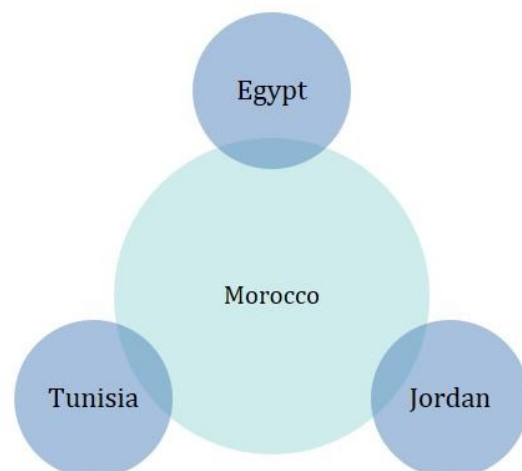
Number of Operators



Benefits

- Green lane
- Incomplete declarations
- Simplified declarations
- Off working hours transactions
- Reduced guarantees
- Local clearance
- Priority treatment
- Withholding tax exemption
- Pre-clearance
- Deferred payment of duties
- Client relationship management

Mutual Recognition Agreements



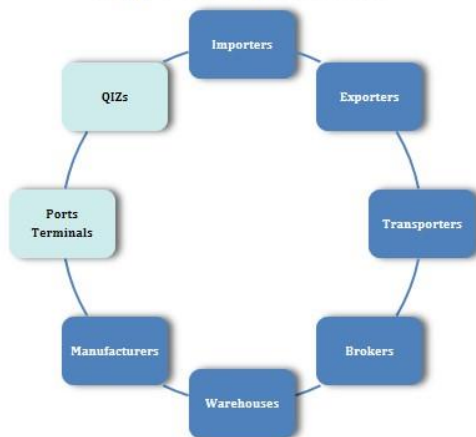
OMAN

AUTHORIZED ECONOMIC OPERATORS PROGRAM

Country Information



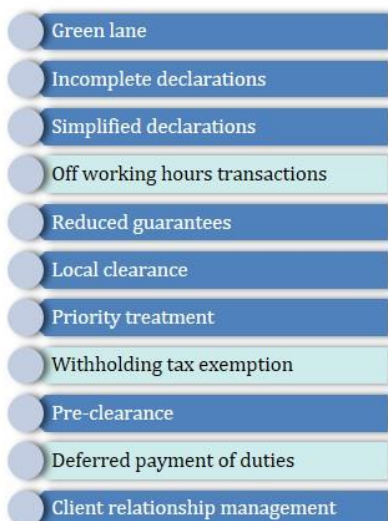
Type of Operators



Number of Operators



Benefits



Mutual Recognition Agreements

TUNISIA

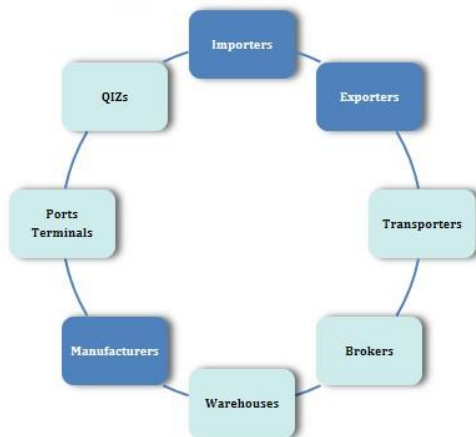
AUTHORIZED ECONOMIC OPERATORS PROGRAM



Country Information



Type of Operators



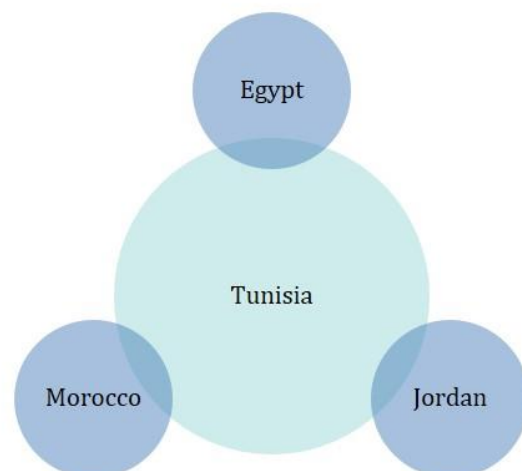
Number of Operators



Benefits

- Green lane
- Incomplete declarations
- Simplified declarations
- Off working hours transactions
- Reduced guarantees
- Local clearance
- Priority treatment
- Withholding tax exemption
- Pre-clearance
- Deferred payment of duties
- Client relationship management

