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Negotiating Group on Trade Facilitation

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COMMUNICATION FROM THE PEOPLE'S REPUBLIC OF CHINA AND KOREA

The following communication, dated 9 June 2005, from the Delegations of the People's Republic of China and Korea, is being circulated in advance of the Negotiating Group meeting of 13-14 June.

CLARIFICATION AND IMPROVEMENT OF GATT ARTICLE VIII APPLYING RISK MANAGEMENT

I. INTRODUCTION

1. Risk management has long been recognized by our Customs Authorities. Nowadays, this concept is not only adopted in Customs, but also widely accepted by other border agencies involved in trade administration.
2. Risk management may be applied to:
 - The process of Customs supervision and control;
 - Post-clearance audit;
 - Customs classification;
 - Valuation;
 - Analysis of Customs statistics, etc.
3. Through this method, commodities and traders are classified into different categories according to a set of rules. The most compliant traders or low risk commodities can be granted simplest and fastest clearance treatment by Customs Authorities. In our experience, by adopting risk management systems, border crossing movement of goods, formalities of clearance and release of goods could be expedited.
4. Therefore, China and Korea would like to propose this paper for clarification and improvement of GATT Article VIII on the aspect of "import and export formalities".

II. PROPOSALS

A. DEFINITION OF RISK MANAGEMENT

5. Risk management means the systematic application of management procedures and practices which provide Customs with necessary information to address movements or consignments which may present a risk. This definition is excerpted from WCO Guidelines of the Revised Kyoto Convention, which is widely accepted throughout Customs administrations worldwide.

B. ESTABLISHMENT OF A RISK MANAGEMENT PLATFORM BY ADOPTING ADVANCED INFORMATION TECHNOLOGY

6. Primary customs data including classification, valuation, origin of the goods, incorporated with selected data from other border agencies or trade authorities, can be gathered into the platform system. The information can be shared not only by Customs officers involved in risk management but also by those in relevant border agencies and trade authorities.

C. RISK ANALYSIS

7. The WCO Guidelines on the Revised Kyoto Convention defines the concept as "systematic use of available information to determine how often defined risks may occur and the magnitude of their likely consequences". Based upon the collection of clearance data and other relevant information, Customs officers at the risk management unit should analyze the available data and arrange for the appropriate customs operation accordingly. With the purpose of expediting Customs clearance, different treatments should be granted to commodities and traders classified at different risk levels.

D. POST-CLEARANCE AUDIT

8. Customs should carry out necessary post-clearance audit on the account books, vouchers, commercial documents, customs declaration forms and other trade-related information of enterprises upon the risk analysis results. The outcome of post-clearance audit should be fed back timely to relevant Customs officers involved in clearance procedures to take further action in order to ensure effective customs control.

E. ENTERPRISE CLASSIFICATION

9. The enterprise classification management allows Customs to conduct **risk assessment**¹ to enterprises with respect to their self-compliance and risk level. Enterprises can be categorized into different risk levels upon their compliance records with customs and be treated differently in terms of providing customs facilitation. The categorization may be adjusted according to their future compliance of customs laws and regulations.

III. BENEFITS OF IMPLEMENTATION

10. Risk management can help Customs authorities to work out the problem of limited administration resources and massive administrative duties. Other benefits include:

- Improving the administrative efficiency;
- Reducing administrative expenses;
- Allocating administrative resources economically;
- Providing trade facilitation to legitimate traders;
- Minimizing the time of clearance;
- Lowering trade costs.

¹ Risk assessment: the systematic determination of risk management priorities by evaluating and comparing the level of risk against predetermined standards, target risk levels or other criteria. (WCO Kyoto Convention Revised).

IV. COSTS

11. Generally speaking, the proposed clarification and improvement set out above should not cause huge costs to Members with existing technological and management conditions. However, the application of risk management needs certain input in the areas of infrastructure, staff training, and coordination and cooperation among government agencies. Specific implementation expenses may vary from one Member to another according to its current situation.

V. SPECIAL AND DIFFERENTIAL TREATMENT

12. Considering the difficulties that developing Members may confront in implementing risk management, longer period and other necessary flexibilities should be granted to these developing Members in the implementation of the relevant rules that may result from the negotiations.

VI. TECHNICAL ASSISTANCE AND CAPACITY BUILDING SUPPORT FOR NEGOTIATIONS

13. Members, especially developing and least-developed Members, should identify their difficulties, requirements and priorities in implementing risk management through self-assessment. Developed Members and relevant international organizations should work out practical ways to assist these Members in this process and help develop their risk management projects.

14. Members should share their useful experience accumulated in implementing risk management techniques. Developed Members should make special contribution in this regard.
