

# A new mindset on customs cooperation in the Asia-Pacific region

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## Abstract

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Customs cooperation is vital in today's era of digitalised supply chains, new technologies and accelerating scale and speed of goods movement. Customs administrations must adapt to the expanding globalised economy and work together to achieve economic development and prosperity. In recent years, the World Customs Organization (WCO) has facilitated significant international platforms for customs cooperation and several bilateral and multilateral agreements have been signed between customs authorities to motivate regional integration and trade facilitation. This paper focuses on customs cooperation in the Asia-Pacific region by examining several case studies on successful cooperation and analysing barriers to cooperation. This article contends that customs administrations must change their mindset from 'unwilling to share' to 'responsibility to provide' to combat increasing transnational crime threats and protect consumer health and national security.

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**Keywords:** Asia-Pacific, customs cooperation, barriers, changing mindset

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## 1. Introduction

The Fourth Industrial Revolution, or Industry 4.0, describes the growing trend towards automation and data exchange in technology. This revolution has not only given businesses greater insight and control across the supply chain, but it has also significantly impacted the operations of public administrations, including customs administrations. It has never been easier to cooperate internationally, especially considering the COVID-19 pandemic that has significantly reshaped the way in which we work and trade across the world.

During the past decade, global trade has been constantly expanding into new technologies and developing new regulations, dramatically changing the scale and speed of goods and services movement. Digitalisation of supply chains enabling real-time cargo tracking systems, the secure sharing of trade-related data using blockchain, and the use of social media to expand the trade network have all contributed to opening a whole new world to traders. Conversely, these positive developments have been accompanied by new and increasing transnational crime threats.

Current trends indicate that physical borders are becoming less relevant and, in response, traditional institutions and corporations, including customs administrations, must adapt to reflect and respond to the expanding globalised economy. In the Asia-Pacific region, customs administrations have changed markedly through reform and modernisation across the full spectrum of customs procedures. They have embraced technological advancements, particularly in relation to the simplification and harmonisation of trade documents, online revenue collection and contactless physical inspections.

Moreover, the Asia-Pacific region has participated in many free trade agreements (World Trade Organization [WTO], Asia-Pacific Trade Agreement [APTA] and Association of Southeast Asian Nations [ASEAN], among others), resulting in preferential tariff and duties and the removal or reduction of trade barriers to accelerate both intermediate and final product movements across countries (United Nations Economic and Social Commission for Asia and the Pacific [UNESCAP], 2021). According to a UNESCAP (2021) report, despite the pandemic, Asia and the Pacific outperformed the rest of the world with regional real exports and imports growing 10.0 per cent and 9.1 per cent, respectively, year on year, compared with 8.4 per cent and 7.7 per cent globally, respectively, in the same period.

The ever-expanding flow of goods and the diversification of transport mechanisms, along with enhancements to critical infrastructure, have significant benefits in terms of revenue collection, economic growth and supporting greater participation in the global value chain. However, if customs administrations neglect their duties to exercise customs control, to fight against smuggling and to counteract customs fraud, these developments can present a threat to consumer health and national security. During the COVID-19 pandemic, customs administrations have played a vital role to ensure the continuity of trade flow, especially in the movement of essential goods and medical supplies and supporting revenue generation, which is vital to the post-pandemic recovery of the Asia-Pacific countries.

There is no better way to fulfil customs responsibilities than to strengthen customs networks worldwide. Customs should no longer be considered as an isolated entity. Customs administrations, especially in the Asia-Pacific, should work towards setting a common goal to achieve rapid economic development and prosperity together as a region.

## 2. Barriers to cooperation in the Asia-Pacific region

In recent years, due to the changing trading environment, customs administrations have adapted their operations in response to the increasing speed of transactions and volume of goods. Effective cooperation is a critical means by which to address these challenges. Cooperation can, and should, occur at all levels including within customs administrations, between customs administrations, and between customs administrations and other entities, including other relevant government agencies, the private sector and with other critical stakeholders. Cooperation requires thoughtful, strategic and skilful leadership to achieve success and to overcome the inherent challenges and barriers.