Mutual Recognition Agreements



TURKEY

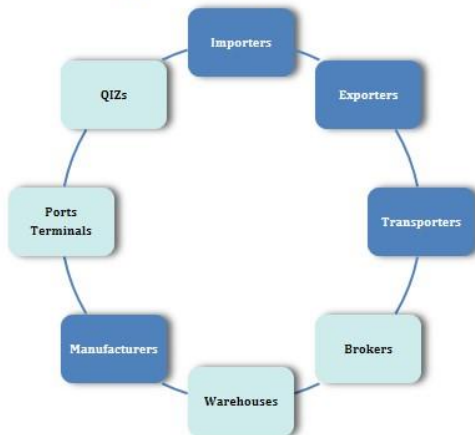
AUTHORIZED ECONOMIC OPERATORS PROGRAM



Country Information



Type of Operators



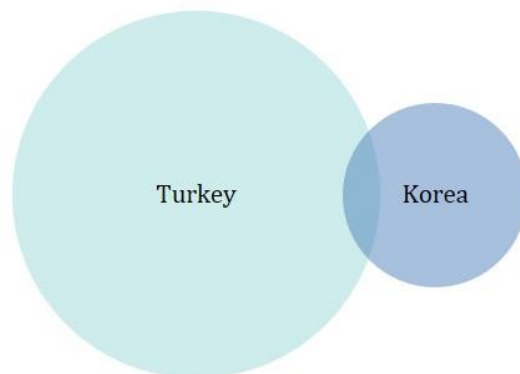
Number of Operators



Benefits

- Green lane
- Incomplete declarations
- Simplified declarations
- Off working hours transactions
- Reduced guarantees
- Local clearance
- Priority treatment
- Withholding tax exemption
- Pre-clearance
- Deferred payment of duties
- Client relationship management

Mutual Recognition Agreements



UGANDA

AUTHORIZED ECONOMIC OPERATORS PROGRAM



Country Information

POPULATION



39 M

GDP



\$26.4 B

EXPORTS



\$3.2 B

IMPORTS



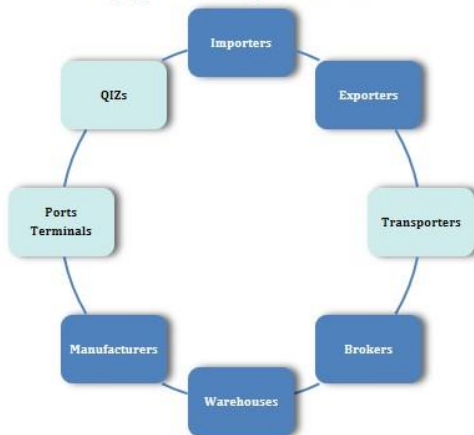
\$4.6 B

#BORDER CROSSINGS



21

Type of Operators



Number of Operators



Benefits

- Green lane
- Incomplete declarations
- Simplified declarations
- Off working hours transactions
- Reduced guarantees
- Local clearance
- Priority treatment
- Withholding tax exemption
- Pre-clearance
- Deferred payment of duties
- Client relationship management

