

# AEO in APEC Economies: Opportunities to expand Mutual Recognition Agreements and the inclusion of SMEs

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Integration and Trade  
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# AEO in APEC Economies

**Opportunities to expand  
Mutual Recognition Agreements  
and the inclusion of SMEs**

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# 1. EXECUTIVE SUMMARY

This study, financed by the Integration and Trade Sector (INT) of the Inter-American Development Bank (IDB)<sup>1</sup>, is based on a survey of the APEC in which 16 out of the 21 economies participated. It aims to describe the current status of Authorized Economic Operators (AEOs) in the APEC region and compile best practices and experiences in order to evaluate the program's overall progress and identify challenges as well as new areas of opportunity tied to specific issues.

The focuses of this study include legal and operational areas where APEC AEO programs converge with or diverge from each other. It also emphasizes the participation of Small and Medium-Sized Enterprises (SMEs), the use of technology to make the AEO application process more efficient and to increase the interoperability of AEOs, as well as the importance of formalizing and optimizing the implementation of Mutual Recognition Agreements (MRAs) to strengthen regional economic integration. It also seeks to provide updated information to complement previous research that was performed and compiled in the APEC AEO Compendium in 2010, 2018 and 2019, as well as the APEC Policy Support Unit Study of APEC Best Practices in AEO Programs published in May 2016.

The results have made it possible to suggest ways to improve APEC AEO convergence in accordance with global standards, enhance the uniformity and predictability of the program within the APEC region, generally expand the APEC AEO network and remove the barriers hindering the inclusion of other types of operators through outreach strategies while taking into account feedback from the private sector.

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<sup>1</sup> The IDB is a multilateral development institution that provides financial and technical support for economies in Latin America and the Caribbean (LAC), <https://www.iadb.org/>. The Integration and Trade Sector supports regional economic integration both within the LAC region and also of LAC economies with other integration initiatives.

They form the basis for recommendations of how to incorporate AEOs into additional government commitments, continue to encourage the negotiation of multilateral MRAs, publicly promote the benefits brought by MRAs and help ensure their more effective implementation, and finally, endorse more active regional cooperation on trade facilitation initiatives.

One of the main findings on the current development and regional status of the AEO programs, based on the information from the APEC economies who participated in the survey, was that **88% of the economies have ratified the Trade Facilitation Agreement**, with an average implementation rate in the region equivalent to 91%.

Another significant conclusion was that **all of the economies have adhered to the SAFE framework of standards** established by the World Customs Organization.

Moreover, **AEO programs have expanded substantially in the region: 20 APEC economies have operational programs.**

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There is a notable increase in operators representing a variety of actors. Almost all economies offer the AEO certification to importers and exporters, the only exception is New Zealand which only certifies exporters, while more than half of the programs offer the AEO certification for customs brokers and warehouses. Of the 16 economies that participated in the survey, 94 percent of the AEO-certified importers and exporters in the region are from the United States, China, and Mexico.

This study did not undertake a detailed assessment of **security standards** since the APEC Policy Support Unit Study of Best Practices in AEO Programs issued in May 2016 identifies convergence in the region, mainly due to economies' adherence to the WCO AEO standards.

Regarding the operational aspects of the AEO programs, the study found the application process to be similar across the region. However, **opportunities to implement information technology in the AEO programs were identified**, especially since customs authorities are among the main promoters of the Trade Single Window initiative worldwide. In most cases, the AEO application process is still carried out using paper. Only **three economies surveyed—Mexico, Thailand, and Chinese Taipei—have included it in the Single Window**. Also, the time it takes to grant authorizations remains burdensome for some, ranging from 45 days to one year, though **in most APEC economies AEO certifications are granted indefinitely**.

This study also closely examines the **number of customs authority staff members who are in charge of AEO**. It compares the number of AEOs managed per person in each economy. China stands out with 1000 employees, each managing an average of 3.2 AEO companies. Staff sizes in the rest of the economies vary widely, ranging from 5 to 150.

The small staff size in most of the economies negatively impacts the initial process prior to and while applying for certification, which was identified as burdensome, with delays due to small AEO teams and limited use of automated processes. However, once the companies become AEO certified, the process of **remaining certified** is rather simple in terms of administrative steps with customs administrations, although the internal processes need to be optimized and the resources required by Customs should not be overlooked.

Regarding **SMEs as AEOs**, only six economies have identified the specific number of SMEs that are already certified and/or in the process of becoming certified. **While all economies affirm the role of SMEs, none provide them with specific benefits; only one—Australia—distinguishes SMEs from other actors**, though this distinction has to do **with the requirements they must meet. Hong Kong-China grants additional benefits to AEO-certified companies that actively promote AEO certification among SMEs providers**.

Only two economies—Hong Kong-China and New Zealand—have developed and implemented outreach strategies to promote the inclusion of SMEs.

The study also assessed **promotion and outreach programs**. More than half of the economies that participated in the survey have a budget for capacity-building and outreach activities, hold periodic events for AEO traders, and have designed and promote the use of an AEO logo. The definition of SMEs has been an ongoing issue. The study identified two defining characteristics from the information shared by APEC economies: the enterprise must have less



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than 100 employees on average, and its annual revenue must be significantly lower than that of large enterprises, ranging from 72,000 USD to 17 million USD. Lastly, most economies indicated that SMEs have associations.

Based on the information presented by the economies, providing an opportunity to include SMEs in the AEO programs is still relevant. **A tailor-made program for SMEs** could be a solution for an initial integration of these enterprises into the secure trade initiative. A first step could be to target relevant sectors participating in global trade with a specific set of requirements and benefits that take into account that SMEs' direct participation in trade is more focused on imports and more limited in terms of direct exports, and that their main role in the global value chain has been as manufacturing or service providers to bigger export enterprises. **Their increasing participation in e-commerce should also be taken into consideration.**

Last but not least is the topic of MRAs. An evaluation of **MRAs** is essential at the current stage of development of AEOs worldwide, and the APEC region has played a significant role in promoting and implementing them. Today's network has expanded to **48 bilateral MRAs between 14 APEC economies**, as well as two multilateral agreements that cover three economies: Chile, Mexico and Peru. An additional 71 MRAs have been entered into between APEC economies and the rest of the world, and five more are currently being negotiated between APEC economies.

As for MRA-related areas of opportunity based on volume of imports, this study identifies twelve APEC economies, including Indonesia, Thailand, the Philippines, and Vietnam, which can still negotiate an MRA with the two top trading APEC economies (the U.S. and China). These agreements would create an additional opportunity for their traders to access MRA benefits offered by partner economies.

Of the region's five top traders, two have not initiated negotiations for an MRA among themselves: the U.S. and Hong Kong-China.

Regarding the **Trader Identification Number (TIN)**, work needs to be done in order to standardize and facilitate cross-border recognition of AEOs. This would expedite access to benefits

agreed upon economies in MRAs. One good model for the TIN is the 10-digit number combination currently used by Thailand.

An identifier for an economic operator provides a unique identity, which can be used as a reference/key to access a larger set of information relating to the economic operator, such as its name, address, contact details, director/partners, and legal status. The WCO has developed a set of Guidelines, including technical standards, and a Recommendation on Trader Identification Number (TIN) to support a globally harmonized approach to the assignment, exchange and identification of TIN for economic operators.

Among the most common benefits granted to AEOs by partner economies in a MRA are identification as low-risk cargo, streamlined clearance/use of fast lanes at borders, expedited procedures, and lower customs inspection rates. More than half of the economies monitor compliance in granting these benefits, and over half also have a manual or information on how to access MRA benefits available for traders on their customs website.

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Economies also shared the type of information on AEO companies exchanged, which includes: name of company, address, authorization date, AEO status, and AEO identification code. Almost all economies, with the sole exception of New Zealand, exchange information on a monthly basis, and most use email to do so. This again highlights the need to introduce technology-based systems to automate and secure the process.

In terms of the use of technology to achieve an efficient implementation of MRAs, the CADENA initiative, promoted and supported by the Inter-American Development Bank, stands out. Through this initiative, Chile, Mexico, Colombia, and Peru are working together to use blockchain technology to develop an AEO information exchange platform under the multilateral MRAs signed between them within the Pacific Alliance.

Lastly, the recommendations in this report should be viewed as a general guide for APEC economies for further and future discussions. Economies should consider their individual domestic circumstances and preferences before deciding to adopt these recommendations.

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## 2. INTRODUCTION

Today there seems to be a worldwide consensus among governments, companies in different sectors and of different sizes, associations and chambers of commerce, international organizations, and civil society that global trade is what makes the cross-border exchange of capital, goods, and services possible, and that it revolves, to a large degree around the conclusion of trade agreements and the creation of regional blocs, economic unions, and other legal mechanisms that promote trade facilitation and aim to provide a framework of cooperation to achieve a safe and efficient supply chain strengthened by a proper exchange of information.

These tools form the backbone of trade policies, which have brought significant economic gains for all economies engaged in trade relations. Some of the most common benefits associated with trade are job creation; investment promotion; more efficient, productive, and competitive domestic companies; lower prices for consumers; and better quality and wider variety of goods and services—all of which raises the standard of living and fuels overall economic growth.

In recent decades, numerous prosperous trade regions have been formed around the world. APEC is one successful example, as it continues to pursue strategies and set goals to promote trade facilitation while taking into account its members' interests and accomplishments. The Authorized Economic Operator (AEO) has been one of its strongest trade facilitation initiatives.

To support APEC economies' efforts to achieve successful AEO programs, on June 2019 the Government of Chile, as the host of APEC's 2019 meetings and through its custom's authority, commissioned the IDB to conduct a study to analyze the progress of AEO programs; explore and recommend ways to expand the APEC AEO network and increase its interoperability as a trade facilitation measure; promote the growth of MRAs between economies and optimize their implementation; and provide strategies for how to genuinely and effectively include SMEs.

The purpose of this study is to provide information to APEC economies to help them move towards an integrated Asia-Pacific, as well as to work together to achieve and enhance secure trade and harmonization of AEO programs, expand the MRA network, and promote its implementation, bringing more benefits to traders, including SMEs.

The study:

- Surveys the APEC AEO programs (including SMEs, benefits, and MRAs);
- Assesses convergence of AEO program features and design elements in APEC member economies;
- Recommends ways to expand the APEC network of AEO programs and increase their interoperability;
- Analyzes the current level of participation of small and medium-sized enterprises;
- Analyzes the efficiency of the implementation of MRAs and recommends ways to expand MRAs within the APEC network.

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The team used survey responses and analysis of the results to determine best practices and suggest recommendations for increasing AEO program convergence and regional economic integration.

**16 out of 21 economies responded** to the survey: Australia, Canada, Chile, China, Hong Kong-China, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Chinese Taipei, Thailand, Papua New Guinea, the United States, and Vietnam. Information for the rest of the economies was obtained from public sources.

The study closely examines some of the most current literature on AEO programs, as well as the APEC Authorized Economic Operator (AEO) Compendium assembled in 2010, the APEC Best Practices in AEO Programs published in May 2016, and the WCO AEO Compendium published in 2018.

The information provided on each topic will include general findings, as well as some updates, remarks, and key performances. The study also presents challenges, best practices, and recommendations.

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## 3. OVERVIEW OF THE MAIN INTERNATIONAL LEGAL FRAMEWORK ON AEOs

### 3.1 SAFE Framework and the WTO Agreement on Trade Facilitation

Concurrent with U.S. initiatives, the WCO formed a task force in 2002 to examine how to balance supply chain security with trade facilitation. This examination led to the WCO's adoption in 2004 of the Customs Guidelines on Integrated Supply Chain Management (also known as the ISCM Guidelines), which emphasized reducing risks at the points of the supply chain where cargo is most vulnerable, and the roles of actors in the international supply chain. Based on these guidelines and the WCO's High Level Strategic Group insights on security and facilitation, as well as private sector stakeholder consultations, the WCO adopted the SAFE Framework in 2005.

The SAFE Framework officially introduced the concept of an AEO in 2007. It is defined as *"a party involved in the international movement of goods in whatever function that has been approved by or on behalf of a customs administration as complying with WCO or equivalent supply chain security standards. AEOs may include manufacturers, importers, exporters, brokers, carriers, consolidators, intermediaries, ports, airports, terminal operators, integrated operators, warehouses, distributors and freight forwarders."*

**All APEC programs have adhered to the SAFE framework, resulting in a high level of convergence regarding security and compliance requirements.**

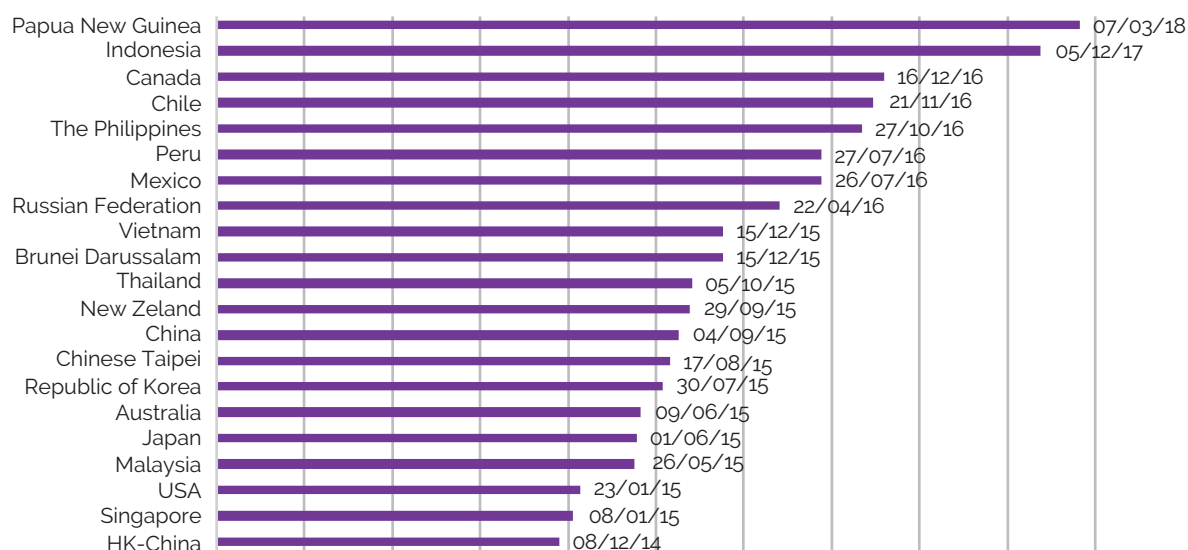
But with regards to the WTO Trade Facilitation Agreement, which entered into force on February 22, 2017, APEC economies recognize the gaps and challenges they face when it comes to implementing it. They commit to keep implementing the agreement in coordination with the APEC Committee on Trade and Investment (CTI) and to promote effective

cooperation among relevant stakeholders from the public and private sectors on its implementation in the region (Asia-Pacific Economic Cooperation, 2019).

**All APEC economies have ratified the TFA, compared to a 88.4% ratification rate by WTO members,** (WTO: <https://www.tfadatabase.org/ratifications>. July 2019).

The general understanding is that the TFA does not substitute the SAFE Framework; rather, the TFA and SAFE Frameworks should be implemented together so that all parties enjoy the trade facilitation and security benefits.

**Graph 1. APEC TFA Ratification Dates by Economy**



**Note:** Adapted from the Trade Facilitation Agreement Database, WTO, 2019. Retrieved from <https://www.tfadatabase.org/ratifications>.

**The average TFA implementation rate in APEC economies is 90.66%.**

The five developed economies—Australia, Canada, Japan, New Zealand, and the United States, plus Russia—have fully implemented all TFA commitments, while seven developing economies—Chile, Hong Kong-China, China, Korea, Mexico, Singapore, and Chinese Taipei have provided notice of all their measures under category A.

The provision on Authorized Operators, AO, included in Article 7, Section 7 of TFA, defines the AO as “an entity complying with the WTO member’s customs laws, regulations, or procedures.”

**All but three economies—Papua New Guinea, Brunei, and Vietnam—have fully implemented Article 7, Section 7 of the TFA.**

### 3.2 New Legal Instruments Incorporating AEOs

The legal framework that immediately comes to mind in relation to AEOs is usually the instruments mentioned above. The WTO and WCO are constantly working to get their members to ratify new agreements or implement changes. However, economies all over the world are starting to take a step further to ensure the success of the program and prove their commitment to a safe, prosperous, and fair international trade environment.

