



**Asia-Pacific
Economic Cooperation**

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Customs Procedures and Corruption

Submitted by: Chile



**Anti-Corruption and Transparency Experts'
Working Group Cross Fora Meeting
Santiago, Chile
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CUSTOMS PROCEDURES AND CORRUPTION

Anti-Corruption
and Transparency
Working Group

ACTWG

Cross Fora
Meeting



Asia-Pacific
Economic Cooperation



Santiago, February 28th, 2019

PRELIMINARY ASPECTS

- Corruption negatively affects commercial and economic trade.
- Customs public official's vulnerability to corruption:
 - Direct contact with goods, people and money.
 - Decisions on duties and taxes or on admissibility of imports and exports.
 - Places of work in remote border stations.
- According to World Bank experts McLinden and Durrani* almost every function performed by Customs is vulnerable to corruption:
 - Assessment of origin.
 - Value and classification.
 - Cargo examination.
 - Administration of concessions, suspense, exemption and drawback schemes.
 - Post clearance audit.
 - Transit operations.
 - Passenger processing.
 - Issuing of various licenses and approvals.
 - Access to authorized or preferred trader schemes which confer special privileges to selected traders.

* Corruption in Customs; Gerard McLinden and Amer Zafar Durrani; World Customs Journal, Vol. 7, Num. 2, Sept. 2013.

PRELIMINARY ASPECTS

- Different stakeholders = different responsibilities in international supply chain:

Manufacturer	Manufacturing process
	Supply of products
	Correct application of customs rules regarding the origin of the goods
Exporter	Export declaration
	Supply of the goods to the carrier or freight forwarder or customs agent
Freight Forwarder	Transport and logistics companies
	Transport formalities
	Secure and safe transport of goods
Warehouse Keepers	Integrity of storage goods
	Protection of the storage area
Customs Agents	Application of customs procedures
	Correctness of customs or summary declarations and its timely lodgement
Carriers	Secure and safe transport of goods while in custody
	Provide timely transport documentation
	Apply necessary legal formalities and rules on summary declarations
Importers	Assigning an approved treatment or use to the goods presented to customs
	Apply commercial policy and prohibition and restriction measures
	Secure and safe receipt of goods

ADDRESSING CORRUPTION IN CUSTOMS

1993 WCO ARUSHA DECLARATION

- Basic elements promoting integrity in Customs while eliminating risks and opportunities for corruption.

2003 WCO REVISED ARUSHA DECLARATION

- Good governance and integrity in Customs.
- 10 key principles for the development and implementation of a comprehensive integrity program:
 1. Leadership and Commitment
 2. Regulatory Framework
 3. Transparency
 4. Automation
 5. Reform and Modernization
 6. Audit and Investigation
 7. Code of Conduct
 8. Human Resource Management
 9. Morale and Organizational Culture
 10. Relationship with the Private Sector

Anti-corruption compliance?

ADDRESSING CORRUPTION IN CUSTOMS

2005 WCO SAFE (Standards to Secure and Facilitate Trade) FRAMEWORK

- SAFE Framework objectives:
 - Standards to provide supply chain security and facilitation at a global level (promoting certainty and predictability).
 - Cooperation between Customs administrations to improve their capability to detect high-risk consignments.
 - Partnerships between Customs and business community through the AEO concept.
 - Seamless movement of goods through secure international trade supply chains.
- 2 pillars:
 - Enhance **Customs-to-Customs network** arrangements to promote the seamless movement of goods through secure international trade supply chains.
 - Establish **Customs-to-Business partnerships** with the private sector to involve it in ensuring the safety and security of the international trade supply chain.

ADDRESSING CORRUPTION IN CUSTOMS

2014 BEIJING DECLARATION ON FIGHTING CORRUPTION (AMM)

- Recognize that corruption impedes economic sustainability and development.
- Acknowledge that increased global connectivity demands vigorous international cooperation to successfully combat corruption.
- Collectively pursue efforts to nurture fair and open markets.
- Recognize the importance of intensifying cross-border cooperation to prevent, investigate and prosecute bribery.
- Encourage member economies to broaden and strengthen dialogues between governments and business communities in the fight against bribery.

AUTHORIZED ECONOMIC OPERATOR (AEO)

- Customs-to-business partnerships; collective action between public and private sectors.
- *“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” (WCO SAFE Framework).*
- Requirements and conditions:
 - Compliance with customs legislation and taxation rules.
 - Satisfactory system of managing commercial and transport records.
 - Proven financial solvency.
 - Practical standards of competence or professional qualifications.
 - Appropriate security and safety standards.
- Applying a set of international standards reduces multiple & complex requirements for traders + increases uniformity & predictability
= Less opportunities and possibilities for corruption.

COLLABORATIVE OPORTUNITY ACTWG-SCCP

- Customs procedures in general seem to consider the “anti-corruption problem”, but usually focused on the backgrounds and records of both natural and legal persons involved in the operations.
- No explicit and specific legal or normative requirement has been issued regarding an anticorruption compliance assessment.
- Corporate compliance are an essential part of every company’s operation, specially for those involved in international trade.
- Importance of the adoption and enforcement of corporate compliance programs has been recognized by APEC Economies in the Anti-corruption Code of Conduct for Business, Business Integrity and Transparency Principles for the Private Sector, the General Elements of Effective Voluntary Corporate Compliance Programs and others, all of them developed by the ACTWG.

COLLABORATIVE OPORUNITY ACTWG-SCCP

- Considering the need to continue increasing the development of integrity policies and anti-corruption mechanisms in APEC economies, and in line with the 2017 APEC Guidelines To Promote Cross Fora Collaboration, the Customs procedures field appears as an interesting opportunity for collaborative work with the SCCP.
- Based on the knowledge and experience from both SCCP and ACTWG expert's, some proposals that could be explored would be the drawing up of a relevant checklist, a practical handbook or other, to incorporate in an effective way the anti-corruption compliance variable into the AEO certification process.
- We believe these types of initiatives are consistent and go in line with the ACTWG Strategic Plan, while also address the APEC Chile 2019 Priorities, such as Integration 4.0 and its development of trade facilitation measures, as well as Inclusive Growth and SMES economic integration in international trade in the APEC region.

THANK YOU



ANTICORRUPTION SPECIALIZED UNIT

**PUBLIC PROSECUTOR'S OFFICE
CHILE**