Regional AEO



ANNEX IV. Comparator Matrix

	Egypt	Indonesia	Jordan	Morocco	Oman	Tunisia	Turkey	Uganda	Convergence Percentage by Sub- Variable	Total Convergence Percentage by Variable
General information on the AEO program										
Sector of AEOs										55%
Agriculture, Forestry, & Fishing			1	1		1	1		50%	
Mining & Quarrying	1		1	1		1			50%	
Manufacturing	1	1	1	1	1	1	1	1	100%	
Energy			1	1			1		38%	
Wholesale & Retail Trade	1		1	1			1		50%	
Transportation & Storage		1	1	1	1		1		63%	
Other Services		1	1	1	1	1			63%	
Other			1	1					25%	
Types of operators										66%
Importer	1	1	1		1	1	1	1	88%	
Exporter	1	1			1	1	1	1	75%	
Customs Broker	1	1	1	1	1			1	75%	
Warehouse Operator	1	1	1	1	1			1	75%	
Logistics Operator		1	1	1	1		1		63%	
Manufacturer Port/Terminal Operators	1	1		1	1	1	1	1	88%	
Other			1	1	1	1			13%	
									50%	

	Egypt	Indonesia	Jordan	Morocco	Oman	Tunisia	Turkey	Uganda	Convergence Percentage by Sub- Variable	Total Convergence Percentage by Variable
Application, verification, and authorization										
Application, verification, and authorization procedures										88%
Consultation with Customs prior to Application	1		1		1			1	50%	
Application (with security profile/Self- Assessment)	1	1	1	1	1	1	1	1	100%	
Risk Checks/Assessment with other Ministries/databases	1		1	1			1	1	63%	
Review of Security Procedures	1	1	1	1	1	1	1	1	100%	
Onsite Validation/Verification audit	1	1	1	1	1	1	1	1	100%	
Comprehensive Compliance Assessment	1	1	1	1	1	1	1	1	100%	
Company Background and Operating Environment	1	1	1	1	1	1	1	1	100%	
Self-assessment procedures										100%
Operator-Submitted Accounting Information	1	1	1	1	1	1	1	1	100%	
Customs Provided Self- Assessment Checklists for Operators	1	1	1	1	1	1	1	1	100%	
Customs Examination of Self-Assessment during Validation	1	1	1	1	1	1	1	1	100%	

	Egypt	Indonesia	Jordan	Morocco	Oman	Tunisia	Turkey	Uganda	Convergence Percentage by Sub- Variable	Total Convergence Percentage by Variable
Security and compliance requirements										
Compliance requirements										100%
Positive Customs Compliance Record	1	1	1	1	1	1	1	1	100%	
Financial Viability Audited Financial Statements	1	1	1	1	1	1	1	1	100%	
Internal Controls (including System for Management of Commercial Records) Meet Security/Safety Requirements	1	1	1	1	1	1	1	1	100%	
	1	1	1	1	1	1	1	1	100%	
Physical security requirements										100%
Physical Site Security	1	1	1	1	1	1	1	1	100%	
Access Control	1	1	1	1	1	1	1	1	100%	
Procedural Security	1	1	1	1	1	1	1	1	100%	
Container, Trailer, and Rail Car Security	1	1	1	1	1	1	1	1	100%	
Data and Document Security	1	1	1	1	1	1	1	1	100%	
Personnel Security	1	1	1	1	1	1	1	1	100%	
Goods (including Storage) Security	1	1	1	1	1	1	1	1	100%	
Transportation/Conveyance Security	1	1	1	1	1	1	1	1	100%	
Business Partner Requirements	1	1	1	1	1	1	1	1	100%	

	Egypt	Indonesia	Jordan	Morocco	Oman	Tunisia	Turkey	Uganda	Convergence Percentage by Sub- Variable	Total Convergence Percentage by Variable
Post-authorization										
Post-authorization audit										68%
Regular Re-validation Mechanism	1			1				1	38%	
AEO submits statements to Customs on a regular basis/any changes in their situation	1	1	1	1	1		1	1	88%	
Field/Site Audit	1	1	1	1	1		1	1	88%	
AEO Internal Audit		1		1	1		1	1	63%	
Risk Profiling/Assessment	1			1	1		1	1	63%	
Suspension, revocation and cancellation procedures										71%
AEO status can be changed/suspended/cancelled	1	1	1	1	1	1	1	1	100%	
Customs can issue Administrative Orders for Improvement		1	1	1		1	1	1	75%	
Appeals Process Exists		1		1				1	38%	