Therefore, economies’ first move has often been to include AEOs in their customs laws, acts or rulings, a step which 16 APEC economies have already taken. This administrative decision provides certainty to traders and generally strengthens the program. The following table indicates the name of the regulation in which AEOs are included for each economy:

**Table 1. Regulations supporting AEO programs in APEC economies**

<b>Australia</b> Customs Act 1901 and the Customs Australian Trusted Trader Programme Rule 2015; accompanied by an Explanatory Statement.	<b>Japan</b> Customs Law Cabinet Order Ministerial Ordinance / DG order	<b>Philippines</b> Customs Administrative Order (CAO) 1-2012
<b>Brunei</b> n/a	<b>Korea</b> Customs Act 259 Enforcement Decree of Customs Act AEO Enforcement Rule	<b>Russia</b> Articles 38-41 of the Customs Code of the Customs Union; Chapter 6 of the Federal Law
<b>Canada</b> No specific AEO legislation.	<b>Malaysia</b> Customs Act 1967 Section 88	<b>Singapore</b> No specific regulations, consistent with SAFE
<b>Chile</b> Modification of Resolution Num. 0849/2009 2 Modification of Art. 23 of Customs law	<b>Mexico</b> Customs Law and Trade Rules	<b>Chinese Taipei</b> Customs Act – Article 19
<b>China</b> Customs Act 1901	<b>New Zealand</b> Customs Law / Decree / Resolution	<b>Thailand</b> Customs Notification
<b>Hong Kong, China</b> n/a Voluntary participation	<b>Papua New Guinea</b> Program to be launched	<b>The United States</b> The Security and Accountability for Every (SAFE) Port Act of 2006
<b>Indonesia</b> Minister of Finance Regulation number 227/PMK.04/2014	<b>Peru</b> Customs Law / Decree / Resolution	<b>Vietnam</b> Law/ Decree / Circulars Decision

However, the choice to enact or include AEOs in the law may vary according to domestic priorities, goals and development plans. Some economies are highly focused on negotiating and implementing other type of instruments like Free Trade Agreements (FTAs).

In the 1990s, only fifty FTAs were in force. As of January 2019, the WTO reported that there are 291. (World Trade Organization, 2019). In many of today's FTAs, negotiations go beyond tariffs and cover multiple policy areas that affect trade and investments in goods and services, including behind-the-border regulations such as competition policy, government procurement rules, and intellectual property rights.

In 2017 and 2018, negotiations for the Agreement between the United States of America, the United Mexican States, and Canada (USMCA) began. During negotiations, the three members agreed on the importance of including an article on AEO in the Customs Cooperation Chapter, thus reaffirming their commitment to the program. Article 7.14 states:

#### FTAS IN APEC

**New Zealand is currently negotiating an FTA with the EU. Peru has seven FTAs** with Costa Rica, the European Union, Honduras, Japan, Korea, the Pacific Alliance, and Panama, and it is also negotiating with China, El Salvador, Guatemala, Pacific Alliance – Australia, Pacific Alliance – Canada, Pacific Alliance – New Zealand, Pacific Alliance – Singapore, and Turkey.

**Singapore has also entered into one FTA with the EU** and is negotiating three: the Eurasian Economic Union (EAEU)-Singapore FTA, the Pacific Alliance (PA)-Singapore FTA and the Mercosur-Singapore FTA.

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*"Each Party shall maintain a trade facilitation partnership program for operators who meet specified security criteria, hereinafter, referred to as Authorized Economic Operator "AEO" programs, in accordance with the Framework of Standards to Secure and Facilitate Global Trade of the World Customs Organization.*

*The Parties shall endeavor to cooperate by:*

- (a) exchanging experiences on the operation of and improvements to each respective AEO program, seeking to adopt, if appropriate, best practices;*
- (b) exchanging information with each other on the operators authorized by each program in accordance with each Party's law and established processes; and*
- (c) collaborating in the identification and implementation of trade facilitation benefits for operators authorized by the other Parties."*

As for other APEC economies, Canada, Chinese Taipei, New Zealand, Singapore and Peru have all indicated that they have included AEO in provisions of FTAs that they have already signed or are currently negotiating.

Australia has signed FTAs with New Zealand, Singapore, U.S., Thailand, Chile, ASEAN, Malaysia, Korea, Japan, and China, as well as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), for a total of eleven FTAs. All counterparts of Australia's bilateral FTAs are also part of APEC, as are some of the counterparts of its multilateral FTAs. Additionally, Australia has concluded four FTAs with Hong Kong-China, Indonesia, Peru, and Pacific Agreement on Closer Economic Relations, but none of them have taken effect yet. Chinese Taipei has also entered into two FTAs, with China and Singapore, and both include an article on AEO.

The Agreement between Singapore and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu on Economic Partnership (ASTEP) establishes:

*To the extent permitted by their domestic law, the customs administrations of the Parties should assist each other to ensure the smooth implementation and operation of this Chapter.*

*3. The Parties shall endeavour to establish mutual recognition*

*of their Authorised Economic Operator programmes based on the World Customs Organization Framework of Standards to Secure and Facilitate Global Trade.*

*4. The Parties shall designate a contact point to carry out the above activities.*

Another example reflecting the commitment to facilitating international trade of an influential and growing regional bloc made up of Mexico, Colombia, Chile, and Peru is the Pacific Alliance Additional Protocol, (Protocolo Adicional al Acuerdo Marco de la Alianza del Pacifico, 2016), which entered into force on May 1, 2016. This instrument not only harmonizes existing trade agreements between the four member economies, it also establishes new regulations for the liberalization of trade in goods, services, capitals, and the movement of persons. It also incorporates measures to regulate new issues in international trade, such as e-commerce, trade facilitation, regulatory coherence, and value chains.

Chapter V of the Protocol focuses on Trade Facilitation and Customs Cooperation. More specifically, article 5.8 in this Chapter reaffirms the members' commitment to



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promoting and working together to strengthen AEOs within the region. It states that:

1. *The customs administrations of the Parties shall promote the implementation and strengthening of the Authorized Economic Operator programs (hereinafter referred to as "AEO") in accordance with the WTO Framework of Standards to Secure and Facilitate Global Trade (hereinafter referred to as "Regulatory Framework SAFE").*
2. *The customs administrations of the Parties shall promote and work on the signing of mutual recognition agreements (hereinafter referred to as "MRA") on AEO programs of the Parties.*
3. *For the purposes of this Article, the Parties establish Annex 5.8.*

Annex 5.8 establishes that:

1. *For the purposes of compliance with the provisions of Article 5.8 of this Chapter, the Parties hereby establish the following lines of action:*
  - (a) *identifying the current state of their respective programmes and their level of progress;*
  - (b) *holding video conference calls, workshops and other support and monitoring actions pertaining to their respective programmes in their different phases;*
  - (c) *promoting the development of the steps necessary for the registration of MRA, taking into account compliance with, as a minimum, extant programmes in force which have authorized economic operators;*
  - (d) *endeavoring, as much as is possible, to ensure compatibility between programmes with respect to the requirements, benefits and procedures related to authorization or certification, which allow MRA registration between the Parties; and*
  - (e) *managing the support of international bodies in the described activities and others that may be agreed between the Parties.*
2. *For the purposes of ensuring compliance with the provisions of this Annex:*
  - (a) *the Parties hereby establish the Technical Group of Authorised Economic Operator, comprised of the administrative authorities of their respective AEO programmes; and*

*(b) said group shall determine its mode of operation and draw up its plan of action within the three months following the entry into force of this Additional Protocol.*

A final example is the FTA between Canada and Israel, which had an amending protocol in 2018 that establishes further cooperation on Authorized Economic Operators in article 6.10:

*The Parties shall implement Authorised Economic Operator ("AEO") programmes that aim to ensure international supply chain security while facilitating trade. To that end, the Parties recognise the importance and value of the World Customs Organization's SAFE Framework of Standards to Secure and Facilitate Global Trade.*

*Each Party shall promote the granting of AEO status to its economic operators with a view of achieving trade facilitation benefits and international supply chain security.*

*In order to further enhance the trade facilitation measures provided to its authorised economic operators, the Parties shall explore the possibility of negotiating a mutual recognition arrangement of the respective AEO programmes.*

As an example of best practices, the following chart provides some of the similarities and differences in AEO provisions identified in the FTAs mentioned above and the Additional Protocol:

**Table 2. Similarities and differences between FTAs**

Similarities	Differences
AEO programs must be developed and implemented in accordance with the SAFE Framework.	<p>Because of the current regional variations in the development of the AEO program, the USMCA uses the word "maintain" a trade facilitation partnership program, while the Additional Protocol for the Pacific Alliance calls for "promoting," "implementing," and "strengthening" the program.</p> <p>ASTEP also provides for a smooth "implementation" and operation of the AEO provision.</p>
The use of words such as shall or should, which indicate that something certainly will or must happen. This wording reaffirms higher commitment from governments.	<p>ASTEP establishes that a point of contact must be designated to carry out related activities.</p> <p>ASTEP and the Pacific Alliance include a provision on endeavoring to establish MRAs.</p>
All promote exchanges of experiences and best practices to strengthen the program.	<p>The Additional Protocol takes an additional step in relation to exchanging experiences by specifically describing the mechanisms by which these exchanges will take place (conference calls, workshops, and through an established working group).</p> <p>The USMCA specifically promotes the exchange of information on AEOs and the implementation of trade facilitation benefits for these types of operators. This subparagraph clearly emphasizes more effective implementation of existing MRAs.</p> <p>The Additional Protocol calls for the support of international bodies in order to achieve AEO goals.</p>

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## 4. STATE OF OPERATIONAL AEO PROGRAMS IN APEC

### **Twenty APEC member economies have operational AEO programs**

in varying stages of development: Australia; Brunei; Canada; China; Chile; Hong Kong-China; Indonesia; Japan; Korea; Malaysia; Mexico; New Zealand; Peru; Philippines; Russia; Singapore; Chinese Taipei; Thailand; the United States; and Vietnam.

Papua New Guinea is the process of developing its own program.

In contrast, as of July 2019, 83 of the world's economies have operational AEO programs, and 19 are under development, (World Customs Organization, 2019).

In 2009, the Sub-Committee on Customs Procedures (SCCP) established an AEO Working Group to address the development of AEO programs and make an effort to harmonize them. The objective of the Working Group was to work towards establishing AEOs of equal caliber within each of the APEC economies and encourage mutual recognition arrangements among interested economies. In 2011, the APEC adopted the consolidated Counter-Terrorism and Secure Trade Strategy, and in 2014, Hong Kong-China became the first APEC economy to ratify the TFA. All of these years represent milestones achieved by this regional bloc.

**AEO-certified enterprises in the APEC region rose from 17,409 in 2018 to 18,183 in 2019, an increase of 4.45%, according to the WCO's AEO Compendiums.**

### **4.1 Overview of the programs**

#### **4.1.1. Program names and launch dates**

In 15 out of the 21 APEC economies, the program is named AEO. The only exceptions are New Zealand, Australia, Canada, Singapore and U.S.

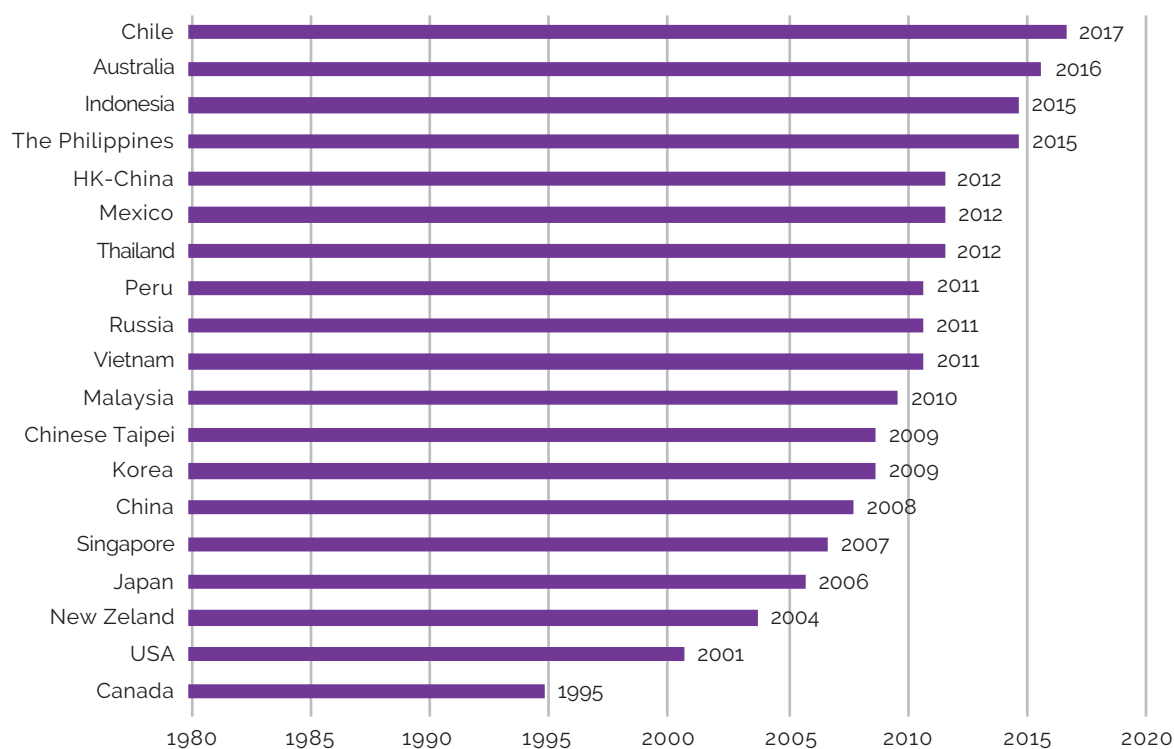
Adopting AEO as the name of the program ensures worldwide recognition. By using a common term proposed by the WCO, companies are identified by current and future clients, investors, governments, and international organizations as secure and reliable and provide a guarantee that their internal controls and procedures are efficient and compliant with international standards and regulations.

**Table 3. Program names**

<b>Australia</b> Australian Trusted Trader	<b>Japan</b> AEO	<b>Philippines</b> AEO
<b>Brunei</b> AEO	<b>Korea</b> AEO	<b>Russia</b> AEO
<b>Canada</b> Partners in Protection	<b>Malaysia</b> AEO	<b>Singapore</b> Secure Trade Partnership
<b>Chile</b> AEO	<b>Mexico</b> AEO	<b>Chinese Taipei</b> AEO
<b>China</b> AEO	<b>New Zealand</b> Secure Exports Scheme (SES)	<b>Thailand</b> AEO
<b>Hong Kong, China</b> AEO	<b>Papua New Guinea</b> Trusted Trader Program (not yet launched)	<b>The United States</b> C-TPAT
<b>Indonesia</b> AEO	<b>Peru</b> AEO	<b>Vietnam</b> AEO

As for program launch dates, the first economy was Canada, followed by the U.S., New Zealand and Japan. In 2011 and 2012, a wave of APEC economies launched their programs, including Mexico, Russia, Hong Kong-China, Thailand, and Peru. A few years later Indonesia introduced its AEO program in 2015, and Australia followed suit in 2016. Chile is the latest economy to join this list.

**Graph 2. APEC program launch year**



#### 4.1.2. Authorities responsible for managing the program and number of people on the AEO team

All APEC economies that answered the survey stated that customs was the only authority responsible for managing the AEO program.

No economy specified whether there was currently any type of communication with other government agencies regarding the implementation of the AEO program. Previous studies, such as the APEC Policy Support Unit Study of APEC Best Practices in AEO Programs published in May 2016, indicated that a common theme in the survey responses was that APEC customs authorities viewed the design of an AEO program as an issue concerning customs alone, but the program has progressed significantly since then. At this point, other agencies should be involved in the certification process, including definition of specific requirements and granting additional benefits.

There is a clear need for more cooperation with other agencies, especially since many facilitation benefits are hindered if other government agencies decide to hold up an import or export shipment without being aware of the AEO's credibility and security measures. Establishing clear lines of communication is the simplest method of addressing this concern, as it ensures that the problem is dealt with at the program's inception. Interagency coordination will ensure a streamlined and efficient AEO program and will reinforce the security of the logistics supply chain, addressing additional risks. This will contribute to further facilitation incentives for companies as well.

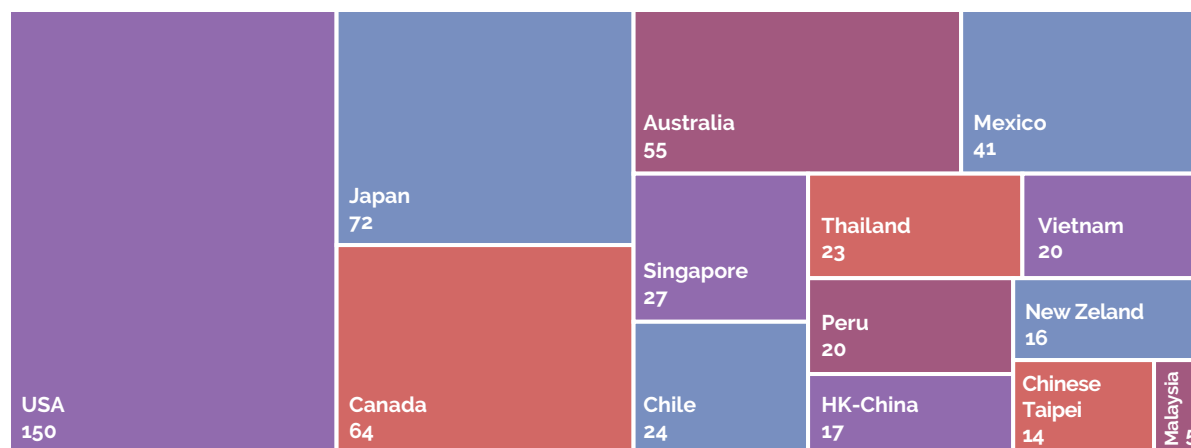
APEC customs administrations should be encouraged to reach out to other government agencies to achieve their participation in the AEO programs, thus leveraging APEC's unique environment.

