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Implementing Risk Management in Government Agencies with Foreign Trade Oversight

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*Third Latin American and Caribbean Regional Meeting on
International Trade Single Windows: Paperless Trading and
Risk Management in Trading Operations*

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Portcullis or Window at the Border?

- Portcullis is the traditional symbol of Customs
- Symbolizes a nation's ports - the gates through which international trade must pass
- Customs controls the gate
- Customs obligated to act as agent and intervener for other agencies in single window



- ***Easiest action for Customs is to lower the portcullis and stop the goods***

Imagine Two Ports . . .

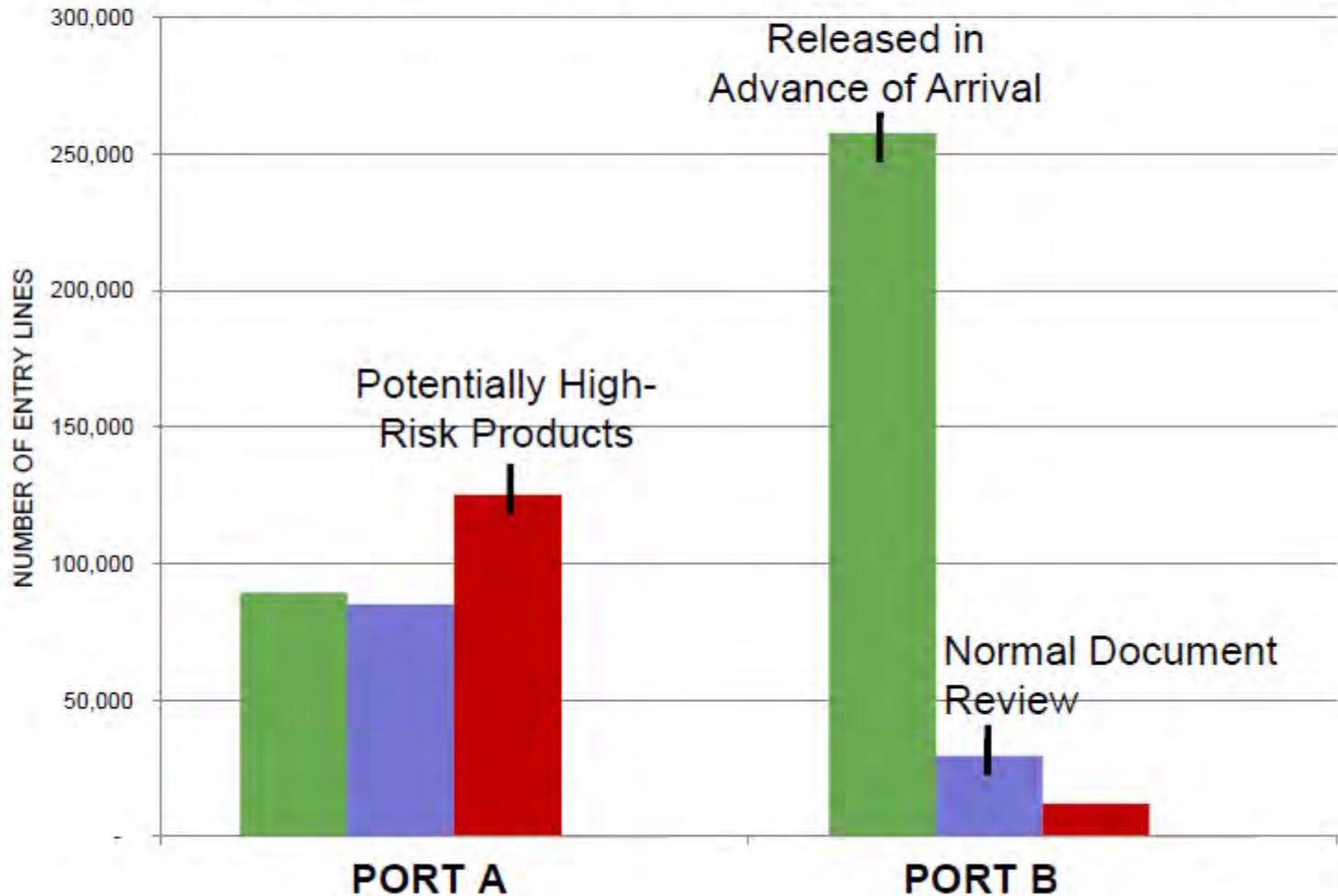


- ✓ 30 % OF LINE ENTRIES RELEASED IN ADVANCE OF ARRIVAL
- ✓ 42 % TARGETED AS POTENTIALLY HIGH RISK
- ✓ ABOUT 5 % OF PRODUCT EXAMS YIELD NON-COMPLIANT PRODUCTS

- ✓ 85 % RELEASED IN ADVANCE OF ARRIVAL
- ✓ 4 % TARGETED AS POTENTIALLY HIGH RISK
- ✓ CONDUCTS FEWER EXAMS AND FINDS MORE NON-COMPLIANT PRODUCTS THAN OTHER PORTS

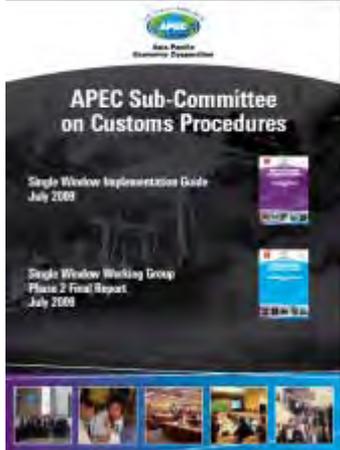
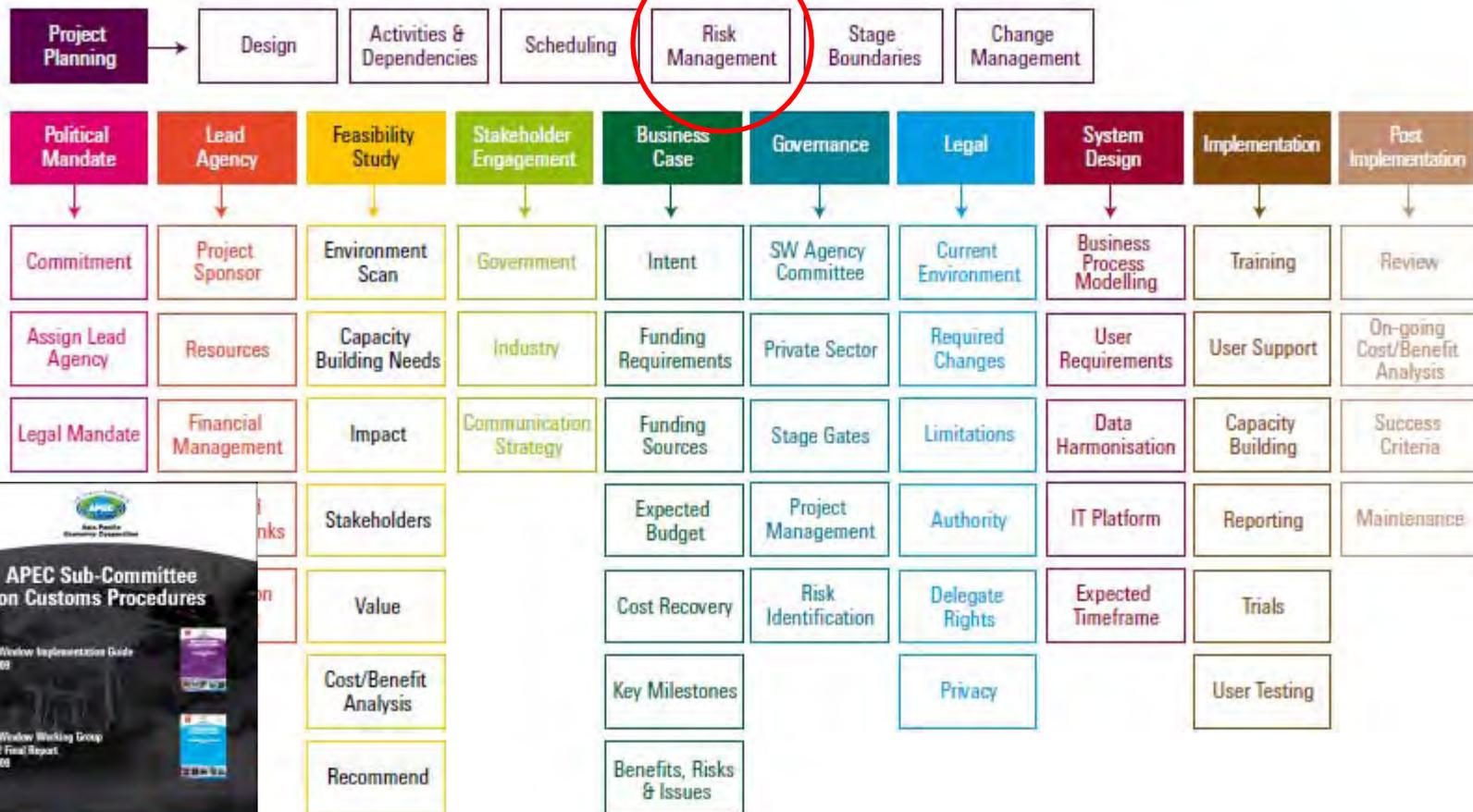