	Egypt	Indonesia	Jordan	Morocco	Oman	Tunisia	Turkey	Uganda	Convergence Percentage by Sub- by Variable	Total Convergence Percentage by Variable
Customs organizational structure for AEO programs										
	Customs organizational structure for AEO programs									75%
Dedicated Office for AEO Program Administration	1	1	1		1	1	1	1	88%	
Internal Checks/Controls	1	1	1	1	1	1	1	1	100%	
Formal Reporting Systems	1	1	1	1	1	1	1	1	100%	
Risk Management Department assists with AEO Program Management/Oversight	1		1		1		1	1	63%	
Communication with Other Government Agencies about AEO Program	1		1					1	38%	
AEO Program Standard Operating Procedures or Guidelines Exist	1	1	1	1	1	1	1	1	100%	
New Customs Technical Specialty Positions Established									0%	
AEO Program Implemented Through Administrative Initiative	1	1	1	1	1	1	1	1	100%	
AEO Program Implemented Through Passed Legislation	1	1		1		1	1	1	75%	
AEO Program Open to Foreign Companies or MNCs	1	1		1	1	1	1	1	88%	

	Egypt	Indonesia	Jordan	Morocco	Oman	Tunisia	Turkey	Uganda	Convergence Percentage by Sub- Variable	Total Convergence Percentage by Variable
Training provided to Customs officers										79%
Academic Training	1	1	1	1		1	1	1	88%	
Skill Training	1	1	1	1		1	1	1	88%	
Regular Training Programs	1	1				1			38%	
AEO-specific Training	1	1	1	1		1	1	1	88%	
Supply Chain Security Training	1	1	1	1		1	1	1	88%	
Audit Training	1	1	1	1		1	1	1	88%	
Partnership between Customs Authority and the private sector										
Partnership initiatives										77%
Formal or Informal Consultation with Industry and Stakeholders on AEO Program Design	1	1	1	1	1	1	1	1	100%	
Formal or Informal Consultation with Industry and Stakeholders on AEO Program Implementation	1	1	1	1	1	1	1	1	100%	
Promotion of AEO program by Customs Applicant/AEO assigned an Account Manager	1	1	1		1	1		1	75%	
Dedicated AEO Enquiry Phone Number/Email	1	1		1	1	1		1	75%	
Survey of Trader Satisfaction					1				14%	

	Egypt	Indonesia	Jordan	Morocco	Oman	Tunisia	Turkey	Uganda	Convergence Percentage by Sub- by Variable	Total Convergence Percentage by Variable
Benefits of AEOs										84%
Different Benefits for Different Types of Operators		1	1	1	1	1		1	75%	
Mutual Recognition of AEO Status by Other Customs	1		1	1		1	1	1	75%	
Lead Time and Predictability	1	1	1	1	1	1	1	1	100%	
Simplified Data Requirements and Data Submission	1	1	1	1	1	1	1	1	100%	
Access to Customs Assistance for AEOs	1	1	1		1	1		1	75%	
Measures to Expedite Cargo Release, Reduce Transit Time, and Lower Storage Costs	1	1	1	1	1	1	1	1	100%	
AEO Program Logo Exists		1	1		1		1	1	63%	
MRAs										52%
MRAs require Domestic Legislation or OGA/Working Group Approval	1		1	1		1	1		63%	
Joint validation/observation visits conducted prior to MRA	1		1	1		1	1		63%	
Operational Data Exchanged Electronically	1		1	1		1	1		63%	
Different Trader Identification			1				1		25%	
Common Trader Identification	1			1		1			38%	
Periodic/Regular Consults with Partner Customs	1		1	1		1	1		63%	

