



**Asia-Pacific
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Authorized Economic Operator Pilot Programme of Hong Kong, China

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**Ease of Doing Business Workshop on Trading
Across Borders
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Authorized Economic Operator (AEO) Pilot Programme of Hong Kong, China (HKC)

APEC Ease of Doing Business Workshop on Trading Across Borders

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Outline



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- HK AEO Pilot Programme
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Authorized Economic Operator

- AEO arrangement is a major standard under the Customs-to-Business Pillar of the WCO SAFE Framework of Standards (FoS) to Secure and Facilitate Global Trade.
- AEO is 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.



Global Situation of AEO Programme Implementation

- In June 2005, the WCO adopted the SAFE FoS to Secure and Facilitate Global Trade.
- In the APEC forum, the Ministers responsible for Trade agreed in principle in 2005 to implement the APEC Framework for Secure Trade



Global Situation of AEO Programme Implementation (Cont'd)

- As at **August 2010**, **162** of **176 WCO members** have undertaken to implement the SAFE FoS.
- **20** of **21 APEC economies** have expressed their intention to implement the SAFE FoS.
- **14 economies** have implemented their own AEO programmes (Some have also started their AEO mutual recognition arrangements.)



APEC Customs Directors General/Commissioners Meeting

- **Statement of the Chair**
 - Support the establishment of AEO programme in each economy, and promote mutual recognition arrangements.
 - Pursue the steady implementation of the AEO Action Plan, including the development of the AEO Best Practices.
 - Continue developing communication networks to facilitate the resumption of trade in the event of a major disruption to the global supply chain.



HK AEO Pilot Programme

- **Launched on 23 June 2010**
- **Implementation plan**
 - To run for about 12 months
 - To involve about 10 forerunners
 - To start with Shippers (i.e. Importers/Exporters)



Reasons for Implementing AEO Programme

- Adapts to the new environment and links up with the global AEO development
 - Aims:
 - to maintain HKC's competitive edge as an international trading centre and regional logistics hub;
 - to enhance HKC's trading partners' confidence in the security of HKC's exports; and
 - to facilitate clearance of goods (originated from or transshipped through HKC) by overseas Customs administrations.



Reasons for Implementing AEO Programme (Cont'd)



- Provides a mechanism for Customs and business to develop supply chain best practices.
 - Aims:
 - HK Customs - To achieve a dual aim of enhancing Customs enforcement and facilitating legitimate trade
 - AEOs - To reap benefits, including faster Customs clearance through reduced examination and predictable Customs procedures



Reasons for Implementing AEO Programme (Cont'd)



- Shows our readiness to cooperate with the international community to secure the international supply chain.
 - Considerations:
 - HKC is a member of the WCO and APEC;
 - HKC's principal trading partners have implemented their AEO programmes on different scales



Reasons for launching an AEO Pilot

- The AEO Implementation Guidance of the WCO SAFE Package advises Customs administrations to carry out a pilot before formally implementing an AEO programme.
- A majority of the economies which have already implemented their AEO programmes had launched pilot projects.



Reasons for launching an AEO Pilot (Cont'd)

- HKC has its unique trading environment, which is characterized by, among others, :
 - a significant proportion of SMEs;
 - a small number of manufacturing industries; and
 - sophisticated transportation and communication networks.
- The WCO Framework Standards may not be all applicable to HKC's situation.



Reasons for launching an AEO Pilot (Cont'd)

- Provides a platform to collect views from the local industries
 - *Industries may have better knowledge of AEO programme implementation and a better grasp of their security status in the international supply chain (through joining AEO programmes in other economies).*
 - *Information collected in the pilot would help refine AEO application, validation and assessment process, and identify areas for further enhancement.*



Principles of HK AEO Programme

- Fits the unique local trading environment;
- Caters for SMEs;
- Does not require legislative amendments;
- Does not necessitate any changes to the existing business operation or customs clearance procedures;
- Complies with the WCO standards; and
- Makes reference to the AEO best practices of other Customs administrations and other international standards, such as the ISO.



Core Features of HK AEO Pilot

- Open and Voluntary
 - All local companies, regardless of their size and nature of business, can choose to join.
 - HK Customs starts with several companies and expands the scope progressively.



Core Features of HK AEO Pilot (Cont'd)

- High Flexibility
 - Considers operators' security profile on an individual basis and allows flexibility in assessing whether they could meet the criteria for obtaining AEO status.
 - Advises the operators of their compliance level and the ways on how they could meet the unfulfilled standards.
 - Allows mandatory and value-added requirements based on operators' business models.



Core Features of HK AEO Pilot (Cont'd)

- Two types of AEO Status
 - Tier 1 AEOs
 - Target: Small Companies
 - 3 General Criteria + 7 Security & Safety Criteria
 - Tier 2 AEOs
 - Target: Large Companies
 - 3 General Criteria + 9 Security & Safety Criteria



Core Features of HK AEO Pilot (Cont'd)

- 3 General Criteria:
 - Tier 1 and Tier 2 AEOs
 - (1) *Customs Compliance;*
 - (2) *Maintenance of Commercial Records; and*
 - (3) *Financial Soundness*



Core Features of HK AEO Pilot (Cont'd)

■ Security & Safety Criteria:

For Tier 1 and Tier 2 AEOs

- (1) Premises Security and Access Control;
- (2) Personnel Security;
- (3) Cargo Security;
- (4) Conveyance Security;
- (5) Business Partner Security;
- (6) Security Education and Training; and
- (7) Information Exchange, Access and Confidentiality

For Tier 2 AEOs only

- (8) Crisis Management and Incident Recovery; and
- (9) Measurement, Analysis and Improvement



Criteria for Obtaining an AEO Status

	General Criteria	Tier 1	Tier 2
1.	Customs Compliance	✓	✓
2.	Maintenance of Commercial Records	✓	✓
3.	Financial Soundness	✓	✓
	Security & Safety Criteria	Tier 1	Tier 2
4.	Premises Security & Access Control	✓	✓
5.	Personnel Security	✓	✓
6.	Cargo Security	✓	✓
7.	Conveyance Security	✓	✓
8.	Business Partner Security	✓	✓
9.	Information Exchange, Access & Confidentiality	✓	✓
10.	Security Education and Training	✓	✓
11.	Crisis Management & Incident Recovery	Not mandatory	✓
12.	Measurement, Analysis & Improvement	Not mandatory	✓



Benefits for AEOs in HKC



- Less physical Customs examination when compared with other economic operators;
- Priority treatment of consignments if selected for customs inspection;
- Choice of place of controls (for containerized sea cargo only);



Benefits for AEOs in HKC (Cont'd)



- Other indirect benefits like reducing theft and losses, improved customer confidence and improved security and communication with partners in the supply chain;
- Recognized as a secure and safe business partner - "Kite Mark";
- Further trade facilitation deriving from mutual recognition; and
- Special priority treatment of consignments for Tier 2 AEOs at times of disruption to border operations.



Way Forward

- To conduct review after AEO Pilot;
- To devise a timetable of implementing the AEO programme on full scale; and
- To maintain close liaison with other Customs administrations on their AEO implementation and exchange views on mutual recognition.



The End

- Thank you!
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