As for the number of members on the AEO customs teams, the biggest team by far is the 1000 officials working for the Enterprise Management and Audit-Based Control Department of China Customs. Second place goes to the U.S., followed by Japan, Australia, Canada, Mexico, Singapore, Chile, Thailand, Vietnam and Peru, Hong Kong-China, New Zealand, Chinese Taipei, and, lastly, Malaysia.

The following graph gives specific numbers for each economy:

**Note:** Australia is building the AEO program and the number of staff will soon drop as the program becomes business as usual in mid-2020.

**Graph 3. APEC AEO staff per economy**



#### China has 1000 people on their AEO staff.

There is obviously a wide disparity in team sizes, which raises the need to closer examine the degree to which staff size positively or negatively impacts the number of new AEOs, the service provided to new and current operators, the speed of progress on MRA negotiations, and the program's overall effectiveness and progress.

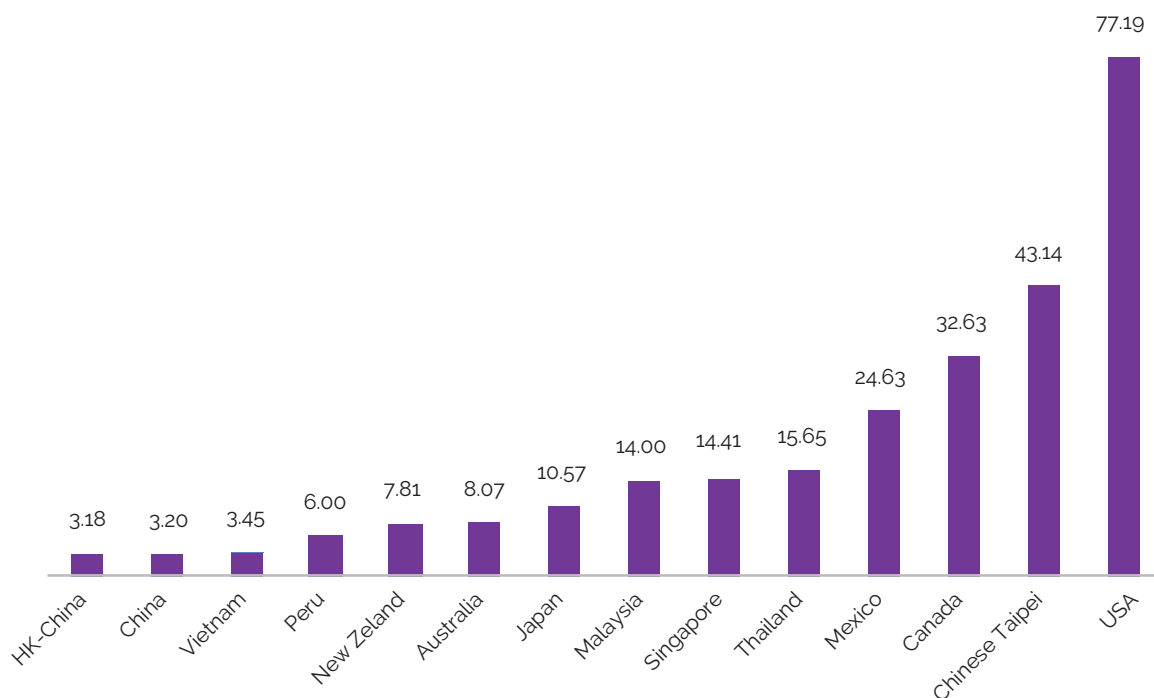
Regarding service, economies were asked whether a customs official was assigned to each company as its main point of contact as a support mechanism and during the application process. 12 economies responded that they have a dedicated account manager for AEOs. Only China provided no response.

One benefit of having a dedicated account manager is receiving tailored advice on how to successfully obtain the AEO certification. Companies are served by a customs official who is a subject matter expert and will guide them through all processes. This builds and strengthens trust between the public and private sector. Rather than a service that merely responds to requests, this configuration entails a more proactive approach from the authorities that ensures everything checks out and that companies fully comply with all requirements and regulations.

Current and aspiring AEOs are more likely to be motivated to apply and stay in the program if customs administrations provide them with solid support mechanisms like an account manager. Of course, the feasibility of this support depends on the number of officials in the AEO team. If the group is small, it can be a challenge to provide.

To further illustrate how AEO team size influences programs, the following graph shows the number of AEO companies per official, based on the total number of AEOs reported in the survey:

**Graph 4. Number of AEOs per staff member**



China, a top trading economy, stands out with 1000 officials on its staff. This means each person manages an average of 3.2 AEO companies. In Chinese Taipei, on the other hand, 43 companies are managed by one official.

Japan has a ratio of 10.57 companies per person, but the customs officials of this economy carry out other tasks as well. As part of the AEO program and by request, any traders or operators that wish to do so can contact an AEO Unit to obtain information on the application and authorization procedures. Customs explains the AEO requirements and the Self-Assessment Check Sheet and helps applicants identify points on the sheet to be reviewed. Finally, if necessary, they help applicants with their compliance program so that it meets AEO requirements.

This means staff is available at all stages of the certification process, as well as after it is completed. Operators interested in becoming AEOs can have a prior consultation with customs allowing them to properly fulfill the requirements and succeed in becoming AEOs.

It is also important to create strategies to ease AEO specialists' overall workload while ensuring that all necessary assignments are completed in an effective manner. For example, all economies surveyed indicated that AEO specialists have to perform onsite validations. If economies recognize the validation visits carried out by the counterpart economy under an MRA, as is the case in Mexico and the U.S., AEOs will not have to undergo redundant validation processes, and AEO staff can use that time to perform other duties. Another tool that can help the AEO team is to periodically review administrative requirements, which could facilitate the admission process and incorporate technology to expedite procedures. This matter is of particular relevance because as programs continue to grow, their processes have to be optimized to better manage resources, and expectations for expansion need to be realistic.

#### **4.1.3. Scope of the program, type, number of operators, and main sectors covered**

A variety of actors participate in AEO programs. Almost all economies offer the AEO certification to importers and exporters, the only exception is New Zealand which only

certifies exporters, while only seven have certified customs brokers and warehouses and six have certified highway carriers. Other type of operators identified (specifically logistics operators, terminal operators, couriers, and other) were certified in less than half of the economies.

All the other type of operators identified (logistics operators, terminal operators, couriers, and other) were certified in less than half of the economies.

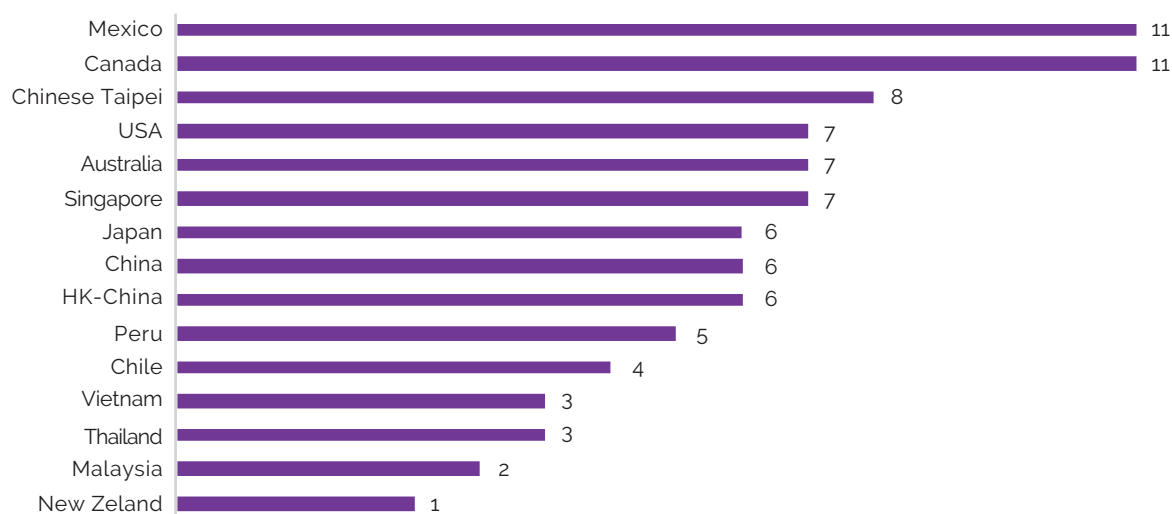
The following graph illustrates the categories of actors that can obtain AEO certification:

#### **AEO COVERAGE IN APEC**

In the APEC region, 14 out of **the 16 economies surveyed offer AEO certification for more than one type of operator**. These economies are: **Canada, Thailand, Chile, Japan, China, Peru, Australia, Hong Kong-China, Singapore, Mexico, U.S, Malaysia, Vietnam and Chinese Taipei.**

**Canada, Chinese Taipei and Mexico offer certification to a higher number of actors in the supply chain.**

**Graph 5: Total number of operators included in AEO programs per Economy**



**Table 4. Type of operators covered by economy**

Economy	Type of operators it certifies
Australia	Importers Exporters Customs brokers Warehouse operators Manufacturers Depot operators Service providers who participate in the international supply chain
Canada	Importers Exporters Customs brokers Warehouse operators Terminal Operators (Marine terminals are included) Highway carriers Freight Forwarders Shipping Agents Marine Carriers Air Carriers Rail Carriers
Chile	Importers Exporters Customs brokers Highway carriers
China	Importers Exporters Manufacturers Customs Brokers Warehouses Other



Economy	Type of operators it certifies
Chinese Taipei	Importers Exporters Warehouse operators Manufacturers Highway carriers Freight forwarders Air carriers Sea carriers
Hong Kong, China	Importers Exporters Warehouse operators Manufacturers Terminal operators Freight forwarder
Japan	Importers Exporters Warehouse operators Customs brokers Logistic operators Carriers, forwarders, shipping companies, airlines Manufacturers
Malaysia	Importers Exporters
Mexico	Importers Exporters Customs brokers Warehouse operators Manufacturers Highway carriers Industrial parks Bonded warehouses Couriers Third party logistics providers Railway transport
New Zealand	Exporters
Peru	Importers Exporters Customs brokers Warehouse operators Highway carriers
Thailand	Importers Exporters Customs brokers
Singapore	Importers Exporters Customs brokers Warehouse operators Carriers Manufacturers Freight forwarders

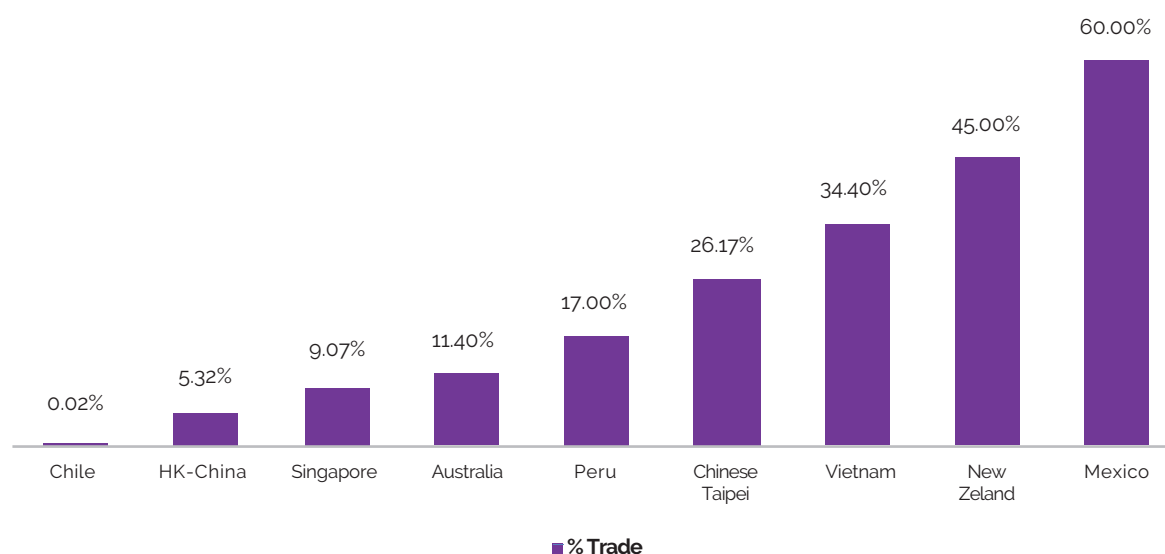
Economy	Type of operators it certifies
USA	Importers Exporters Carriers (Air, Sea, Highway, Rail) Customs Brokers Third Party Logistics Providers Consolidators (Air Freight, Ocean Transport, NVOCC) Marine Port Authority & Terminal Operators Foreign Manufacturers (Canada & Mexico only)
Vietnam	Exporter Importer Customs Broker

Of the 16 economies that participated in the survey, **the U.S., Canada, China, Mexico, Japan, and Chinese Taipei have the highest number of AEOs in the region.** Importantly, the number of AEOs or potential AEOs is proportional to the size of the economy. According to the WTO Database Inventory, these six economies reported the **highest total annual trade in 2017.**

Trade and the AEO program are interrelated, and 94 percent of the AEO importers and exporters certified in the region are in 3 economies out of the 16: the U.S., China, and Mexico.

In Mexico, New Zealand, Vietnam, and Chinese Taipei, AEOs account for more than 20 percent of the economy's total trade<sup>2</sup>, as illustrated in the following graph:

**Graph 6: AEOs' Share of Trade**



<sup>2</sup> The U.S., Canada, Japan, Thailand, and China did not provide data on AEOs' share of total trade in their survey

The next statistic this study covers is the current number of AEOs per economy.

**Table 5. Number of AEO importers and/or exporters**

Economy	Number of AEO importers and/or exporters
Chile	2
HK-China	38
Malaysia	70
Japan	60
Vietnam	69
Australia	325
Peru	85
Chinese Taipei	122
New Zealand	125
Thailand	182
Singapore	193
Mexico	631
Canada	2088
China	3200
U.S.	11,579

**Table 6. Changes in the operational framework**

Changes to the legal and operational framework for application, verification, and authorization procedures	<b>China:</b> In 2018, the Chinese Customs Administration (GACC) modified China's AEO program and issued new versions of Measures for Enterprise Credit Management by the Customs Administration, Criteria of Certified Enterprises of Customs Administration, and other supporting documents.
	<b>Chinese Taipei</b> Starting in 2017, an AEO certificate will be valid indefinitely rather than for 3 years.
	<b>Mexico</b> In 2016, five new actors were included in the Program: Railway Carriers, Bonded Warehouses, Strategic Bonded Warehouses, Couriers, and Industrial Parks. In 2018, AEO was open up to a new entity (Third Party Logistics, 3PL). Also, during 2018 the application form was included in the Single Window.

In terms of the sectors covered by AEOs in the economies, an average of 5 to 6 sectors were mentioned. The top three were agriculture, forestry, and fishing; mining and quarrying; and manufacturing. This highlights the urgent need to include other control and border agencies that specifically target these sectors in the AEO program.

#### 4.1.4. Recent changes in applicable legislation

More than half of the economies have recently implemented changes to their operational legal framework for the application, verification, and authorization process, as well as for security and compliance requirements.

The following economies shared information about recently implemented changes:

	<b>Peru</b> In July 2017, the General Procedure "Certification of the Authorized Economic Operator" was modified and published. Changes were made to the following certifications conditions: Successful Effective Regulatory Compliance Path (A.1), and Properly Proven Financial Solvency (A.3). Express Consignment Companies were incorporated into the AEO program and therefore changes were made to Annexes 1, 2, 5 and 6.
	<b>Vietnam</b> Changed conditions on turnover.
	<b>Thailand</b> According to the new 2018 Customs Law, benefits were added to the AEO through the Notification number 120/2561 for AEO Importer/Exporter and the Notification number 13/256 for AEO Customs Broker

Regarding changes to the legal framework on AEO Security and Compliance Requirements, Australia, Canada, Thailand, Chile, Singapore, Hong Kong-China, Malaysia, New Zealand, the U.S., and Vietnam stated that there have not currently been any modifications to their AEO-applicable laws and regulations.

The following economies shared information about recently implemented changes:

**Table 7. Changes in the legal framework**

Changes to the legal framework on AEO Security and Compliance Requirements	<b>Canada</b> Canada's Minimum Security Requirements are currently under review, with implementation of updated requirements anticipated in 2020.
	<b>China</b> A new Criteria of Certified Enterprises of Customs Administration was issued in Nov 2018, providing updated regulations on AEO security and compliance.
	<b>Mexico</b> The deadline for responding to an application was extended from 90 to 120 days.
	<b>Peru</b> The General Procedure "Certification of the Authorized Economic Operator" was modified. Changes were made to the certification conditions for Adequate Safety Level (Annex 6) and for infringements involving breach of the requirements in Annex N° 2.