	Egypt	Indonesia	Jordan	Morocco	Oman	Tunisia	Turkey	Uganda	Convergence Percentage by Sub- Variable	Total Convergence Percentage by Variable
SMEs										44%
Specific Benefits for SMEs (including at Application Stage)			1	1					25%	
SME Outreach Plan			1	1	1		1	1	63%	
Accessibility of information on Customs Authority's website about the AEO program										
Electronic promotion of the AEO program										66%
Explanatory information of AEO Program on Website	1	1	1	1	1	1	1	1	100%	
Contact information	1	1	1	1	1	1	1	1	100%	
Online forms		1			1		1		38%	
Online Application Capability									0%	
FAQ		1					1		25%	
Requirements to Join	1	1	1	1	1	1	1	1	100%	
Benefits of Joining	1	1	1	1	1	1	1	1	100%	
Total Convergence Percentage by Country	76%	81%	72%	83%	67%	70%	76%	74%		75%

**TOTAL
CONVERGENCE**

ANNEX V. Interview Questions with OIC Private Sector in Case Studies

General Information about the Company

1. Name of the company
2. Age of the company
3. Location of headquarters
4. Foreign share of capital (Countries)
5. Primary NACE Rev2 code
6. Primary NACE Rev2 code
7. Number of employees
8. Number of products produced
9. Number of destination/origin countries in exports/imports
10. Services trade
11. Total Sales
12. Exports/Total Sales
13. Imports/Total Sales
14. Name of the interviewee
15. Position of the interviewee

Outline of the AEO Program

1. When did you become a part of the AEO program?
2. Why did you become a part of the AEO program?
3. How did you hear about the AEO program in general?
4. How did you hear about the AEO program in your country?
5. What form of instructions have been provided to your company (standard operating procedures, manuals, public notices, etc.)?

Application, Verification, and Authorization

1. Please describe your company's AEO application, verification and authorization procedures for the AEO program.
2. Please list the types and number of documents to be submitted.
3. What is the estimated time spent on the authorization process?
4. Did your company need to employ a Consultant for your application?
5. Comment on your company's application experience.

Security and Compliance Requirements

1. What compliance requirements did your company have to satisfy for the AEO program? This can include requirements such as the compliance record of the applicant, financial solvency/integrity, maintenance of commercial records, and compliance programs.
2. What was the cost of these compliance requirements to your company?
3. How long did it take to achieve the compliance requirements?
4. What physical security requirements did your company have to satisfy for the AEO program? This can include requirements related to cargo, conveyance and/or premises security, IT security and trade partner security, including but not limited to the use of seals, restricted areas, identification of employees and visitors, gate, gateman, keys, fence, surveillance camera, etc.
5. What was the cost of these physical security requirements to your company?
6. How long did it take to achieve the physical security requirements?
7. In general, what is the estimated yearly cost of sustaining the AEO status?

Organizational Structure

1. Did your company make any changes in the organizational structure to obtain and sustain the AEO status?
2. Does your company have any internal checks and controls in place related to the AEO status?
3. Does your company have any formal reporting systems in place related to the AEO status?
4. Which department is responsible for tracking and coordinating communications with the government?

Government Partnership

1. Please describe the current state of regular Customs-Business consultation, engagement, and partnership mechanisms, if any.
2. Please describe what steps your company has taken to promote adoption of the AEO program by your suppliers. What is the role of Customs in this endeavor?
3. Please describe the extent to which national and local Customs have regular consultations with traders to talk about the AEO program, and to talk about areas of mutual benefit and common concern.
4. Please describe any mechanisms to allow business partners to bring questions, concerns and suggestions to Customs attention and receive prompt consideration and response.