One Port Markedly More Efficient for Trade and Effective for Citizens



Can You Find the Hidden Key?

Single Window Roadmap



Risk Management

Risk to what?

What about the risk of cutting off the economic benefits of cross-border trade to your national economy?

Risk Management

RISK:

The chance of something happening that will impact on objectives

Other government agencies have different objectives than customs does

Customs Role and Objectives

- Effective border management
- Enforcement of laws
- Trade compliance
- Revenue collection

A modern customs administration also is focused on its role as facilitator to legitimate trade but what about other government agencies?

Revised Kyoto Convention/WCO

It is a fundamental requirement for contracting parties to the Revised Kyoto Convention to integrate the principles of risk management into all Customs control programs...and the WCO provides a wealth of guidance and training



BUT

Only one country in the region has signed the RKC
And the WCO and RKC are focused on customs—not necessarily on needs of other agencies....

Partner Agency Role and Objectives

- What is the partner agency's role?
- What are its objectives?
- What are its legal mandates?

Are they compatible with those of customs and is there a mandate for them to work together?

Facilitation/Control

Change in approach:

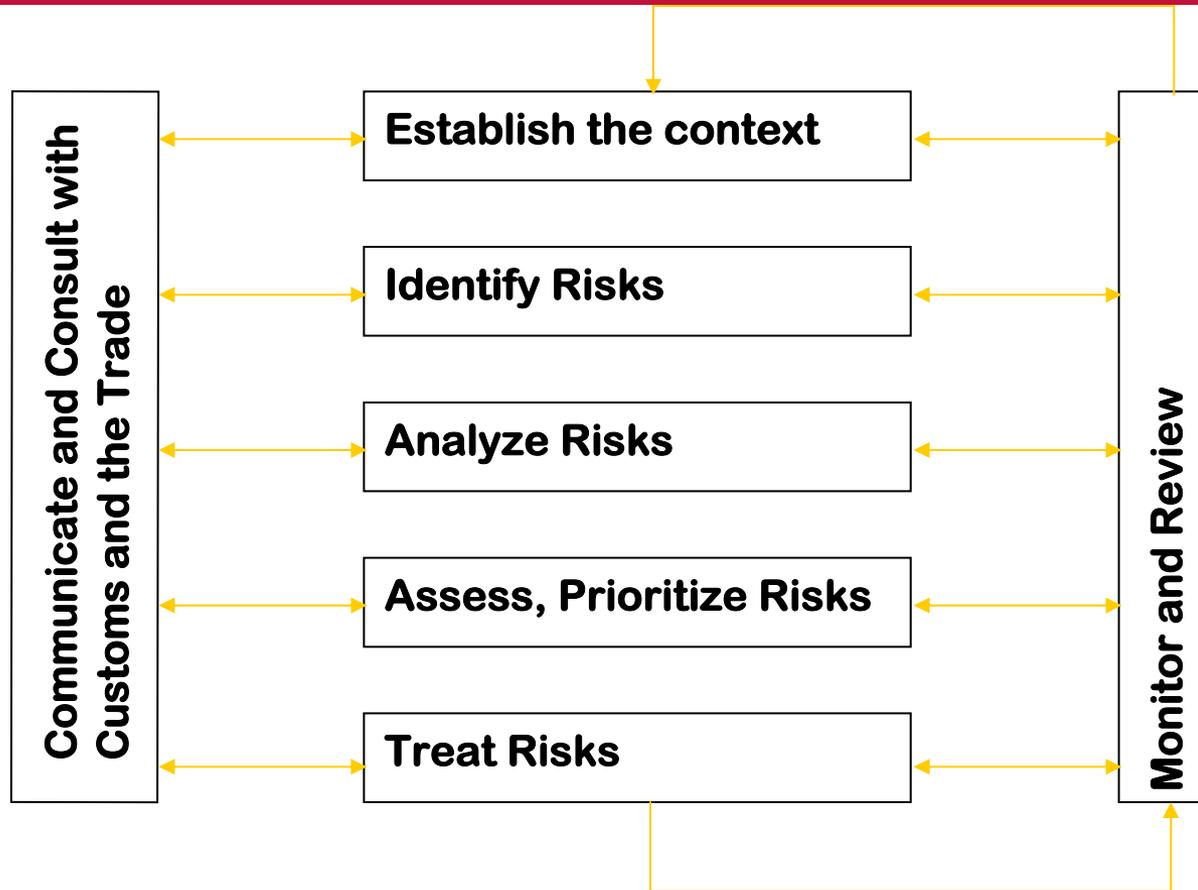
- From “Gatekeeper” strategies to prevention and post-import controls: keep the trade flowing
- To a balance between facilitation of low-risk traders and increased control of high-risk traders
- **Implies need to know the trader**
- **Implies an effective risk management strategy**



BALANCE



Formal Framework for Risk Management



Don't Forget the Obvious