Between 2016 and 2019, an average of five economies made no amendments, additions, or general modifications to the legal framework, application, verification, and authorization procedures, or security and compliance requirements. However, AEO programs and global trade practice by nature evolve over time. Thus, a practical recommendation is for customs authorities, preferably with the support of other government agencies and the private sector, to encourage periodic reviews and changes, where necessary, of the legal and operational framework of AEOs seeking to manage their program more efficiently and expand its coverage.

Reforming law continues to be a burdensome and lengthy process in most economies within the APEC and around the world, but it is important for it to reflect the experience gained by implementing the program. Examples include adapting authorities' response time but also considering the staff size; applying different criteria for new prospects if, for example, an illicit pattern of behavior has been spotted; including new operators to cover

most supply chain participants after periodic consultations with the private sector; and going paperless, which means implementing new technologies. This last topic will be covered in further detail later on in this study.

Similarly, economies should try to learn from the experiences of other economies. If they are found to be a good fit for the domestic program, economies should seek to incorporate them into their legal reform.

#### 4.1.5. AEO outreach programs

Information on AEOs, including certification requirements, how to best meet them, the stages and timeframes of the authorization process, benefits granted at both the local and international level, authorities involved, etc. should always be made available to private sector parties interested in becoming a trusted operator.

Economies should regularly circulate information using as many communication channels as possible, including associations and seminars or trainings organized by relevant government agencies. Sharing information should be a priority, and one important tool for completing this task is outreach programs.

The 2016 study raised the concern that the private sector lacked knowledge and training on security issues. The proposal at that time was to find ways for customs authorities to work with the private sector to identify security-oriented capacity building opportunities. The ultimate goal is for traders to learn while also being able to clearly identify tangible benefits for APEC AEOs.

Therefore, joint assessment and evaluation of AEO programs by governments and businesses is encouraged and desirable to ensure that such programs remain relevant in an evolving business environment.

AEO operators need training to ensure that the company's supply chain works efficiently, securely and correctly.

Seven of the APEC economies—Thailand, Singapore, Peru, Hong Kong-China, Chile, Malaysia, and Australia—stated

that they have a budget for AEO outreach programs and capacity building.

Australia also stated that it actively participates in capacity-building activities in economies in the Asia-Pacific region. The funds for this activity come from a broader international development budget, which is used for other purposes beyond AEO outreach programs. Outreach programs included hosting other customs agencies in Australia to give them training and information on the policy framework and operation of the Australian Trusted Trader (ATT) Programme.

Economies were asked if they carried out trainings and/or forums, such as an annual AEO Forum or any regional forums, as part of the outreach programs, and if so, how often. A total of 11 APEC economies said they did hold this type of event. The following table provides more details:

**Table 8. AEO events**

Economy	Event(s)
Australia	The Australian Trusted Trader Symposium is held annually for Trusted Traders and government representatives, both domestically and internationally. They also conduct a number of workshops where attendees can learn about topics of interest such as: accessing new benefits, and advances in security controls.
Chile	Annual AEO event.
Chinese Taipei	AEO Supply Chain Security training for employees of AEO applicants, organized by Customs with the participation of the private sector.
Hong Kong, China	Promotion seminars with local and foreign trade associations and other customs administrations.
Japan	Capacity building events for both customs officers and private sector.
Malaysia	Two events per year.
Mexico	Workshops and Annual AEO Seminar. Training events for the AEO team and customs officers.
Peru	Annual AEO Conference, Annual Training Plan for AEO companies, as well as monthly conferences, workshops, or seminars.
Singapore	On an as-needed basis.
Thailand	A yearly training program for general Thai Customs officers. Yearly seminars or meetings with the private sector: one for existing AEOs and one for interested business operators.
USA	Annual C-TPAT conference for 1,500 of their members. Throughout the year, multiple speaking engagements, trainings, forums, etc. domestically and abroad. Many of these are done in conjunction with the WCO and the AEO Programs with which Customs and Border Protection (CBP) has signed an MRA.
Vietnam	An event is organized once a year.

It is imperative that economies set a budget for outreach programs and capacity building, as well as organize trainings and AEO forums on a regular basis, promoting ongoing training

for customs officials and the private sector. Virtual tools for building the capacity of private sector actors, especially SMEs, are also important to consider.

Economies should also set up and maintain a public-private sector group for day-to-day insight on possible new benefits, new requirements, and delays in the application process. Having sector-based groups could also address specific challenges and opportunities for high-priority segments of an economy. AEO could be used to incentivize economic sectors.

Finally, if no funds can be allocated for AEO outreach programs, or the budget for such programs is limited, one option is to partner with the private sector to organize them.

#### 4.1.6. Features of the AEO

##### AEO logo

Nine of the APEC economies have an AEO logo for traders to use: Australia, Chinese Taipei, Hong Kong-China, Japan, Malaysia, Mexico, Peru, Thailand, and the U.S. New Zealand is in the process of developing their logo and the applicable policies.

Companies can use the logo as long as their status remains

valid, and the logo can only be shared with AEO companies. The U.S. specified that the CTPAT logo is trademarked and the good standing of the AEO must be previously verified by the Office of Chief Counsel. Other economies that apply this rule include Mexico, Australia, Singapore, Hong Kong-China, and Thailand.

Economies also described the use of the logo on AEO promotional and publicity materials, such as business cards and official company websites. Japan stated that their AEO logo policy covers the logo's objective, intellectual property rights, and precautions to take when using it.

Peru was the only economy that expressly stated that it has no specific policies on use of the AEO logo.

The use of a specific logo developed and shared by customs administrations gives trusted companies international recognition and allows business partners to have confidence in the security the AEO's supply chain. A logo is a good way to achieve the important goal of standardizing the program at a national and international level.

### Duration of the certification and application process

The certification's duration was another aspect covered by the survey.

Although the majority of the participating APEC economies grant indefinite AEO certifications, traders continue to have to spend a burdensome amount of time and resources on certification application processes. Much of the process is still done on paper, and waiting times for authorization are long.

The expression "time is money" holds true in most cases, so it is crucial to examine the estimated or average amount of time both customs and the AEO spend on the authorization process prior to the submission of applications. The graph below shows the minimum amount of time specified by each economy for this process, measured in business days. It should be noted that in most cases, customs authorities have requirements that increase the time it takes to conclude the application and evaluation process.

### AEO LOGO

The survey identified two main rules established by the economies for logos:

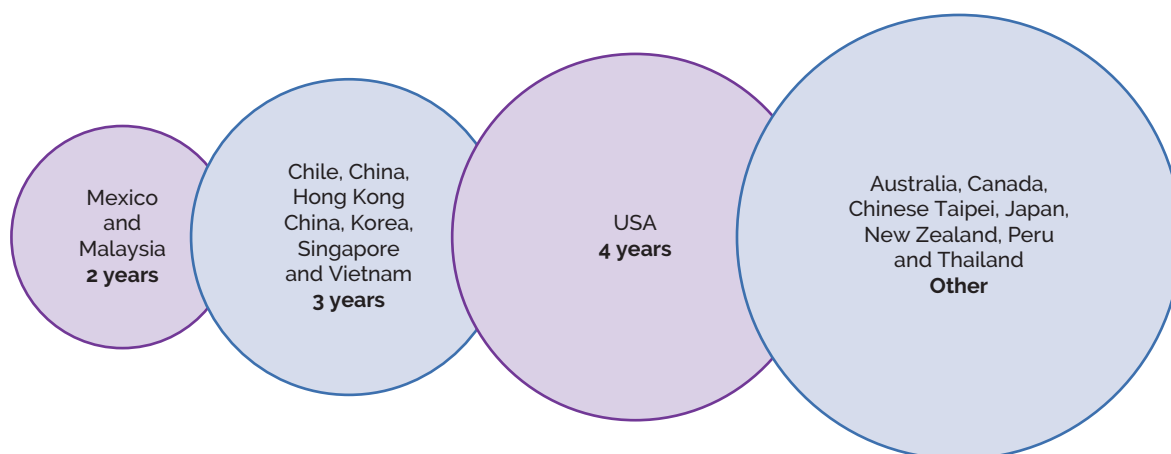
**1. Maintain the logo's format.**

Chinese Taipei, Australia, Chile responded that the standard color, style, design elements, spacing, and size could not be modified.

**2. Companies can use the logo as long as their status remains valid,**

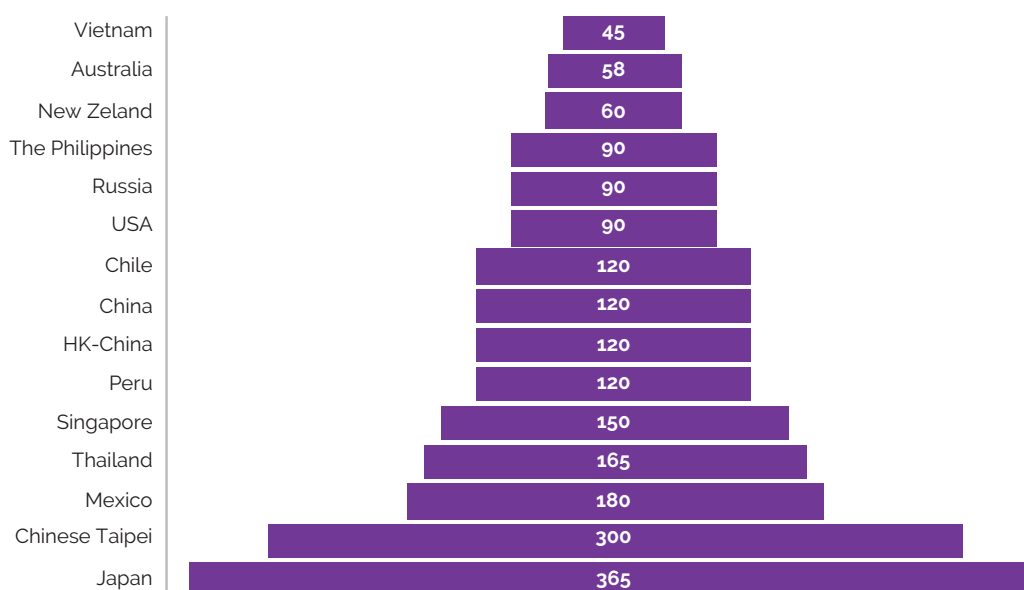
and the logo can only be shared with AEO companies. The U.S. specified that the CTPAT Logo is a trademark and the good standing of the AEO must be previously verified by the Office of Chief Counsel. Other economies that apply this rule include Mexico, Australia, Singapore, Hong Kong-China, and Thailand.

The certification is granted for different periods, as shown in the following chart:



**Note:** The authorizations remain in place as long as the AEO maintains compliance.

### Graph 7: Length of authorization process



Japan takes 1-2 years before submission of application but it is for the sake of applicants and within 1-2 year Customs consult with applicants in order to get them authorized smoothly. The most common timeframe is 120 business days, as the general rule is 90 days, plus another 30 days in case additional information is needed.

If the certification process is bureaucratic, onerous, and time-consuming, operators may be reluctant to apply. If their application is denied due to an under-compliance that can easily be

corrected, they may decide not to start the process again.

This obstacle can be removed by developing a procedure that promotes open communication with traders and allows them to pause the application process to take care of any changes that need to be made to be in



compliance and resume it without starting all over again. Under this approach, the trader and customs would establish and agree upon a timeframe for resolving the issue and continuing the process.

Another important element of the application process to analyze is the support provided to AEOs, specifically whether a customs official is assigned to each company as its main point of contact. All economies confirmed that they assign an account manager once the trader has achieved certification. However, resources permitting, it would be beneficial to assign the official during the application process.

### Trade Identification Number (TIN)

The WCO has published a document on standardizing AEO TINs. This standardization is necessary in order to provide uniform and easy recognition of AEOs at border crossings. The following chart provides the trade numbers each economy uses to identify their AEOs:

**Table 9. AEO Trader Number by economy**

Economy	AEO Trader Number
<b>Australia</b>	Australian Business Number (ABN) . 11-digit number issued by the Australian Business Register
<b>Canada</b>	AEO program number, a Business Number (Federal tax ID) and the carrier code
<b>Chile</b>	Economy ID number
<b>China</b>	AEO Code for enterprise
<b>Hong Kong, China</b>	"AEOHK" + 4 digits (year of accreditation) + 2 digits (month of accreditation) + 4 digits (serial numbers).
<b>Japan</b>	Corporate Number
<b>Malaysia</b>	Generated by the AEO system
<b>Mexico</b>	Tax ID Number
<b>New Zealand</b>	AEOs are given a unique number linked to the company's exporter code, also unique and issued by Customs. Each certified facility or site is assigned a site ID number. When certified sites are already food/bio security approved by the Ministry of Primary Industries, the original site ID is retained.
<b>Peru</b>	Federal Tax ID
<b>Singapore</b>	Unique Entity Number (UEN)
<b>Chinese Taipei</b>	TWAE0XXXXXXXXX: prefix "TWAE0" followed by 9 alphanumeric characters
<b>Thailand</b>	10-digit number. The first two digits are TH, which stands for Thailand. Positions 3 and 4 are the AEO categories (IE is Importer/Exporter and CB is Customs Broker). Positions 5 and 6 are the last two numbers of the calendar year in Thailand, and positions 7 to 10 are the running numbers. An example is THIE600008.
<b>U.S.</b>	Importer of record (IOR) number, Manufacturer identification (MID) number, Standard Carrier Alphanumeric Code (SCAC), Exporter identity number (EIN) and CTPAT Account number (USXXXXXXXX)
<b>Vietnam</b>	Identification number is based on the business's tax code.

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A comparison between the trader numbers currently in use and the WCO recommendations on the implementation of a TIN for AEOs yields the following points:

- Some economies, like Chinese Taipei and Thailand, already use the ISO-2 code (referred to by the WCO as the "Identification issuing economy, coded").
- Regarding the number of characters, the smallest trader number used has 8 (Chile, New Zealand, Peru), then 9 (Canada), followed by 12 (Mexico and Vietnam). The largest is 15 (Hong Kong, China).
- They all comply with the use of the American Standard Code for Information Interchange (ASCII).
- A customs-to-customs AEO master data exchange mechanism has yet to be established.
- Previous AEO studies in the APEC region show that only 5 economies (China, Japan, Mexico, Singapore, and USA) share a common trader identification number (APEC, 2016).

The lack of a common AEO Trade Number, is challenging for an optimal implementation of MRAs, particularly for Customs systems to recognize AEO for the granting of benefits at the border.

### Business plan

Only five APEC economies reported having a business plan for AEOs with specific objectives, goals, and milestones: Australia, Canada, Thailand, Hong Kong-China, and Peru.

Economies should create a mid-term and long-term plan to better manage and plan resources, set KPIs to monitor progress, and redefine the strategy if needed, thus strengthening the program within customs and with traders. The AEO program should be periodically evaluated and improved, and there needs to be ongoing communication with the private sector, since the trade environment is constantly changing.

#### 4.1.7. Procedures for renewing, canceling and suspending AEO certifications

After analyzing the list of causes cited by economies for suspending or canceling an AEO certification, the following

similarities and differences were identified in the programs.

Once the decision to cancel an AEO certification has been made, the length of time for which an AEO is barred from all preferential treatment varies from economy to economy. In Australia, for example, companies can reapply after 3 years, while in Mexico the cancellation lasts 5 years for importers/exporters and 2 years for other operators.

The timeframes for suspension do not vary as widely. In both the U.S. and New Zealand, for instance, companies can be suspended for 6 months or indefinitely, while in Peru they can also be suspended for a period of 6 months.

**Table 10: Similarities and differences between economies regarding grounds for suspension or revocation of AEO certification.**

Similarities	Differences
<b>Breach of tax and customs obligations.</b>	In Australia, the ATT status may be immediately suspended if the entity presents an immediate, serious risk to the Commonwealth or the objectives or the administration of the program.
<b>If the company poses a serious and/or immediate risk to the security of the international supply chain.</b>	In Mexico, additional causes for suspension were legally established for specific operators such as customs brokers (which will be suspended if their customs broker permit has been suspended or cancelled during their application) and bonded warehouses (if their authorization is canceled indefinitely). Thailand has the same provision for customs brokers.
<b>When a certified enterprise is being investigated for allegations of smuggling or violating customs control regulations in recent years (three years on average for most economies).</b>	In Thailand, the importer/exporter shall be temporarily suspended or revoked when it does not import or export continuously for one year and the officers assigned to the case find that it has been undertaking business activities different from those specified.
<b>AEO status will be revoked when an offence involving fraud, corruption, or dishonesty has been committed.</b>	Thailand also establishes that an AEO's certification can be suspended or revoked if it misuses the AEO logo.
<b>If a company submits fake and/or forged documentation during the application and/or renewal process.</b>	
<b>When a company's operational or financial status has severely deteriorated.</b>	

**Table 11: Causes for non – renewal or suspension that are similar among APEC economies.**

When an operator fails to renew its certification by the deadline or no longer meets the requirements for the authorization or renovation.
When an AEO fails to make the required improvements by the deadline.
When a company does not grant an authority access to conduct validation inspections
When an AEO's certification has been suspended on multiple occasions.
When the AEO's Tax ID is inactive.
When a company fails to provide proof of having the infrastructure needed to carry out foreign trade activities.
When a court issues an order declaring a company or partnership insolvent, or requiring that it be reorganized or liquidated.
When a company does not keep an updated and automated inventory control as required by regulations.
When a company is not located at its official address for tax purposes or establishment.
When the company fails to comply with the requirements of its "Company's Security Profile" (Minimum Security Standards).