Benefits of AEO Status

1. Please list and describe the benefits the AEO program provides to your company.
2. In general, what is the estimated yearly benefit of sustaining the AEO status?
3. How many of your suppliers have the AEO status? Were you involved in their AEO application process? If yes, how so?
4. Why do you think some of your suppliers did not prefer to/could not get this status?

5. Are these benefits different depending on your suppliers' AEO participation?
6. Which of your suppliers' participation in the AEO program would make a difference for your company's export performance? How so?
7. Which of your suppliers' participation in the AEO program would make a difference for your company's import performance? How so?
8. Are these benefits different depending on whether there exist an MRA with the country of your trading partner(s)?
9. Having an MRA with which countries provides the highest benefit for your company?
10. Does your company benefit more from the AEO status while exporting or importing? Please elaborate.
11. Has Customs surveyed your company to gauge their satisfaction with the program and identify opportunities for improvement? If so, what did it find?

AEO Program Training

1. Please describe existing training resources for company staff to learn about and effectively carry out the AEO program.
2. Please describe any joint training activities/workshops undertaken with the government to enhance understanding of each other's roles/responsibilities in the supply chain.
3. What have been the most difficult obstacles to overcome in the implementation of the AEO program? Was your company able to overcome these obstacles to its satisfaction? Please elaborate.
4. What challenges have been faced in the identification of benefits? If your company already enjoys trade facilitation benefits, how does it enhance upon this with the AEO benefits?
5. What does your company think can be improved within its AEO program?
6. How does your company view its relationship with government agencies with regards to the AEO program? What are the positive and negative aspects?

Other Information

1. What does your company need in order to continue implementing the AEO program successfully?
2. What do you think is the main challenge in implementing the AEO program for your company? Please state your suggestions to improve.
3. What do you think the government would do to increase the number of AEOs in your country?
4. What other comments and/or concerns would your company like to make that have not been previously addressed in this survey? Any additional information would be extremely helpful.

End of interview questions

ANNEX VI. Interview Questions with OIC Countries' Custom Authorities in Case Studies

Outline of the AEO Program

1. Why do you implement an AEO program? Objectives?
2. What is the legal framework under which the program is designed and implemented?
3. Were legal requirements an impediment or do they still pose impediments to the full development of the AEO program? If so, were legislative or regulatory changes enacted or are they in the process of being enacted? Please elaborate.
4. How was the awareness about AEO program created? Explain.
5. What form of instructions have been provided to the AEO operators and to Customs officers (standard operating procedures, manuals, public notices, etc.)?
6. Please list and elaborate on what plans there are to increase the number and types of operators in the AEO program.
7. Were there any best practices that you used as a guideline in your design and implementation of the AEO program? Explain.
8. What were the country-specific challenges that were addressed during the design and implementation?

Application, Verification, and Authorization

1. Please list and elaborate on the AEO application, verification and authorization procedures for the AEO program.
2. Please list and elaborate on the self-assessment mechanism/checklist criteria, if any, that prospective AEOs fill out during the application.
3. Please list the types and number of documents to be submitted.
4. What is the estimated time spent on the authorization process by Customs?
5. What are the selection criteria and methods?

Security and Compliance Requirements

1. Please list and elaborate on the compliance requirements for the AEO program. This can include requirements such as the compliance record of the applicant, financial solvency/integrity, maintenance of commercial records, and compliance programs.
2. Please list and elaborate on the physical security requirements of the AEO program. This can include requirements related to cargo, conveyance and/or premises security, IT security and trade partner security, including but not limited to the use of seals, restricted areas, identification of employees and visitors, gate, gateman, keys, fence, surveillance camera, etc.

3. Are your compliance measures show similarities with the international best practices? Explain.
4. Do you have a targeted set of industries? What are the selection criteria for these sectors?