- What information is needed when?
- What form of data transmission?
- Who provides the information?
- What are the time constraints?
- What occurs if risk analysis process fails prior to import?
- Fall-back scenarios?

Define Risk Treatments

- For those who intend to do the right thing
- For those who intend to do the wrong thing
- For those who do the wrong thing by accident
- Customs knows a lot about high-risk and low-risk traders, and traders know best how the system really works—leverage that knowledge

Manage Risk but Keep Trade Flowing

- Audits and Investigations
- Random physical checks
- Surveillance activities
- Security bonds/bank guarantees
- Effective enforcement and sanctions

Gatekeepers

- Compliance management based in law
- “One size fits all” compliance strategy
- Enforcement focus

Risk Managers

- Compliance management based in law
- Strategy dependent upon level of risk
- Dual enforcement/ client service focus

Gatekeepers

- Indiscriminate focus or 100% check
- Intervention in all areas
- Transaction focus
- “One size fits all” procedures

Risk Managers

- Focus on defined high-risk areas
- Minimal intervention in low-risk areas
- Trader focus
- Delineated administrative discretion allows flexible actions

Gatekeepers

- Focus on real-time compliance assessment at the border
- Post-arrival import clearance
- Physical control maintained pending revenue payment or mandated conformity to regulations

Risk Managers

- Increased focus on post-clearance compliance assessment
- Pre-arrival import clearance
- Physical control relinquished where other means exist to obtain compliance after release

Working Together to Keep the Window Open for Trade



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