The following chart shows the specific number of companies cancelled and suspended by customs administrations in the economies that responded to the survey. These figures are for 2017 to 2019:

Economy	Suspensions	Cancellations
Australia	0	1
Canada	0	1
Chile	0	0
China	0	0
Chinese Taipei	3	3
Hong Kong, China	0	0
Japan	-	0
Mexico	5	0
Malaysia	0	4
New Zealand	3	73
Peru	2	2
Thailand	0	0
USA	137	120
Vietnam	0	3

Also analyzed was the AEO renewal procedure. The procedures in most APEC economies have the following characteristics:

- Paper (Chile, Hong Kong-China) or online (Canada, Chinese Taipei, Mexico, Singapore, Thailand) method.
- A validation visit is required (Australia, Canada, Chile, Chinese Taipei, Hong Kong-China, Malaysia, Singapore, and Vietnam).
- All facilities must be visited during the renovation process (Chile).
- In Mexico, for example, AEOs seeking renewal must submit a specific notice indicating that they are in compliance with current requirements, while in Singapore they must submit a "TradeFIRST self-assessment".

Australia has a control plan that determines whether additional validation visits are needed, their frequency, and which facilities must be visited.

## CADENA

CADENA makes it possible to record and share transactions using a pre-established protocol, while securing and protecting each transaction by an immutable audit trail. It enables customs administrations that have signed an MRA to share a single, real-time view of the status of an AEO certificate while ensuring that the highest security, traceability, and confidentiality standards are applied to the data. CADENA also allows private-sector parties to access information about their certifications, increasing trust and transparency and, ultimately, the active participation of that sector.

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## 5. IMPLEMENTING TECHNOLOGY TO FACILITATE PROCEDURES FOR AEOs

The single window (SW) facility has been used as an important trade facilitation instrument. As a system for traders to submit their regulatory paperwork to customs and other agencies, SW plays an important role in minimizing unnecessary duplications and delays, thus reducing costs and risks for firms. The SW facility could be further upgraded or expanded to include other functions and to improve cross-border supply chain visibility.

Based on the survey, only three economies have included AEO certification in their SW: Mexico, Thailand, and Chinese Taipei. The U.S., Canada, and Thailand have an AEO portal for traders.

The APEC plays a very important role in implementing this type of technology, as it can also ensure data exchange between member economies. The APEC needs to ensure that AEO data is easily transferrable between computer systems, without depending on multiple relay points.

An APEC commitment to include AEO data in any future automated exchange system, whether through the Single Window or an alternative system, will lead to a system that gives customs authorities the information they need in a timely and efficient manner to validate AEOs and provide benefits.

Therefore, it is crucial that the APEC address the difficulty of electronic data exchange and identification due to the lack of an automated interoperable system and to the different AEO identification systems. The AEO application needs to be incorporated into an electronic system.

The survey also asked APEC economies whether they had implemented any other new technologies, in addition to or aside from the SW, to expedite and boost the efficiency of the AEO application process. Five said that they had.

In a regional initiative, Chile, Mexico, Peru, and Colombia, with the support of the IDB, have been working to develop

a blockchain solution to enable automated, secure, and efficient information sharing on AEOs among these customs administrations in order to efficiently implement MRAs.

The technology of this application, called CADENA, is designed to include business functionalities, and it offers concrete advantages for managing the AEO certification process and implementing MRAs.

As of December 2019, the three customs administrations in the APEC region plus Colombia are validating the application, and the solution is being tested before being launched.

CADENA is based on WCO standards and the globally unique TIN format, and its underlying AEO master data (WCO Data Model) provides a complete set of information on the AEO.

There is clearly much work to be done to make customs administrations highly efficient during the application process

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and in applying MRA benefits, monitoring their proper implementation, effectively communicating with other authorities, and generally managing the program with more success.

Some of the examples above clearly show that APEC economies are trying to incorporate technology but are still struggling to do so. Here are a set of recommendations on this topic:

- Develop an AEO portal and include the certification process in the Single Window. This will expedite the process, minimize application mistakes, shorten process and evaluation timeframes, and capture data for enhanced customs analysis for monitoring and planning. It will allow traders to monitor the application process and status of their certification. Funds should be budgeted to develop this electronic portal.
- Address the difficulty of electronic data exchange and identification due to the lack of interoperability between different AEO identification systems.
- All economies identifying AEOs as trusted traders should recognize them as such in the risk assessment.
- Since border management involves other agencies besides customs administrations, these authorities should promote the recognition of AEOs within other agencies, using technology to share information.

## 6. THE STATE OF MUTUAL RECOGNITION AGREEMENTS IN THE APEC REGION

Joint recognition of AEO status by economies that implement AEO constitutes a vital tool for strengthening security in the international supply chain. Agreements on joint recognition do much to simplify processes, are innovative risk management tools, and produce mutual benefits for reliable international partners and entrepreneurs.

Bilateral acceptance of provisions may take the form of mutual recognition of AEO status or an equivalent status, or recognition of risk analysis control procedures. Joint recognition of AEO status means that customs administrations accept provisions on the audit process for AEO and agree to grant comparable and mutual simplifications for qualifying entities. When two administrative bodies jointly recognize customs security standards and controls, their control tasks only have to be performed once. Joint recognition helps international trade function properly by standardizing levels of security.

According to C-TPAT, an MRA is a bilateral understanding between two customs administrations. The essential concept behind mutual recognition is that both programs establish a standard set of security requirements that allows one business partnership program to recognize the validation findings of the other. The ultimate goal is to link the various international industry partnership programs so that together they create a unified and sustainable security chain promotion that can help secure and facilitate global cargo trade. Mutual recognition promotes end-to-end supply chain security based on program membership (U.S. Customs and Border Protection, 2018).

Regarding the state of MRAs within the APEC region, three specific years marked important milestones: 2007, when the first MRA was signed between New Zealand and the USA; 2018, when the first multilateral MRA was concluded between the

Pacific Alliance members; and 2019, when the first action plan for an inter-bloc MRA (Pacific Alliance<sup>3</sup> / Mercosur<sup>4</sup>) was signed.

### MRAs BY THE NUMBERS

The global network of MRAs has been constantly expanding. As of July 2019, **75 bilateral and 4 multilateral/regional MRAs** have been concluded, while **65 MRAs are under negotiation**.

Of the 75 bilateral MRAs, **48 are between 14 APEC economies**, and the region has **2 multilateral agreements that include 3 economies** (Pacific Alliance and the Andean Community). Another **71 MRAs have been entered into between APEC economies and the rest of the world**, proving the APEC region's relevance in terms of promoting MRAs.

<sup>3</sup> Colombia, Chile, Mexico, and Peru  
<sup>4</sup> Argentina, Brazil, Paraguay, and Uruguay

As described above, the APEC region has made great progress in concluding MRAs. The reasons why economies have sought, negotiated, and signed MRAs with their counterparts may vary significantly, but in the survey the economies' generally stated the following main motives:

1. Trade volume
2. Mutual interests
3. Maturity of the program
4. Like-mindedness
5. Geography
6. Threat/risk that can be mitigated
7. Political relationships

Some economies listed specific conditions that they consider when setting priorities for negotiating MRAs.

While economies like New Zealand, Canada, China, Hong Kong-China, Mexico, Peru, and Thailand look at the volume of trade between economies, others said they do not follow any specific criteria.

Canada conducts an analysis that takes into account the following factors:

- Evaluation of the AEO program (maturity, size, scope of AEO membership)
- Trade volume
- Risks (narcotics, strategic exports, human smuggling, intellectual property, corruption, political instability, etc.)
- Priorities of the Government of Canada and the Canada Border Services Agency
- Existing bilateral agreements (e.g. Customs Mutual Assistance Agreements)

Moreover, data shows that international trade among APEC economies is strong, which makes for an ideal context for signing and implementing these types of agreements.

The following graphs reflect the interconnection between APEC economies in relation to both exports and imports. They also give a panorama of the region's trade context, which is seen as ideal for the implementation of MRAs, since most economies' principal

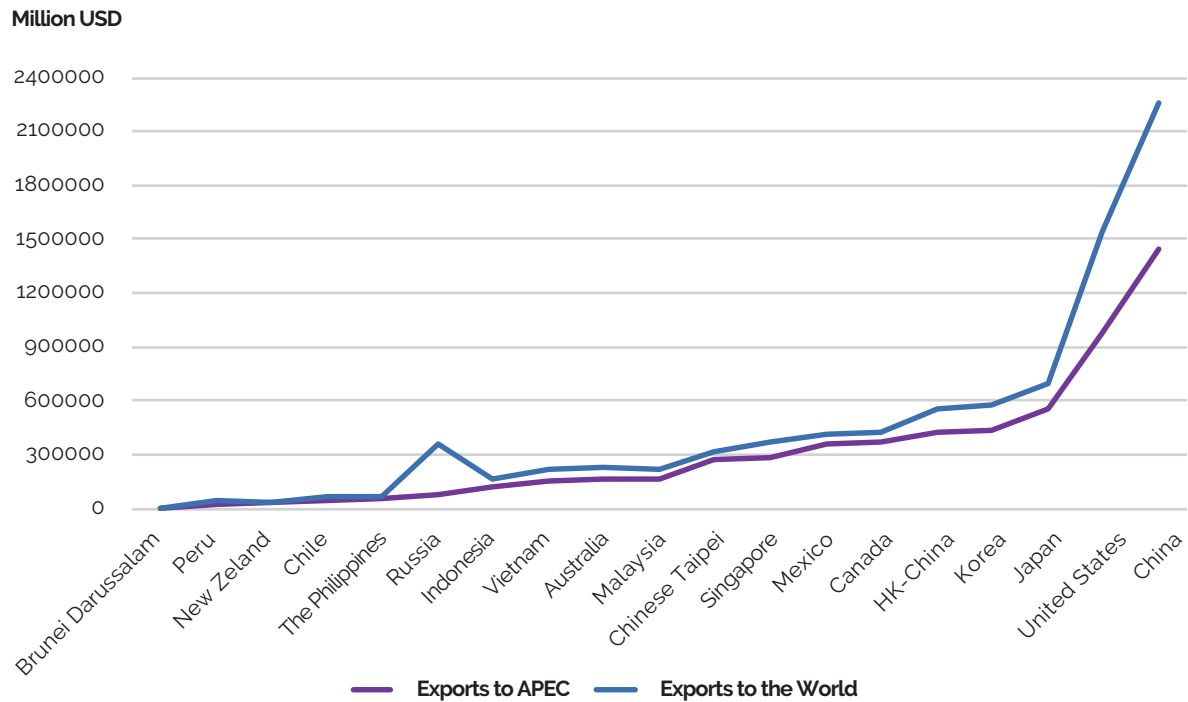
trade partner is in the APEC region and two of the world's major trading economies are also part of the APEC.

The information presented is drawn from the 2017 WTO database.

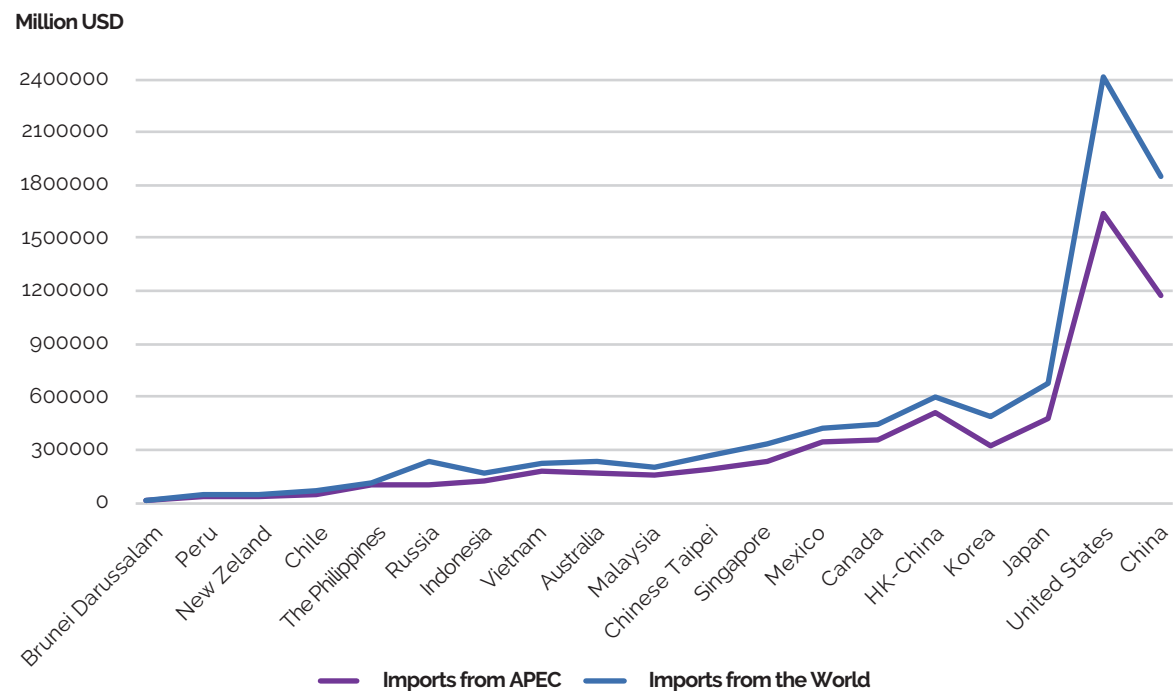
1. The **needs of AEOs** (where they are experiencing delays at the border);
2. The **size and value of two-way trade;**
3. **Customs clearance times;**
4. **Bilateral interests.**



**Graph 8: Exports from APEC economies in 2017**



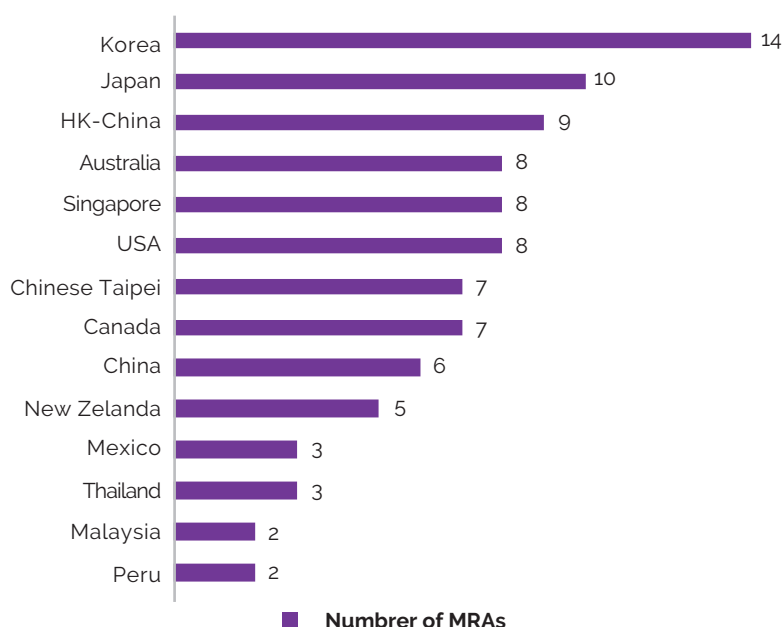
**Graph 9: Imports to APEC economies in 2017**



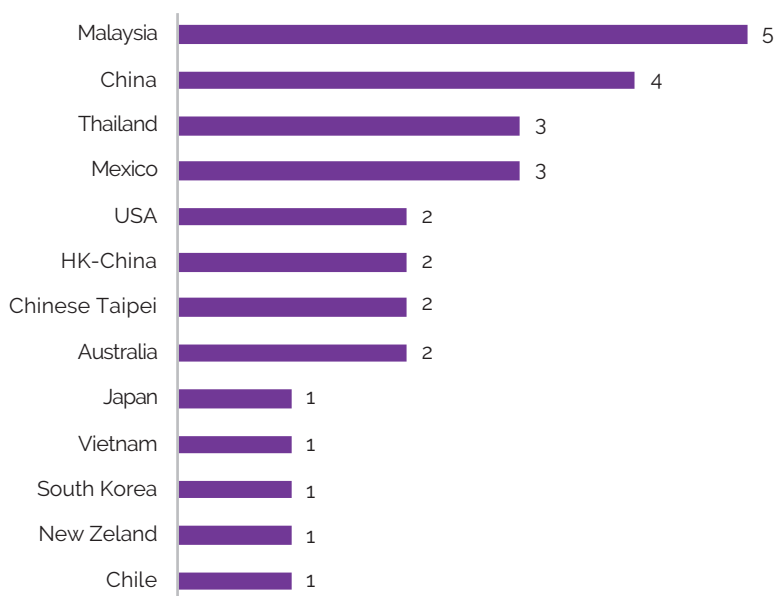
**Note:** Adapted from the Trade Facilitation Agreement Database, WTO, 2019. Retrieved from <https://www.tfadatabase.org/ratifications>.