Organizational Structure

1. Please describe how Customs organized the development and implementation of the AEO program (ad hoc committee, joint public private working group including engagement/consultation with other government agencies, project management department, etc.)?
2. Which Customs unit is responsible for program management and oversight? Is there a clear division of roles within Customs for AEO program administration?
3. Are internal checks and controls in place?
4. Are formal reporting systems in place?
5. Does the Customs risk management department or office play any part in the management and oversight of the AEO program? If so, please describe.
6. What is the role of each organization/office in the division of responsibilities and tasks in administering the AEO program?
7. What other government agencies does Customs liaise with about the AEO program? Please note the agencies' names.
8. To what extent do other government agency policies help or hinder the granting of benefits to AEOs?
9. Who is responsible for tracking and coordinating communications with other government agencies regarding the AEO program? Is there a centralized and/or formalized communication process, or is it done on an informal basis?
10. How does Customs bring uniformity of operations to the AEO program? This may include, but is not limited to, the use of Customs manual, temporary assignment of Customs officers to different Customs offices, and/or a help desk within the Customs administration.

Private Sector Partnership

1. Please describe the current state of regular Customs-Business consultation, engagement, and partnership mechanisms, if any.
2. Please describe what steps Customs has taken to promote adoption of the AEO program by traders, in particular SMEs.
3. Please describe the mechanisms which Customs has to allow business partners to propose changes or improvements, if any.
4. Please describe the extent to which national and local Customs have regular consultations with traders to talk about the AEO program, and to talk about areas of mutual benefit and common concern.

5. Please describe any mechanisms to allow business partners to bring questions, concerns and suggestions to Customs attention and receive prompt consideration and response.

Benefits of AEO Status

1. Please list and describe the benefits the AEO program provides to traders.
2. How were these benefits developed, and did representatives of the trading community have significant input?
3. Are these benefits different depending on the type of economic actor, and did they take into account their different business models? Please elaborate.
4. Has Customs encountered any resistance from other border agencies or agencies with import/export responsibilities to providing any specific benefits? If so, how has Customs dealt with this?
5. Has Customs surveyed its current AEO partners to gauge their satisfaction with the program and identify opportunities for improvement? If so, what did it find?
6. Does Customs have different levels of benefits for different types or tiers of operators? If so, please elaborate.
7. Are there any existing compliance initiatives through which Customs offers benefits? If so, please describe them. Are these pre-existing compliance initiatives a barrier to the success of the AEO?
8. Did Customs solicit inputs from other government agencies when determining AEO benefits? Which agencies were included in these consultations, and what were the overarching responses?

AEO Program Training and Capacity Building

1. Please describe existing training resources for Customs officers to learn about and effectively carry out the AEO program.
2. Has Customs established any new Customs technical specialty positions such as Cargo Security Specialist? If so, were training needs satisfied or is there a need for specialist training? If not, does Customs foresee a need for any new specialist positions?
3. Has Customs developed any training modules on AEO validations to ensure a harmonized approach towards the requirements of the SAFE Framework of Standards?
4. Please describe any joint training activities/workshops undertaken with the private sector to enhance understanding of each other's roles/responsibilities in the supply chain.
5. What have been the most difficult obstacles to overcome in the development and implementation of the AEO program? Was Customs able to overcome these obstacles to its satisfaction? Please elaborate.
6. What challenges have been faced in the identification of benefits? If traders already enjoy trade facilitation benefits, how does Customs enhance upon this with the AEO benefits? How does Customs overcome this obstacle to ensure trader buy-in?
7. What does Customs think can be improved within its AEO program?

8. How does Customs view its relationship with other government agencies with regards to the AEO program? What are the positive and negative aspects?
9. What aspects of other AEO programs does Customs think it should incorporate into its own AEO program? Have other economies readily advised Customs of potential best practices?

Other Information

1. What do Customs and other involved agencies need in order to continue implementing the AEO program successfully? This can include specific capacity-building requirements, funding to further refine the program, better data systems to enable data-exchange at borders, improved regional integration with other Customs administrations for MRA purposes, etc.
2. What other comments and/or concerns would Customs like to make that have not been previously addressed in this survey? Any additional information would be extremely helpful.

End of interview questions

