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

What?
- Online initiation
- Cross-border transaction/shipment
- Destined to a consumer (B2C and C2C)
- Physical goods

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E-Commerce – WCO’s Perspective

Efficiency of clearance & delivery of low value and small parcels

Safety and Security

Revenue Collection

Engagement with new stakeholders
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

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Digital Revolution


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

Source: Euromonitor International

E-Commerce

Internet of Things
Big Data
Social media

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The other side of globalization

Security Concerns

Illicit Trade
  • Cultural Heritage
  • CITES

WCO Security Programme

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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
## Cargo Visibility

<table>
<thead>
<tr>
<th>Mode</th>
<th>Visibility Requirement</th>
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<tbody>
<tr>
<td><strong>Maritime Cargo</strong></td>
<td></td>
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<tr>
<td>Containerized:</td>
<td>24 hours prior loading at port of departure</td>
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<tr>
<td>Bulk/Break bulk:</td>
<td>24 hours before arrival</td>
</tr>
<tr>
<td><strong>Air Cargo</strong></td>
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<tr>
<td>Long haul:</td>
<td>4 hours prior to arrival</td>
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<tr>
<td>Short haul:</td>
<td>at the time of “wheels up” of the aircraft</td>
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<tr>
<td><strong>Postal Mail/Parcel</strong></td>
<td></td>
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<tr>
<td>When the mail/parcel</td>
<td>is presented before the Customs and opened</td>
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<tr>
<td></td>
<td>CN22/CN23 being on paper basis</td>
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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

<table>
<thead>
<tr>
<th>I. Trade Facilitation &amp; Simplification</th>
<th>II. Safety &amp; Security</th>
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</thead>
<tbody>
<tr>
<td>• Definitions</td>
<td>• Product safety</td>
</tr>
<tr>
<td>• Legislation</td>
<td>• Illicit trade</td>
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<tr>
<td>• Automated systems - Single Window (OGAs)</td>
<td>• Quarantine/bio-security</td>
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<tr>
<td>• Exchange of advance electronic data (interoperability, minimum data sets, data quality, data privacy)</td>
<td>• Dark web/net</td>
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<tr>
<td>• Trusted Trader/AEO programme for e-vendors marketplaces and intermediaries - enhanced facilitation</td>
<td>• Cyber security</td>
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<tr>
<td>• Framework/guidelines/standards - harmonization and support to MSMEs</td>
<td>• Illicit Financial Flows - tracking financial trails</td>
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<tr>
<td>• Return/refund (drawback) processes</td>
<td>• Cooperation and information exchange between Customs administrations</td>
</tr>
<tr>
<td>• Implementation and review/update of the WCO Immediate Release Guidelines and other related tools</td>
<td>• Smuggling of high-value items and environmentally sensitive goods</td>
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<td></td>
<td>• Non-intrusive inspection (NII) technologies</td>
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<tr>
<td></td>
<td>• Review/update of relevant tools</td>
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<td>• Case studies</td>
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<table>
<thead>
<tr>
<th>III. Revenue Collection</th>
<th>IV. Measurement &amp; Analysis</th>
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<tr>
<td>• De minimis</td>
<td>• Big Data</td>
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<td>• Simplified entry threshold</td>
<td>• Stocktake and analysis of work currently being undertaken by international bodies</td>
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<td>• Classification, valuation, origin issues</td>
<td>• Research and analysis of various e-commerce business models - case studies</td>
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<tr>
<td>• HS Navigator, integrated tariff database</td>
<td>• Measuring e-commerce flows and economic benefits</td>
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<td>• Transactional approach vs account-based approach</td>
<td>• Capacity building, awareness, and education - implementation support</td>
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<tr>
<td>• Alternate models of revenue collection (including impact analysis on the industry and government)</td>
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<tr>
<td>• Fees and charges</td>
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<td>• Cooperation amongst authorities (Customs and Tax)</td>
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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
  o E-commerce
  o Low-value consignments
  o 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)

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Direct Data Exchange between e-platforms and Customs

- Enhanced facilitation
  - fast tacking of legitimate shipments
- Efficient and effective risk management
- Improved compliance and efficiency

Business Case

Improve Data Quality	Timely Manner

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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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