Additionally, the following graph illustrates the number of MRAs between APEC economies that have been signed or are under negotiation as of July 2019:

**Graph 10: Number of MRAs signed, between APEC Economies**



**Graph 11: Number of MRAs under negotiation, between APEC Economies**



A total of 17 additional MRAs between APEC economies are currently being negotiated. According to the information given in the survey, Malaysia, China, Thailand, and Mexico account for much of the growth of the MRA network, while the U.S., Japan, Hong Kong-China, Chinese Taipei, Canada, Australia, and Korea continue to be key promoters.

Vietnam is a new player that deserves attention and is starting to participate in negotiations.

Furthermore, one inter-bloc MRA (Pacific Alliance and Mercosur) is being negotiated in the Latin American region, with the participation of Chile, Peru and Mexico from the APEC, plus Colombia.

Of the 17 MRAs mentioned, 11 are being negotiated with the top APEC trading economies. China has the highest number of MRAs under negotiation (6).

Economy	Negotiating counterparts
<b>China</b>	U.S. Mexico Russia Malaysia Chile
<b>U.S.</b>	China Australia
<b>Japan</b>	Thailand
<b>Korea</b>	Vietnam
<b>Hong Kong, China</b>	Mexico Indonesia

Six APEC economies have yet to sign any MRAs: Brunei, Indonesia, the Philippines, Russia, Vietnam, and Papua New Guinea, which is still developing its AEO program.

The top five economies in terms of volume of trade within the APEC are also key promoters of MRAs worldwide and in the region. These economies are: the U.S, China, Korea, Japan, and Hong Kong-China.

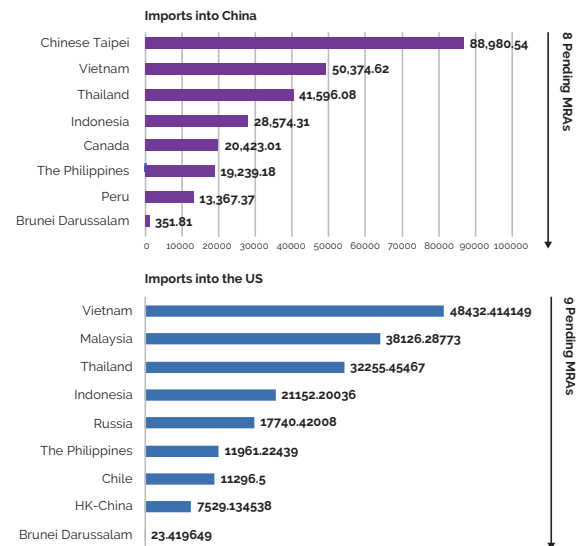
Top Traders	Total MRAs	MRAs with APEC Economies	APEC Partner Economies	Total Annual Trade Millions of USD 2017
<b>China</b>	13	6	Australia, Hong Kong-China, Japan, Korea, Singapore, New Zealand	4,107,138
<b>U.S.</b>	11	8	Canada, Korea, Japan, Mexico, New Zealand, Peru, Singapore, Chinese Taipei	3,954,750
<b>HK-China</b>	11	9	Australia, Canada, China, Japan, Korea, Malaysia, New Zealand, Singapore and Thailand.	1,140,180
<b>Japan</b>	11	10	Australia, Canada, China, Hong Kong-China, Korea, Malaysia, New Zealand, Singapore, Chinese Taipei and U.S.	1,370,052
<b>Korea</b>	19	13	Australia, Canada, China, Hong Kong-China, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Chinese Taipei, Thailand and U.S.	1,052,172

**Note:** Total Annual Trade from 2017, obtained from the Trade Facilitation Agreement Database, WTO, 2019. Retrieved from <https://www.tfadatabase.org/ratifications>.

Twelve APEC economies still have yet to negotiate an MRA with one of the two top traders. Brunei, Indonesia, Thailand, the Philippines, and Vietnam have an opportunity to negotiate MRAs with both.

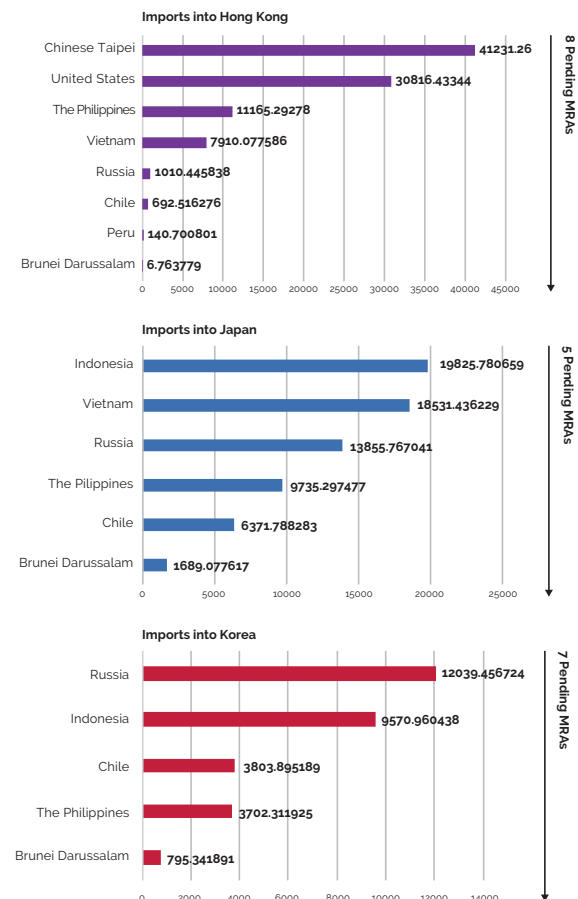
## Imports Value. 2017 data

Top Traders	Top 5 potential MRA APEC partners according to Vol Imp	Imports USD 2017
China	Chinese Taipei VietNam Thailand Indonesia Canada	~\$230,000 Mill
US	Vietnam Malaysia Thailand Indonesia Russia	~\$158,000 Mill



The U.S. and Hong Kong-China, two of the top trading APEC economies, have not begun negotiating an MRA with each other.

Top Traders	Top 3 potential MRA partners	Imports USD
HK-China	Chinese Taipei US The Philippines	~\$83,000 M
Japan	Indonesia Vietnam Russia	~\$52,000 M
Korea	Russia Indonesia Chile	~\$25,000 M



**Note:** Data shown in Million USD.  
Adapted from the Trade Facilitation Agreement Database,  
WTO, 2019. Retrieved from <https://www.tfadatabase.org/ratifications>.

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APEC economies were also asked about the benefits commonly granted to AEOs by economies with which an MRA has been implemented. They were also asked about the type of information on AEO companies exchanged once an MRA is in place.

Regarding the second question, economies most commonly share:

- Company name
- Company address
- AEO authorization date
- AEO status (which can include suspension or cancellation dates)
- An AEO identification code (AEO ID code format usually varies from economy to economy).

All economies surveyed said they exchange information on a monthly basis, with the exception of New Zealand, which stated it does so every 1 to 3 months. The following economies specified that they exchange the information via email: Australia, Canada, Chile, Chinese Taipei, Hong Kong-China, Japan, Malaysia, Mexico, New Zealand, Peru, and Thailand.

Economies were also asked to share their experiences related to monitoring the benefits granted, the use of technology to implement the benefits, funding for negotiating and properly implementing agreements, organizing outreach events, sharing information with the private sector, and other aspects.

As emphasized previously, publicity and disseminating information is of crucial importance to the development of the AEO program. It is customs administrations' job to encourage companies to join the program and become safe operators. One way to motivate them to do so is to ensure they will receive tangible benefits as a result of the effective implementation of the network of MRAs signed by their economy.

In that vein, APEC economies were also asked whether their websites included a specific section listing the MRAs that have been signed and the benefits they provide, and 9 out

of 16 stated that they did. Moreover, 10 economies reported that their customs website makes available to traders a manual or information specifically on how to access MRA benefits.

One way customs authorities can demonstrate that they are monitoring the benefits granted is by keeping a clear record of the number of AEOs benefited during a certain period of time. Six economies do so: Australia, Chinese Taipei, Hong Kong-China, Mexico, New Zealand, and Thailand.

Economy	MRA implemented	Number of AEOs benefited (in 2019)
Australia	Australia-Canada	69
	Australia-Singapore	91
	Australia-Hong Kong, China	54
	Australia-Chinese Taipei	121
	Australia-Korea	286
	Australia-New Zealand	119

Economy	MRA implemented	Number of AEOs benefited (in 2017)
Chinese Taipei	Chinese Taipei-Korea	268
	Chinese Taipei-Singapore	92

Economy	MRA implemented	Number of AEOs benefited (in 2017)
Mexico	Mexico- Korea	389
	Mexico-U.S.	106
	Mexico-Canada	116
	Mexico-Peru	38

Economy	MRA implemented	Number of AEOs benefited (in 2017)
Hong Kong, China	Hong Kong, China-China	69
	Hong Kong, China-Korea	91
	Hong Kong, China-Singapore	54
	Hong Kong, China-Japan	121

Economy	MRA implemented	Number of AEOs benefited (in 2017)
Canada	Canada-U.S	288
	Canada- Japan	245
	Canada-Korea	290
	Canada-Mexico	475
	Canada- Singapore	87
	Canada-Israel	46

### BENEFITS COMMONLY GARANTED

- Identification as low-risk cargo (risk assessment process)
- Streamlined clearance/ use of fast lanes at borders
- Expedited procedures and a lower percentage of customs inspections
- Prioritization of the clearance of merchandise
- Priority treatment in case of trade disruption or disaster.

Of these six economies, New Zealand benefits the most AEOs and also implements the most MRAs.

Additionally, and in an effort to ensure that trade partners are indeed providing benefits to AEOs under an MRA, Thailand performs and exchanges a monthly statistical assessment of the number of AEOs from MRA partners that have applied for the benefits, as well as the number and percentage of border inspections of AEOs covered by MRAs.

Regarding other advantages of properly implementing an MRA, which are achieved by effectively exchanging information, economies were asked to share whether domestic AEOs and AEOs exporting to their economies from others with which they have signed an MRA

Economy	MRA implemented	Number of AEOs benefited (in 2017)
New Zealand	New Zealand- Korea	296
	New Zealand- Japan	166
	New Zealand- Australia	245
	New Zealand- China	2742
	New Zealand- Singapore	Start date 1/8/2019
	New Zealand- Hong Kong, China	38
	New Zealand- Canada	Start date 1/8/2019

### DISTINCTIVE BENEFITS GRANTED

Mexico offers **access to fast lanes to CTPAT-certified companies in Mexico.**

**In their programs, the U.S. and Mexico grant expedited access** to companies that have already been certified and "validated" or visited by the one or the other.

were taken into account in their risk analysis system. Eleven economies replied that they are: Australia, Canada, Chinese Taipei, Hong Kong-China, Malaysia, Mexico, New Zealand, Peru, Singapore, Thailand, and the U.S.

In the case of Canada, CBSA indicated they recognize MRA partner AEOs on the cargo declaration and supplementary cargo declaration that are submitted prior to arrival in Canada. For the optimal implementation of an MRA, a reliable and timely exchange of AEO data is crucial. Without it, partner customs authorities will not have the information they need to conduct risk analyses. There should be a focus on interoperability between APEC customs authorities' IT systems to ensure that this information is transmitted in an efficient manner.

MRAs also enhance economies' risk analyses by allowing economies to categorize traders and focus on higher-risk cargo and expediting trade, thus allowing them to manage resources better.

On the topic of capacity building in relations to MRAs, the WCO has stated that transparency, which in this case means using websites and public outreach, is tremendously helpful, especially since AEO programs could not exist without the private sector.

It is therefore necessary to have a website that provides information about MRAs to make sure all counterparts are aware of the scope and applicability of existing agreements, as well as current negotiations. AEO representatives should also be encouraged to attend and participate in private sector forums.

Six economies indicated they currently hold joint events with other economies with which they have signed an MRA. These economies are Chile, Hong Kong-China, Malaysia, Singapore, Thailand, and the United States. Canada, the U.S., and Mexico organize webinars and participate in each other's annual AEO events to promote MRAs within the NAFTA region and offer information on how to access their benefits. Additionally, Canada and the U.S. carry out joint consultations with traders to identify possible new benefits to offer at borders.

It is a well-known fact that MRAs have spread rapidly and become popular in different regions. However, economies still face barriers that hinder their optimal implementation. After analyzing the APEC's experiences, the main barriers identified are:

Barrier	Description
<b>MRAs signed but not implemented.</b>	Economies are not ready for implementation when they sign MRAs. Economies need to make adjustments in their customs information systems to identify AEO traders and their operations.
<b>Partial implementation of MRAs</b> (not all benefits are granted to AEOs).	Traders not "requesting" MRAs benefits. Cargo risk analysis does not take into account AEOs from partner economies.
<b>Lack of commitment to follow up on and monitor implementation.</b>	Lack of KPIs to measure effectiveness and results.
<b>Different systems for identifying AEOs</b> when crossing borders.	Delays by partner economies in updating certified AEOs.
<b>Traders/Importers are unaware of the existence of MRAs or of procedures for accessing their benefits.</b>	Benefits not being used by traders.
Lack of data exchange for identifying whether declared cargo is actually exported by an AEO company from a partner economy.	Customs administrations do not exchange information on the exporter to verify that the cargo is actually from an AEO export.

These barriers have to do with a substandard practical, technical, and administrative implementation of MRAs, but there are also other challenges both before and after the MRA is in place:

#### OTHER CHALLENGES AFFECTING MRAS

- Politicizing MRAs.
- Limited staff for the workload in economies with a mature and well-developed program can affect both the negotiation process and its implementation.
- Lack of funds for translating documents to be exchanged, as well as for carrying out validation visits in the partners economies.

After covering the current status, challenges, and best practices related to MRAs, this chapter concludes with a set of recommendations on different aspects of how to make MRAs as effective as possible:

1. Develop a method for selecting trading partners to sign MRAs with, considering:
  - % of trade (exports and imports)
  - Interest in new markets according to trade policy
  - TFAs that are in place and implemented
  - Risks identified in partner economies

2. In action plans, include a validation stage for evaluating the existing technologies and legal framework for exchanging information:

- Legal framework that allows AEO information to be shared.
- Mechanism for periodically exchanging data.
- Risk analysis and systems capable of recognizing partner economy AEOs.
- KPIs for monitoring benefits granted to and trade facilitation for AEOs.



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3. Establish an automated, real-time customs-to-customs AEO master data exchange mechanism, and continue working towards a common AEO TIN number for identifying and validating AEOs.

4. Promote the harmonization of programs, aligning them where applicable, in areas such as policy, procedures, and documentation practices, while respecting each economy's sovereignty over its own program.

This recommendation also means encouraging governments to avoid deviating from global AEO standards, which seek to enhance uniformity and predictability, as well as increase opportunities for effective bilateral and multilateral MRAs.

5. Include a monitoring provision in MRAs to evaluate the benefits granted to AEOs in counterpart economies.

6. Identify similarities and differences in characteristics and procedures between AEO programs, allowing economies to pinpoint additional benefits. Think outside of the box; be creative.

7. Make it easier for traders/importers to access MRA benefits.

- An example is to recognize the validation visits carried out by the counterpart economy, which assures AEOs that their validation process will not be redundant.

8. Coordinate joint trainings for customs officials with partners, promoting exchanges of best practices.

9. Carry out bilateral or multilateral outreach programs or form working groups with private sector actors involved in trade between two or more economies in an effort to identify new opportunities and gaps.

10. For economies with similar programs and close trade relations, develop a similar submission process and application form to make the steps easier for multinational companies, laying the groundwork for a single application for both programs in the future.

11. Focus on a more regional approach to AEO programs that aims to maximize MRAs' benefits. In the interest of harmonization, economies are encouraged to negotiate MRAs seeking regional and multilateral coherence. A coordinated regional approach to developing and implementing AEO programs would create a common understanding among all economies in a given region and facilitate seamless and multilateral mutual recognition, thus reducing costs and optimizing resources.

12. Efficiently plan and allocate resources for the entire MRA negotiation and implementation process, including validation visits, acquiring and operating the technologies needed to expedite the exchange of information, costs of the formalization, maintainability of successfully operating mechanisms, and other items.

13. Conduct impact research studies to estimate the savings that AEO programs and MRA benefits represent for trade, and how effectively these promote exports.

