



Towards an inclusive risk-based approach in the cross-border e-commerce environment



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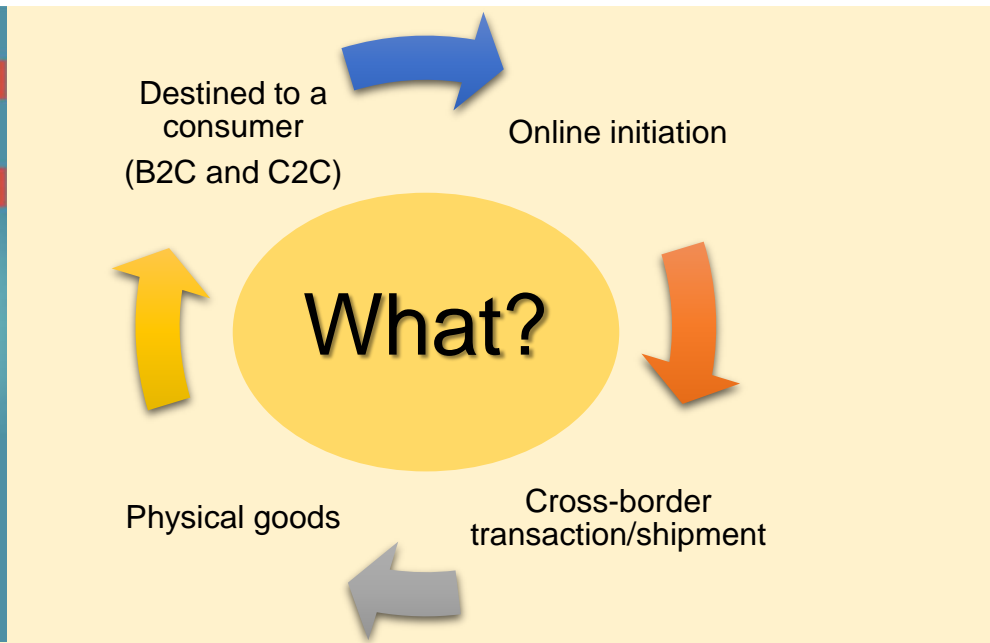
Outline

- I. Introduction – WCO's Perspective
- II. Challenges
- III. Working Group on E-Commerce
- IV. Potential Solutions – Risk-based approach
- V. Work with Other Stakeholders



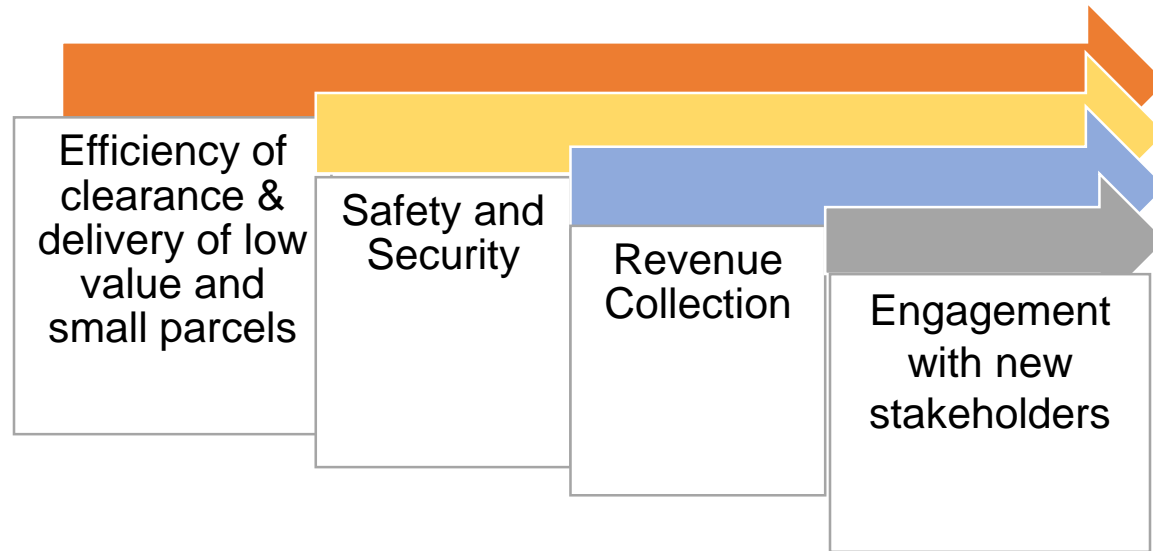
Cross-Border E-Commerce

- WCO's Perspective



E-Commerce

– WCO's Perspective





Challenges

Trade facilitation and security

- Increasing volumes – Speed and efficiency
- Few Large/bulk shipments → large number of low-value small shipments
- B2C & C2C – Security risks: Limited knowledge on importers and supply chain
- Data Quality: Accuracy and adequacy