Effective communication and trust are key to building relationships between customs administrations. Law enforcement agencies strive to build on these key principles to further enhance sharing of information and capacity building. In customs administrations, a lack of communication between agencies leads to missed opportunities, conflict, the dissemination of misinformation and mistrust. Without effective communication and without the necessary trust and goodwill, efforts to build a strong and collaborative customs network will be compromised.

Another barrier to effective cooperation is confidentiality and proximity. Data sharing is a concern because, potentially, rules regarding confidentiality can be broken or systems can be hacked, causing individuals to be reluctant to cooperate. In terms of proximity, collaborations across different regions and locations can be a barrier due to the different tools and systems used. The COVID-19 pandemic has fostered automation and has forced customs administrations to adopt new technologies and ways of working and communicating online, which have rapidly become the status quo of Customs today. Breaking down these barriers and finding the balance is key to building a strong customs network and establishing relationships that will mutually benefit customs administrations and their critical partners and stakeholders.

### 3. Case studies

The following case studies outline how cooperation between different sectors and organisations can improve trade facilitation and increase border security.

#### 3.1. Case study 1– Authorised Economic Operator (AEO) Programme

The AEO Programme, introduced by the World Customs Organization (WCO) in 2005, is a strong example of a successful cooperation scheme between customs administrations and the private sector (Polner, 2010). The program was established to strengthen cooperation and facilitate trade between Customs and businesses. Gaining AEO status shows that the company or business has a secure international supply chain and customs control procedures in place, thus becoming eligible to enjoy better trade facilitation and faster customs clearance. Customs administrations place their trust in the business to meet the AEO standards, which provide benefits such as quicker processing times and fewer physical checks on cargo.

Mutual Recognition Agreements (MRAs), signed between customs administrations to strengthen end-to-end security of supply chains, showcase cooperation between international customs administrations and businesses. Once signed, one customs administration would recognise the AEO status granted to a business by the other customs administration. As of 2020, there are 97 AEO programs implemented in customs administrations worldwide and 91 MRAs (WCO, 2020). The tremendous interest in AEO and MRA programs, especially over the last 10 years, proves that there are undeniable benefits to cooperation between customs administrations and the private sector, as well as between customs administrations of individual countries.

#### 3.2. Case study 2 – Container Control Programme (CCP) – Women’s Professional Development Programme (WPDP)

The inaugural CCP – WPDP Programme was held virtually in August 2021 with participants comprising women officers from eleven customs administrations across the Asia-Pacific region. For most participants, it was the first time they had the opportunity to get to know customs officers from administrations outside their own. As a rule, officers work solely within their organisations, except for rare meetings, conferences and conventions, which are usually attended only by very senior leaders of the administrations. Over the course of the CCP – WPDP Programme, participants expressed delight at having the opportunity to work with, learn from and build networks with colleagues from different countries.

At the end of the programme, 100 per cent of participants surveyed said that cooperation is essential and can no longer be considered optional. They also said it is the key to safe and secure borders (Royal Melbourne Institute of Technology [RMIT] University, 2021). The majority (87 per cent) of participants said their customs agencies are already cooperating with local partners, 65 per cent said there is cooperation with national partners, while 50 per cent said there is cooperation with international partners. A significant 88 per cent of participants said that their administrations are ready and willing to cooperate. The members of the program came to realise that cooperation is the way forward, and in the uncertainties of today’s current climate, will become more of a necessity rather than an option.

#### 3.3. Case study 3 – Cooperation between customs administrations

An excellent example of longstanding cooperation between customs administrations is the Patkor Kastima program between the customs administrations of Malaysia and Indonesia. Founded in 1994, this program focuses on the sea patrol of the Malacca Strait, which separates the two countries and is

prone to the smuggling of illegal goods (Panca, 2019). Every year, the patrols thwart the smuggling of crude oil and endangered species of animals such as orangutan, and seize illegal cigarettes, liquor and narcotics (Direktorat Jenderal Bea dan Cukai Sumatera Utara, 2018). The customs administrations of both countries have successfully worked together for the last 27 years to keep the borders of each country safe and secure.