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## 7. PARTICIPATION OF SMALL AND MEDIUM-SIZED ENTERPRISES IN APEC AEO PROGRAMS

Small and medium-sized enterprises (SMEs) play an important role in generating economic activity and employment in developing and developed economies. They are the backbone of business activity around the world, and, together with large enterprises and multinationals, they make a significant contribution to the global economy.

According to the OECD, SMEs represent 99% of all businesses, generate about 60% of employment, and account for between 50% and 60% of value added in the OECD area. They are responsible for an average of 33% of exports in certain developed economies and 18% in developing economies. (Lopez-Gonzalez, J. & Sorescu, S., 2016).

However, SMEs overwhelmingly bear the burden of bureaucracy in international trade. Trade costs for SMEs in low-income economies were equivalent to a 219 percent ad valorem tariff, which was 85 percentage points higher than for high-income economies (World Trade Report, 2015).

Besides direct exports, SMEs also engage in indirect export activities. A small but increasing number of SMEs supply intermediate goods and services in global supply chains. An analysis of direct exports alone might underrepresent SMEs' export capacity. Also relevant is SMEs' role in e-commerce.

The role of SMEs in the APEC region, specifically, was promoted by the endorsement in 2015 of the Boracay Action Agenda, which is addressed in more detail further on in the study. Analysis has found SME share of direct export value to be less than 20% in most economies.

According to available data from the APEC, only in China does SMEs' share of total exports exceed 50%, while Canada and Korea also have a relatively high share, at 41% and 35%,

respectively. Thailand, the U.S., and Vietnam fell into the bracket of 21% to 30%.

SMEs' total share of exports ranged from 15% to 19% in Japan, Indonesia, Singapore, Chinese Taipei, and Malaysia. Finally, in Australia, Chile, and Peru, SMEs accounted for less than 10% of total exports (APEC, 2013).

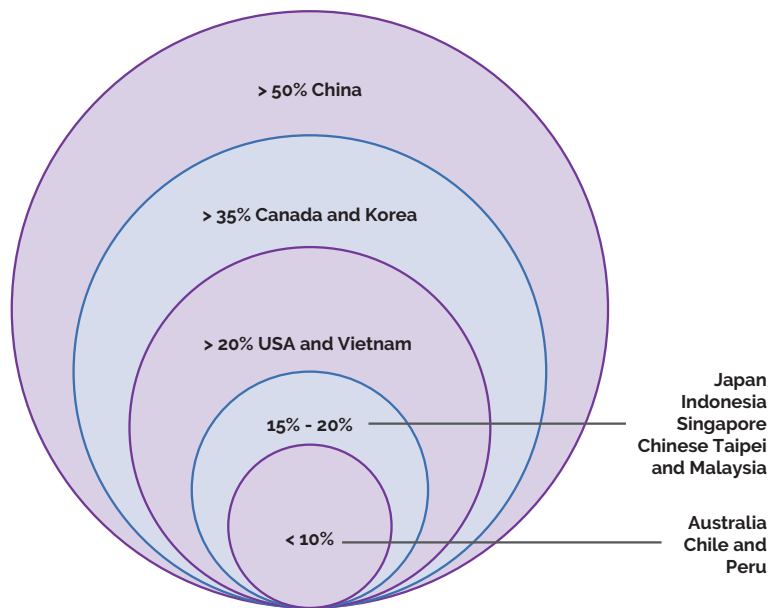
### DEFINITION OF SME

One of the main issues SMEs face is the **lack of a general and jointly agreed upon definition of what is an SME.**

However, at least one of the following **four criteria has been used by economies** to define SMEs:

1. **Number of employees.**
2. **Annual sales or revenue.**
3. **Assets,** and
4. **Capital or investment.**

This information is summed up in the image below:



Most APEC economies use number of employees as a criteria for defining SMEs, but the caps vary considerably—from 20 employees in New Zealand to 1000 employees in China. In contrast, the International Finance Corporation (2012) defines an SME as a registered business with less than 300 employees. It further categorizes SMEs into a micro, small, or medium enterprises. The UNDP defines SMEs as enterprises with less than 200 employees.

Regarding employment, SMEs account for a significant portion in APEC economies, generally over 50 percent.

As was noted at the beginning of this chapter, the bureaucracy SMEs have to deal with when trading internationally is an important issue.

It is crucial to examine where APEC economies stand in terms of providing a friendly environment where SMEs can successfully conduct their operations. According to the World Bank, the APEC region has an ease of doing business score of 79. Hong Kong-China, Korea, and the U.S. are the highest scoring economies on the list (World Bank and International Finance Corporation, 2018).

The annual World Bank Doing Business report provides a quantitative measurement of business regulations and the protection of property rights. This measurement affirms that SMEs are more vulnerable to difficulties and bureaucracy in the course of their business.

Hence, economies must promote a regulatory environment that fosters and promotes cross-border trade. On a positive note, most APEC economies received a score of over 80 for their efforts on doing business easier.

Having understood that SMEs make up over 97 percent of all APEC businesses, employ over half of the workforce of APEC economies, and contribute between 20 and 50 percent of GDP in the majority of APEC economies, the APEC has proposed and established a legal framework for cooperation that aims to encourage SME development and build the capacity of these enterprises to engage in international trade as drivers of growth and innovation.

The APEC's efforts have chiefly materialized in the following initiatives:

**General APEC initiative:**

The SMEWG Strategic Plan 2017-2020 provides a roadmap for addressing critical issues pertaining to the growth of SMEs and micro enterprises in the APEC region (including entrepreneurship, innovation, financing, and market access).

**Initiative within the SCCP:**

The Boracay Action Agenda to Globalize MSMEs. Priority areas of cooperation: trade facilitation, trade finance, e-commerce, and institutional support. On AEO, the goal is to widen the base of AEOs to include SMEs so they can contribute to security, integrity, and resiliency in supply chains.

After giving this general overview of SMEs and the importance of their role in the world economy and the APEC region in particular, the next step is to observe how the AEO program can be part of their growing involvement.

AEO programs can help integrate SMEs into global value chains by simplifying administrative customs process and enhancing SMEs' trading capabilities.

This is an opportunity for customs authorities' AEO programs, in coordination with other border agencies, but SMEs stand to benefit the most if they are included in the programs.

Since one of the focuses of this study is to evaluate SME participation in AEO programs, economies were asked to share data, best practices, and experiences related whether they grant access to SMEs to enroll into their respective programs, and, if so, whether they keep track of the number of participating companies. They were asked about the definition of SMEs according to their legislation, as well as to provide official statistics on the number of SMEs established in their economy.

They were also asked whether SMEs have to meet specific requirements, whether their customs administration grants them special benefits as AEOs, and whether their SMEs are represented by any particular association. Additionally, the survey included questions about whether they have or

suggest any outreach strategy to encourage SMEs to participate in the program. They were also asked to share their overall recommendations on how to engage SMEs and promote their enrolment in the program.

Of the 16 economies that answered the survey, all confirmed that SMEs have access to their AEO program. None indicated that it provides special benefits directly to SMEs. Australia is an exception when it comes to specific requirements, as they do have a risk profile for SMEs that is different from the one for larger businesses, while Hong Kong-China does provide additional benefits, but for AEO-certified companies that actively promote AEO certification among SMEs providers.

**THE APEC SMEWG**

This working group strives to **achieve APEC's Bogor Goals** by fostering and enabling business environment for **SMEs to grow and develop into export-ready firms.**

The APEC SME Ministerial Meetings, held annually since 1994, set out the direction for the working group. In September 2016, the SME Ministers endorsed the SMEWG Strategic Plan for 2017-2020.

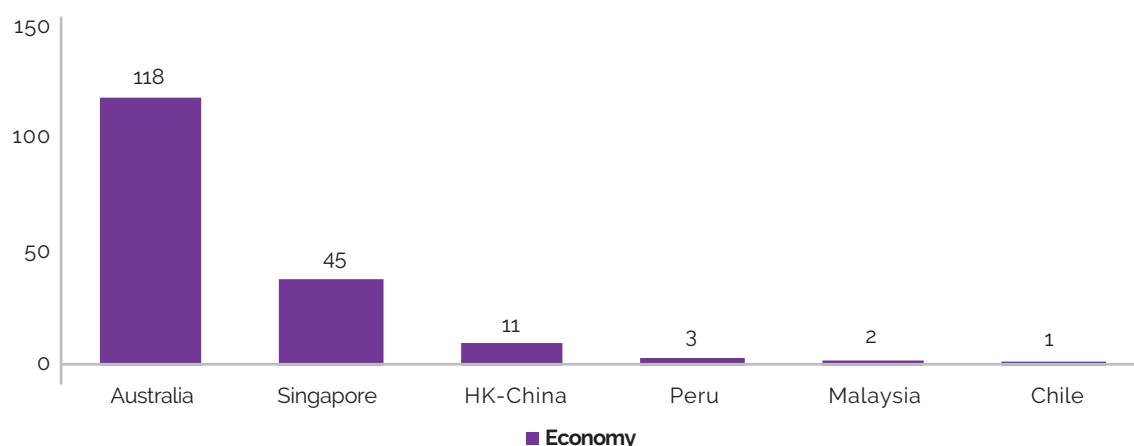
On the other hand, 10 out of 16 economies said they have associations for SMEs. Examples of these associations are:

- The Small Business Association of Australia, an active organization that specializes in supporting and advocating for the SME sector.
- The Association of Small and Medium Enterprises (ASME) in Singapore.
- The Confederation of Micro, Small and Medium-Sized Enterprises of Chile-CONAPYME, which includes the following sectors: freight transport, passenger transportation, handicrafts, retail trade, tourism, street markets, small-scale agriculture, small-scale mining, fishing, and services.
- The Small Business Council in New Zealand, which consists of 13 members, as well as 4 government advisors who provides secretarial support to the Council. The Council seeks to support small businesses in New Zealand. There are also a number of sector-specific associations started by SMEs, such as the SME committee of the Forest Owners Association or Business NZ.
- Association of SMEs in Peru.
- The Association of Small and Medium Enterprises in Chinese Taipei.
- The Small Business Administration in the U.S.

According to the survey, only seven APEC economies (Australia, Canada, Singapore, Hong Kong-China, Peru, Malaysia, and Chile) have identified the specific number of SMEs that have been certified and/or are in the process of becoming AEOs. As of July 2019, the total number is 1692, for all seven economies.

While 75 are still in the process of becoming AEOs: 74 in Australia and 1 in Hong Kong-China.

**Graph 12: Number of SMEs that are certified AEOs in APEC Economies**



Canada has certified 1,512 SMEs

Additionally, only two economies, Hong Kong-China and New Zealand, stated they have developed and implemented outreach strategies to increase and promote the inclusion of SMEs.

### **Hong Kong, China**

To address the needs of SMEs, the Customs and Excise Department (C&ED) grants AEO status to qualified companies in two tiers to allow them to meet the accreditation requirements gradually. C&ED also provides assistance and guidance to SMEs throughout the processes of preparation, accreditation and validation.

C&ED and SME-related associations regularly co-organize joint seminars to encourage more companies to participate in the Programme.

### **New Zealand**

New Zealand Customs recognizes that every business is unique and security arrangements for cargo are different for each business. For this reason, the approach taken by Customs is outcome-based rather than inflexible.

In this regard, our SES outreach program is targeting developing SME's – It does still require the exporter (regardless of size) to demonstrate how they intend to comply with the terms of the minimum standards.

After collecting information from the APEC economies on SME involvement in their AEO programs and confirming that these enterprises play a central role in achieving balanced economic growth and that they represent an important part of the supply chain, some of the main challenges identified and also shared by customs administrations are as follows:

- Low SME participation in AEO programs decreases the value added of the initiatives, especially since "in some cases the vast majority of a supply chain may be composed of SME operators."

- Since SMEs do not have considerable trade volume, their participation in the AEO program may not be as attractive from the standpoint of current trade-related KPIs.
- SMEs generally lack a supply chain security culture and thus implement no procedures at all.
- SMEs have limited access to financing and resources, restricting their ability to spend time and money on meeting AEO requirements and implementing the program.
- For SMEs, the lack of SME-specific requirements makes the certification unattractive.
- Access to information and free tools is limited.

This study thus gives the following recommendations based on facts, statistics, the current status of SMEs in AEO programs within the APEC region, best practices, and projections:

1. Agree on a specific definition of what constitutes an SME.
2. Develop a tailored program for SMEs with specific requirements and benefits, considering their role in indirect exports.

- 
3. In action plans, include a goal for SME inclusion.
    - Set a realistic goal according to SMEs with direct imports or exports.
    - Strengthen institutional support to help SMEs overcome regulatory and procurement hurdles.
    - Modify the information requested on the application in order to easily recognize SMEs and the sector they are part of.
    - Develop and measure KPIs to monitor applications submitted and certifications granted, as well as to identify reasons why applications were rejected in order to develop specific capacity-building and outreach programs.
  4. Allow prior consultation for SMEs before submitting an application.
  5. Expedite AEO authorization examinations for SMEs through various preferential procedural provisions.
  6. Implement an outcome-based approach for SMEs by asking operators to demonstrate how they intend to comply with the minimum standards and by working with them to achieve mutually acceptable criteria.
  7. Websites are important sources of information. Customs authorities should provide explanatory information and specify preferential requirements and benefits to inform and prepare SMEs.
  8. Identify common barriers associated with import and export procedures and regulatory compliance.
  9. Provide capacity building programs to strengthen SMEs' ability to carry out secure and globalized trade.
  10. Enhance public-private sector collaboration, particularly with SMEs associations, to support SME certification.
  11. Foster collaboration between SMEs and large enterprises by providing the latter with additional benefits when trading with certified SMEs.



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## 8. REMARKS FROM THE PRIVATE SECTOR ON THE DIRECTION AND DEVELOPMENT OF THE AEO PROGRAMS

Securing and facilitating global trade are key aims for economies and customs administrations. To achieve those aims, it is important to establish and maintain permanent cooperation between all relevant stakeholders to ensure that the flow of commerce takes place in a balanced environment.

Therefore, a survey was also developed and administered to the private sector of all of the 21 APEC economies. Given the sector's important role in this trade facilitation initiative, the questions were designed to collect information on its views and concerns regarding the program's direction and development.

The questions essentially focused on two aspects, MRAs and SMEs. Companies, consulting firms, carriers, manufacturers in various sectors, and associations responded to the survey, and interestingly, 50% of them claimed to be an SME, with less than 40 employees on average. These stakeholders shared their level of awareness and knowledge of the scope, benefits, and use of the MRAs that have been signed by the economies in which they operate. The questions focused on two specific benefits: whether goods were released faster when exporting or importing from an economy with which an agreement has been signed, and whether any impact has been perceived in terms of increased exports.

They also provided insights on whether they have access to materials on the customs administration's website, capacity building, and/or outreach programs to better understand MRAs' benefits and use.

Regarding SMEs, private sector representatives shared whether economies currently provide additional benefits for AEO-certified companies that actively promote AEO certification among SME providers. These representatives also made recommendations on what customs authorities should do to engage SMEs and promote their enrolment in the AEO certification program.

The survey also requested their suggestions and experience on the use of technology to make the AEO application process more efficient.

Here are some of the main and most relevant findings:

- **42%** stated they were aware **of the scope, use, and benefits of MRAs** signed by their economies.
- **30%** stated they **perceived that goods were released faster** when exporting or importing from an MRA counterpart economy.
- **30%** stated they have perceived an **increase in exports** as a result of implementing an MRA.
- More than **75%** of private sector actors conducting business in APEC economies stated they **did not have access to materials** on customs administration websites, capacity building, and/or outreach programs to better understand MRAs benefits and uses.



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A close analysis of the data collected shows that current and potential AEO entities are requesting:

- Real inclusion of SMEs in the program. They are asking customs authorities to lower application costs and to stress the advantages of certification, such as cost and time savings.
- The creation of a unique electronic system that centralizes the information of all AEOs in the APEC region.
- The creation of an electronic system that interconnects all agencies involved in the AEO program and that those agencies can use to share data.
- An intensification of customs authorities' promotion of the program using mechanisms like invitation letters and a better marketing strategy.
- The use of Single Window for all procedures.
- The introduction or increased use of electronic tools during the application process. A few consulting firms mentioned using blockchain for greater overall efficiency.
- Reduced bureaucracy, processing time, and costs in the application process, as well as better time management and simpler customs procedures.
- Increased involvement from chambers of commerce and trade associations in the implementation of the AEO program.

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## 9. CONCLUSIONS

The AEO is a large and ambitious initiative promoted globally by international organizations, governments, and the private sector. It has been widely implemented by APEC economies to ensure secure trade across supply chains, with **20 operational programs in the region**.

Almost all economies offer the AEO certification to importers and exporters, the only exception is New Zealand which only certifies exporters, and there has been notable increase in operators in the last five years.

Nonetheless, economies need to cooperate further to benefit the existing and potential AEO regional network by implementing harmonized, efficient, and streamlined certification processes and by monitoring compliance. This will strengthen global trade's security and integrity by promoting the inclusion of more AEOs from different sectors in the supply chain.