Fair and efficient collection of duties and taxes

- Splitting, under-invoicing and mis-declaration
- *De minimis*
- Classification and origin

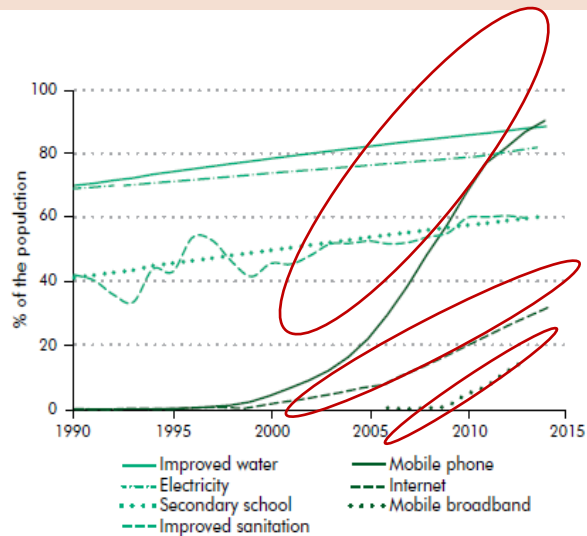
Society Protection - Criminal exploitation of e-commerce

- Illicit trade and smuggling
- Drug trafficking
- Counterfeited and pirated goods
- Illicit financial flows & Money laundering



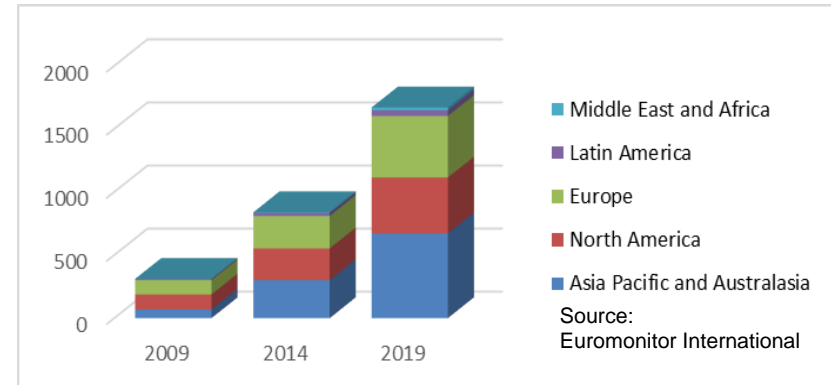
Digital Revolution

World Bank Group, World
Development Report 2016:
Digital Dividends



E-Commerce

Sales value of internet retailing
Past and future (US \$ billion)



Internet of Things

Big Data

Social media

The other side of globalization

Security Concerns



Illicit Trade

- Cultural Heritage
- CITES

WCO Security Programme





Customs and Post Challenges

- **Growing volumes**
 - Expedited clearance
 - Improved efficiency – economic competitiveness in particular MSMEs.
- **Supply chain security**
- **Occasional Mailers/Unknown players (both, senders and recipients)**
 - Unverified senders/consignees
 - Limited control over supply chain
 - Potential threat to security and revenue
 - Restricted and prohibited goods
 - Hazardous and dangerous goods
 - Drugs, counterfeited and pirated goods and high value dutiable goods
 - Data Quality – accuracy, adequacy and timeliness
- **Illicit financial flows**
- **Absence of electronic information**



AEI between Post & Customs

Cargo Visibility



Maritime Cargo

Containerized: 24 hours prior loading at port of departure

Bulk/Break bulk : 24 hours before arrival



Air Cargo

Long haul: 4 hours prior to arrival

Short haul: at the time of “wheels up” of the aircraft



Postal Mail/Parcel

When the mail/parcel is presented before the Customs and opened

CN22/CN23 being on paper basis

Advanced Electronic Information Exchange



WCO Working Group On E-Commerce



Remit and Scope

Multi-stakeholders

Cross- cutting issues

- Facilitation & control

Collaborative solutions

- Develop framework / recommendations / guidelines

Collection and dissemination of Members' practices and initiatives





1st Meeting of the WGEC

- Over 175 delegates from Customs administrations, international organization and e-commerce stakeholders
- E-commerce - Opportunities, Challenges, and Potential Solutions from a diverse perspective
- Focus on cross-border low-value B2C and C2C
- Identified areas for the future work