### **3.4. Case study 4 – Cooperation between international security agencies**

Customs is not a stand-alone border security agency. By working together with other international security agencies and establishing a framework for the non-bureaucratic sharing of intelligence, controlled delivery operations are successfully conducted under the Container Control Programme (CCP). Article 8 of the WTO Agreement on Trade Facilitation emphasises this need for border agency cooperation to facilitate international, cross-border trade (WTO, 2017). Article 12 of the same agreement lays out the importance of cooperation between customs administrations (WTO, 2017).

International, inter-agency cooperation resolves the demand for multi-field skills and knowledge. For example, health and safety services are better equipped to identify types and makes of chemicals and drugs while immigration is better skilled to aid in human trafficking or people smuggling situations. Cooperation between agencies can be anything from examining cargo, exchanging information and intelligence sharing to risk management. The sharing of responsibilities inevitably leads to tighter, better border security.

## **4. A new mindset on customs cooperation**

Considering the case studies presented above, there is no doubt that cooperation is a principal component of improving trade facilitation, preventing smuggling activity and counteracting customs fraud. This is an extremely dynamic time for law enforcement agencies including customs administrations to address cooperation as a critical strategic objective. As customs administrations in the Asia-Pacific region move from a traditional ‘trade-keeper approach’ towards a ‘risk management approach’, inputting information for accurate risk-based decision making is fundamental. Therefore, administrations should be open-minded, willing and responsive to the sharing of knowledge, typically focusing more on information exchange because it is essential for successful cooperation and helps to accelerate trade flow as smoothly, predictably and freely as possible.

Notwithstanding, there remains a hesitation to share information between agencies and between customs administrations internationally. This lack of coordination hinders the ability to prevent and respond to transnational crime. Sharing information does not mean leaking a country’s secrets; often the exchange of information in Customs refers to import and export declarations, pre-arrived cargo documents, risk indicators and suspect illicit goods, namely, information which helps customs administrations to implement risk selectivity and targeting. This new mindset is perceived as a key to facilitating trade, improving the capacity of Customs supervision and service, and allowing customs administrations to allocate their resources more effectively and efficiently.

To change the traditional ‘unwilling to share’ to a more adaptive and proactive ‘responsibility to provide’ mindset and to take advantage of this vital opportunity to share information, customs administrations, especially at the highest level of the organisation, must be committed to the objectives of Customs and ever mindful of the benefits of information exchange. Customs administrations initiate cooperation via MOU’s and bilateral or multilateral agreements, however, building and maintaining quality cooperation requires the consistent commitment and active engagement of all parties. More importantly, each party should contribute equally and as agreed, they should acknowledge each other’s contribution to ensure successful cooperation. Additionally, the leaders should annually examine the effectiveness of cooperation and reward successful cooperative cases, as well as analyse failure.

The WCO has developed several tools for promoting cooperation such as the Customs Enforcement Network (CEN), the Customs Enforcement Network Communication Platform (CENComm), Globally Networked Customs (GNC), Coordinated Border Management (CBM), Information and Communication Technology (ICT), ENVIRONET and the Advance Passenger Information System (APIS). These tools provide a forum for cooperation and connection between customs administrations across the globe, hence customs administrations should be encouraged to make use of these available resources.

Furthermore, technology helps to accelerate cooperation in many ways, especially regarding information sharing, but technological security is a key concern to all agencies. Taking advantage of technology these days, customs administrations should invest more on digital security to enhance rapid intelligence information sharing among customs administrations.

In conclusion, in an increasingly globalised world, customs administrations will only be able to successfully achieve their mandate through effective cooperation and information exchange. Therefore, customs administrations should adopt a new mindset on cooperation which is premised on the ‘responsibility to provide.’

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## Notes

- 1 Disclaimer: The views and opinions expressed in this article are those of the authors and do not reflect the official policy of the related customs administrations.

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