This document has presented recommendations for achieving this objective, the most important of which are:

1. Create a Business Plan and KPIs in order to better manage resources, and design the strategy for expanding the Program accordingly.
2. Include AEO processes in the Single Window.
3. Establish a Risk Analysis system that identifies AEOs as trusted traders.
4. Set a budget for outreach and capacity building programs.
5. Set up a monitoring program to secure compliance.
6. Keep an open mind for possible new benefits, according to a constant changing trade environment.

Promote AEO recognition within other border agencies, via a program with distinct stages with additional benefits and requirements. **Of the 75 MRAs reported worldwide by the WCO, 48 have been ratified and are operational in the APEC region, and another 15 are being negotiated. But economies are still facing barriers to reach an optimal level of implementation.**

Barrier	Description
<b>MRAs signed but not implemented.</b>	Economies are not ready for implementation when signing MRAs.
<b>MRAs partially implemented</b> (not all benefits being awarded to AEOs).	Traders not "requesting" MRAs benefits. Cargo risk analysis does not consider AEOs from partner Economies.
<b>Inexistent commitment to follow and monitor the implementation.</b>	Lack of KPIs to measure effectiveness and results.
<b>Different systems to ID AEOs</b> when crossing borders.	Delay on the update of certified AEOs by the partner Economy.
<b>Traders / Importers, unaware of the existence of MRAs or of procedures to access the benefits.</b>	Benefits not being used by traders.
Lack of data exchange to identify if declared cargo is actually exported by an AEO company from a partner economy.	Customs do not exchange information on the exporter in order to verify that the cargo is actually from an AEO export.

Important measures need to be taken in order to better implement existing MRAs and expand them throughout the region. Recommendations for doing so include:

1. Identify key trading partners to sign MRAs with.
2. Identify specific benefits for each MRA. Think outside of the box, be creative!
3. Establish an automated customs-to-customs AEO data exchange mechanism, and continue working towards a common AEO TIN number for identifying and validating AEOs.
4. Agree on an AEO TIN to easily identify trusted traders across borders.
5. Monitor whether trade Partners are effectively providing benefits to your AEOs.
6. For economies with similar programs and close trade relations, develop a similar submission process, laying the groundwork for a single application for both programs in the future.
7. Promote regional MRAs to reduce cost and optimize the use of resources
8. Efficiently plan and allocate resources for the entire MRA negotiation and implementation process
9. Conduct impact research studies to estimate the savings that AEO programs and MRAs benefits represent for trade and how effectively they promote exports.

Lastly, this study identifies the inclusion of SMEs as imperative and as an area where more effort and resources need to be allocated.

This can be effectively addressed by trade policy and tailor-made programs with greater flexibility, with the following recommendations:

1. Develop a **tailored-made program for SMEs with specific requirements and benefits, considering their role in indirect exports.**
2. **Identify common barriers SMEs face, associated with import and export procedures** and regulatory compliance.
3. Provide **capacity building programs to strengthen SMEs' ability** to carry out secure and globalized trade.
4. **Enhance public-private sector collaboration,** particularly with SMEs associations, **to support their access to the certification.**

- 
- 5. Foster collaboration between SMEs and large enterprises by providing the latter with additional benefits when trading with certified SMEs.** Include in the application process, data requirements to identify SMEs, such as: annual revenue, number of employees, etc.

Moving forward, APEC economies should continue their momentum in implementing the WTO TFA, gradually moving towards an automated, paperless border, promoting integrated border management and trade facilitation in order to maintain or, better yet, increase their competitiveness.

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## 10. ANNEX, SURVEY SAMPLE

### Questionnaire IDB AEO Study for APEC Economies

**APEC Economy:**

**Point of Contact (Name, position, email and phone number):**

#### Survey I. Overview and update of the AEO program

**Instructions:** Please provide the most recent and comprehensive answers to the following questions.

- 1. Year the AEO program was launched:**
- 2. Indicate the Customs Department which the AEO team is part of.**
- 3. Indicate the number of people within the Customs AEO team.**  
Number \_\_\_\_\_
- 4. Is the AEO program managed by Customs only? Or does it include the participation of other Government Agencies? If so, please list the other Agencies and briefly describe the process.**

Agency	Describe their participation during the application review process	Criteria reviewed by the agency

#### 5. Scope of the AEO Program

- ☐ Covers import only
- ☐ Covers export only
- ☐ Covers both import and export

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## 6. Types of operators

☐ Importer (number of AEO importers: \_\_\_\_ )

Share (%) of the total value (FOB) of imports covered with the AEO program with relation to the total exports of your economy: \_\_\_\_\_

*Formula: Sum of the FOB value of imports by AEO companies in US dollars x 100 /divided by the sum of the FOB value of exports by all companies in the economy in US dollars (i.e., total imports).*

☐ Exporter (number of AEO exporters: \_\_\_\_ )

Share (%) of the total value (FOB) of exports covered with the AEO program with relation to the total exports of your economy: \_\_\_\_\_

*Formula: Sum of the FOB value of exports by AEO companies in US dollars x 100 /divided by the sum of the FOB value of exports by all companies in the economy in US dollars (i.e., total exports).*

Please specify total number of companies if importers are also exporters. \_\_\_\_\_

Indicate the share (%) of the total value (FOB) of imports and exports covered with the AEO program with relation to the total imports and exports of your economy \_\_\_\_\_

*Formula: Sum of the FOB value of imports and exports by AEO companies in US dollars x100/ divided by the sum of the FOB value of imports and exports by all companies in the economy in US dollars (i.e., total trade – total exports plus total imports).*

☐ Customs brokers (number of AEO customs brokers:\_\_\_\_) (% of Total Custom Brokers\_\_\_\_)

☐ Warehouse operators (number of AEO warehouse operators: \_\_\_\_)

☐ Logistics operators (number of AEO logistics operators: \_\_\_\_ )

☐ Manufacturers (number of AEO manufacturers: \_\_\_\_ )

☐ Terminal operators (number of terminal operators: \_\_\_\_ )

☐ Highway carriers (number of highway carriers: \_\_\_\_ )

☐ Couriers (number of highway carriers: \_\_\_\_ )

☐ Others (such as Freight forwarder; Shipping agent; Courier, Marine; Rail; Air)  
(number: \_\_\_\_ , specify which type (s))

## 7. Sector of AEOs (certified and under the pilot phase) Agriculture, forestry, and fishing (number of AEOs: Pilot Phase \_\_\_\_ Currently \_\_\_\_ )

☐ Mining and quarrying (number of AEOs: Pilot Phase \_\_\_\_ Currently \_\_\_\_ )

☐ Manufacturing (number of AEOs: Pilot Phase \_\_\_\_ Currently \_\_\_\_ )

☐ Energy (number of AEOs: Pilot Phase \_\_\_\_ Currently \_\_\_\_ )

- 
- ☐ Wholesale and retail trade (number of AEOs: Pilot Phase \_\_\_\_ Currently \_\_\_\_ )
- ☐ Transportation and storage (number of AEOs: Pilot Phase \_\_\_\_ Currently \_\_\_\_ )
- ☐ Other services (number of AEOs: Pilot Phase \_\_\_\_ Currently \_\_\_\_ )
- ☐ Others (please specify: Pilot Phase \_\_\_\_ Currently \_\_\_\_ )

**8. Please provide the type of identification number for AEOs used by your economy (E.g., Federal Tax ID of the company)**

**9. Please provide a list of the general requirements for AEOs**

**10. Please list the security standards included in your security profile**

**11. Please indicate if for all applications the AEO team develops an onsite verification visit, and if it is done for all the facilities reported at the application**

- ☐ Always visit
- ☐ Not always. Please specify the selection criteria to visit or not: \_\_\_\_\_

- 
- ☐ Visit all facilities
- ☐ Visit only certain facilities. Please describe how you select the, eg: main operations:

**12. Please provide an estimated or average time devoted to the authorization process by both Customs and the AEO (before submitting the application).**

**13. As a way to provide support to AEOs, please indicate if a customs official from your economy is assigned to each company as its main point of contact. If not, please indicate any other support mechanisms provided.**

- ☐ YES
- ☐ NO (alternative mechanisms implemented)

**14. Do you have a specific logo to be used by AEO companies? If so, can you please provide the policies applicable to its use?**

- ☐ YES (please briefly describe the policies applicable)
- ☐ NO

**15. Does the AEO Program have different modalities, according to the compliance level, if so, please specify:**

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**16. Please provide a list of general benefits for AEOs and if necessary, please mention specific benefits granted to certain type of operators.**

**17. For how long does the AEO authorization last?**

- ☐ 1 year
- ☐ 2 year
- ☐ Indefinitely
- ☐ Other (please specify)

**18. Describe the AEO renovation process:**

- ☐ Online
- ☐ On paper presented at the Customs Offices
- ☐ Automatic
- ☐ Specific period to respond/re-authorize, please specify (days, business or natural): \_\_\_\_\_
- ☐ With a validation visit (always or specify criteria to select which facilities to visit or not).

**19. Please provide/list the causes for suspension and cancelation of the AEO certification, considered in the AEO program.**

**If an AEO has been suspended or cancelled since the launch of the Program, please specify:**

Number of companies, in each case if suspended or canceled, temporary or permanently and the reason.

	Number of companies	Calendar Year	Period (Eg: number of years, months, please specify)
Suspended for a certain period			
Suspended indefinitely			
Cancelled			

**20. If the AEO program includes the participation of other Government Agencies, apart from Customs, please list the benefits that these other Agencies provide to the AEO companies.**



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**21. Please, list/indicate the economy AEO legal framework (Law, Decree, other regulations) Provide if possible, the internet link where these documentations are available for consultation.**

**22. Does Customs have a business plan for AEO with specific objectives, goals and milestones? If the answer is yes, please describe and if possible, attach the relevant documentation.**

☐ YES

☐ NO

**23. Does your AEO team have access to a budget for AEO outreach programs, and capacity building, if so, could you indicate the amount per year in USD.**

☐ YES (Amount in USD per year)

☐ NO

**24. Does your economy carry out trainings and/or forums, such as an AEO National Forum or any regional forums? If so please indicate their frequency.**

☐ YES (please indicate general frequency)

☐ NO

**25. Please briefly describe changes into the legal and operational framework regarding the application, verification and authorization procedures for any traders or operators who would like to become an AEO (since 2016 and specify the year).**

**26. Please briefly describe recent changes into the legal framework regarding AEO Security and Compliance Requirements (since 2016 and specify the year).**

**27. Does your economy have a Single Window (SW) implemented, if so, is the application to the AEO program included in the SW?**

☐ Yes, it has a SW and the AEO application is included

☐ Yes, it has a SW but the AEO application is not included

☐ No, it does not have a SW

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**28. In addition, or aside from the SW, has your economy implemented any new technologies to expedite and enable great efficiency during the AEO application process? If so, please briefly describe.**

☐ Yes.

☐ No, it has not

**29. Mutual Recognition Arrangements**

☐ Number of formalized bilateral MRAs: \_\_\_\_

☐ Number of formalized multilateral MRAs: \_\_\_\_

☐ Under negotiation: bilateral \_\_\_\_; multilateral \_\_\_\_

☐ None formalized

- Please list the economies with whom you have signed an MRA:
- Please list the economies with whom you are negotiating an MRA:

**30. Free Trade Agreements including an AEO article/provision or commitment**

☐ Number of formalized FTA's:

☐ Under negotiation:

☐ None formalized

**31. How do you determine or select the economies with whom to formalize an MRA? Do you follow any specific criteria? If so, please specify the criteria applied.**

**32. Please provide a list of benefits your economy commonly grants AEO companies from economies with whom you have implemented an MRA. Provide details if the benefits vary for each economy.**

**33. When MRAs are in place, how does your economy identify the companies from the other economy? With what number?**

**34. Please provide a list on the type of information exchanged regarding AEO companies with economies with whom you have formalized and implemented an MRA. (e.g. list of AEO companies, ID number, date in which it was certified, suspension or cancelation of an AEO and date, etc.)**

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**35. Under the framework of the MRA, by which means is the information exchanged with other economies? And with what periodicity?**

☐ MANUALLY

☐ ELECTRONICALLY (please indicate the periodicity)

**36. Please provide the number of AEO companies, to whom you offered AEO benefits, from economies with whom you have an MRA.**

Number of companies (2017)	Partner economy (signed MRA)
----------------------------	------------------------------

**37. Does your economy exchange information with MRA partners to identify which AEO companies have accessed MRA benefits provided by the other economy? And the periodicity? Please provide relevant statistics if available.**

**38. How do you ensure the importer declares that the imported merchandise or cargo is from an AEO of a economy with whom you have an MRA in place?. Please indicate if your website/portal has instructions for the importer.**

**39. How do you ensure the AEO has been indeed authorized by the other economy and that the load is in fact from that operator?**

**40. Does your AEO program have access to a budget for international MRA negotiations, including visits to the other economies?**

☐ YES (Please specify the amount per year in USD, if available)

☐ NO

**41. Does your economy consider on its Risk Analysis System, Economy AEO's and AEOs exporting to your economy from others whom which you have a signed MRA?**

☐ Yes (please describe how you're your system recognizes the AEO exports / imports into your economy, from other economy's AEO)

☐ No

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**42. Does the website of customs include a section listing MRAs formalized promoting its benefits?**

☐ Yes

☐ No

**43. Does your economy hold joint forums with other economies with whom you have signed an MRA?**

☐ YES

☐ NO

**44. Is your economy using or piloting other technologies to facilitate trade among AEOs or to facilitate the exchange of AEO certified companies with other government agencies or with other customs? (e.g. Blockchain) if so, please specify.**

☐ Yes (please describe)

☐ No

**45. Please provide the link to website where AEO requirements and benefits can be found. If the official language is not English, please specify if a website in English is available and if so, provide the link.**

## **Survey II. Inclusion and involvement of Small and Medium Size Enterprises (SMEs) in the AEO program**

**1. In your opinion, should the AEO program include SMEs?**

☐ Yes (please provide a brief justification)

☐ No (please provide a brief justification)

**2. Do SMEs have access to the AEO program in your economy? Please specify the type of operators.**

☐ Yes (number of SME's certified: Currently; in the process of certification \_\_\_\_ )

Type of operators it includes:

☐ No (please provide a brief justification)

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**3. Please define SMEs according to your legislation.**

**4. Please provide official statistics on the number of SMEs established in your economy. Specify the source.**

If data is not available for 2017, specify the year according to the available information.

Total Number of SMEs (2017)	
Industrial SMEs	
Services SMEs	
Other (please specify)	
Average number of employees per SME	
Average number of employees per SME / per type (please specify)	
Number of SMEs involved in foreign trade operations	

Official Source:

**5. Does your economy have a specific Association for SMEs or that include them?**

☐ Yes (please specify the name and sectors it includes)

☐ No

**6. If your economy does not currently certify SMEs as AEO, does it have any future plan to include them?**

☐ Yes

☐ No

**7. Do SMEs have to fulfill specific requirements to apply and become an AEO? Or are they waived from complying with certain requirement, if so, please specify.**

☐ Yes (please describe).

☐ No

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**8. Once SMEs become an AEO, are they granted specific benefits? Please specify for each type of operators, if applicable.**

☐ Yes (please describe)

☐ No

**9. Please provide the main reasons why SMEs have been difficult to incorporate into the AEO Program, from both the Customs perspective and the SME itself**

**10. Do you currently have or suggest any outreach strategy to encourage SMEs to participate in the program?**

☐ Yes (please briefly describe them)

☐ No

**11. Does the institution responsible of the AEO have a specific section on its website to promote AEO's? If so, is there a section for SMEs?**

☐ Yes, it has a specific section for AEO as well as SMEs

☐ Yes, it has a specific section for AEO but no specific section for SMEs

☐ None of the above

**12. Do you currently have additional benefits for AEO certified companies that actively promote AEO certification among SMEs providers?**

☐ Yes (please briefly describe)

☐ No

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## 12. ACRONYMS AND OTHER INITIALS

**ABF** Australian Border Force

**AEO** Authorized economic operator

**AO** Authorized operator

**APEC** Asia-Pacific Economic Cooperation

**CBSA** Canada Border Services Agency

**CBP** Customs and Border Protection

**CTI** Committee on Trade and Investment

**C-TPAT** Customs-Trade Partnership Against Terrorism

**FTA** Free Trade Agreement

**HKC** Hong Kong, China

**IADB** Inter-American Development Bank

**ISCM** Guidelines Customs Guidelines on Integrated Supply Chain Management

**MRA** Mutual recognition agreement

**MSMEs** Micro, Small and Medium-Sized Enterprises

**PIP** Partners in Protection

**PS** Private Sector

**SAFE** Standards to secure and facilitate global trade

**SME** Small and Medium-Sized Enterprise

**SMEWG** Small and Medium-Sized Enterprise Working Group

**SW** Single Window

**OGA** Other government agency

**TFA** Trade Facilitation Agreement

**TIN** Trader Identification Number

**USA** United States of America

**USMCA** The United States, Mexico and Canada Trade Agreement

**WCO** World Customs Organization

**WTO** World Trade Organization