Issues discussed

- Business models
- Legal and regulatory framework
- Facilitation and risk management
- Dark side of e-commerce
- Exchange of information between e-commerce actors and Customs
- Revenue collection
- Customs-Tax cooperation

Themes identified by the WGEC

I. Trade Facilitation & Simplification	II. Safety & Security
<ul style="list-style-type: none">• Definitions• Legislation• Automated systems - Single Window (OGAs)• Exchange of advance electronic data (interoperability, minimum data sets, data quality, data privacy)• Trusted Trader/AEO programme for e-vendors marketplaces and intermediaries - enhanced facilitation• Framework/guidelines/standards - harmonization and support to MSMEs• Return/refund (drawback) processes• Implementation and review/update of the WCO Immediate Release Guidelines and other related tools	<ul style="list-style-type: none">• Product safety• Illicit trade• Quarantine/bio-security• Dark web/net• Cyber security• Illicit Financial Flows - tracking financial trails• Cooperation and information exchange between Customs administrations• Smuggling of high-value items and environmentally sensitive goods• Non-intrusive inspection (NII) technologies• Review/update of relevant tools• Case studies
III. Revenue Collection	IV. Measurement & Analysis
<ul style="list-style-type: none">• <i>De minimis</i>• Simplified entry threshold• Classification, valuation, origin issues• HS Navigator, integrated tariff database• Transactional approach vs account-based approach• Alternate models of revenue collection (including impact analysis on the industry and government)• Fees and charges• Cooperation amongst authorities (Customs and Tax)	<ul style="list-style-type: none">• Big Data• Stocktake and analysis of work currently being undertaken by international bodies• Research and analysis of various e-commerce business models - case studies• Measuring e-commerce flows and economic benefits• Capacity building, awareness, and education - implementation support

Risk Management



WGEC Sub-groups Face-to-face Meeting

- Over 100 delegates from Customs administrations, international organization and e-commerce stakeholders - 23-25 January 2017
- Enhanced work packages
- Draft Recommendations/frameworks
- Definitions : key terms
 - E-commerce
 - Low-value consignments
 - Safety vs security

Issues discussed

- Sources and quality of data
- Exchange of information
- Business models
- *De Minimis*
- Education of consumers
- Regulatory framework
- Risk management
- Unknown players
- Alternate models of revenue collection
- Big Data - data analysis



Potential Solution

- Solution- Inclusive risk based approach based on advance electronic information

- New approach to Risk Management
 - » New actors in the e-commerce chain
 - » New data sources
- Advance Data Exchange between Post and Customs
- Direct Data Exchange between e-platforms and Customs
 - » Order data
 - » Payment data
 - » Shipping data
 - » Digitally connected efficient supply chain
- Data with e-platforms
 - » Supplier's name and address
 - » Buyer's name and address
 - » Place of delivery
 - » Description of goods
 - » Value of goods
 - » Weight of goods
 - » Number of pieces
 - » Origin
 - » Delivery mode and tracking data (including consignment identifier/tracking number and carrier/postal operator)



Direct Data Exchange between e-platforms and Customs

**Improve Data
Quality**

**Timely
Manner**

**Business
Case**

- **Enhanced facilitation**
 - » fast tracking of legitimate shipments
- **Efficient and effective risk management**
- **Improved compliance and efficiency**





Work with Other Stakeholders

OECD

- Alternate models of revenue collection
- Monitoring of developments on Tax side

UPU

- Advance electronic information
- Joint Messaging Standards
- Joint Letter

UNCTAD - Measuring cross-border e-commerce

WTO - Work Programme

WEF - Dialogue on E-commerce Facilitation

E-Commerce Platforms

Electronic interface and exchange of information





Recommendations

- Closer cooperation between NPPOs and Customs at the national level.
- Development of joint risk assessment for more effective targeting
- Increase engagement in relevant fora's to raise awareness of SPS issues to relevant border agencies
 - » For example IPPC to participate in the WCO WGEC





• Thank you

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