



# TRADE BEAT

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*Compatibility and mutual recognition are at the core of harmonizing and simplifying Customs procedures and negotiations are largely dependent on the compatibility of the assigned criteria for authorization between countries.*

## JAMAICA CUSTOMS Authorized Economic Operator (AEO)

The Jamaica Customs Agency (JCA), as part of its commitment to facilitate international trade and uphold global security standards, has re-launched its Authorized Economic Operator (AEO) programme, which uses risk management techniques to assist in streamlining the trade process. The AEO programme represents an international platform where both Customs administrations and the trade related private sector, can share in the responsibility of securing the international supply chain. Customs is not



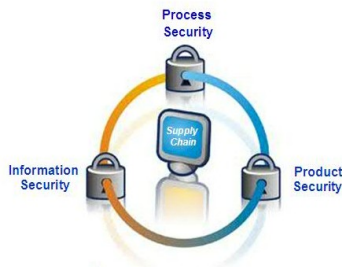
only tasked with revenue collection and securing the borders, but also has to incorporate international trade security as a measure of global cooperation to combat many of the challenges faced. To enforce these security measures and facilitate trade, international partnerships have to be fostered where each partner is capable of supporting the overall objectives of this global effort. As such, the development of Customs to Business relations is a necessary component of the AEO programme, designed to engage and validate all players in the trade process.



Partnerships within the trade industry ensure the sustainability of the AEO programme, where traders are encouraged through incentives to become more compliant and receive the trade facilitation benefits accorded. The quality and extent of these benefits have to be tangible and justified against the requisite expenses needed to obtain an AEO accreditation. Less intrusive control mechanisms, periodic reporting, payment deferment and reputational benefits are some of the methods used by Customs to foster long-term compliance with traders. The benefits are even more worthwhile if they are to be internationally accepted, through the conclusion of mutual recognition agreements or arrangements (MRAs) between AEO beneficiaries and their international trading partners. The World Customs Organization (WCO) in facilitating this effort supports national Customs administrations as well as the business community by providing the tools and guidelines for achieving the required levels of competence in line with global standards.

### *The World Customs Organization*

The WCO has played a significant role in the implementation of the AEO programme and sets standards and guidelines through the SAFE Framework of Standards to Secure and Facilitate Global Trade (SAFE Framework). The WCO also provides capacity building to its Members in close collaboration with donor organizations through national, regional and international activities such as its Columbus Programme: Aid for Safe Trade. This programme aims to reform and modernize Customs administrations worldwide by providing assistance in the implementing the SAFE Framework. The WCO also recognizes and places high priorities on partnerships with the business community, as evidenced in the WCO Private Sector Consultative Group (PSCG) which represents international trade interests. With a membership of thirty trade-related companies and associations, the PSCG advises trade policy and is able to raise and advise on issues relating to global trade, as well as and other issues directed by the WCO Secretary General. The WCO facilitates trader compliant programmes such as the AEO to aid Customs administrations in focusing otherwise scarce resources on non-compliant traders by utilizing risk assessment tools and developing programmes to foster compliance.



### *Authorized Economic Operator (AEO)*

The SAFE Framework defines an AEO as: “a party involved in the international movement of goods in whatever function that has been approved by or on behalf of a national Customs Administration as complying with WCO or equivalent supply chain security standards. AEOs include inter alia manufacturers, importers, exporters, brokers, carriers, consolidators, intermediaries, ports, airports, terminal operators, integrated operators, warehouses, distributors”. Thus, the SAFE AEO programme is intended to include all economic operators to enhance security along all points of the supply chain. The AEO programme uses the risk based approach to allow Customs administrations the flexibility to effectively use their resources to contribute to the international objective of trade facilitation and supply chain security.

### *Mutual Recognition*



One of the major benefits for businesses applying for the AEO status is mutual recognition, which is defined by the SAFE Framework as when an “action or decision taken or an authorization that has been properly granted by one Customs administration is recognized and accepted by another Customs administration.” The SAFE Framework also states that “mutual recognition can be a means to avoid duplication of security controls and can greatly contribute to the facilitation and control of goods moving in the international supply chain”.

These MRAs are therefore two fold in their purpose, as they facilitate trade and promote efficiency in the global trading arena. Compatibility and mutual recognition are at the core of harmonizing and simplifying Customs procedures, and negotiations of such arrangements are largely dependent on the compatibility of the assigned criteria for authorization between countries. MRAs are normally negotiated bilaterally, however in time it is expected that these agreements will encompass mutual recognition and cooperation at the regional level.



**According to the SAFE Framework, for a system of mutual recognition to work it is essential that:**

- *There be an agreed set of common standards that include sufficiently robust action provisions for both Customs and AEOs;*
- *Standards are applied in a uniform manner so that one Customs administration may have confidence in the authorization of another;*
- *If the certification process is delegated to a designated authority by an authorizing Customs administration, there shall be an agreed upon mechanism and standards for that authority;*
- *Legislation to enable the implementation of a mutual recognition system is in place.”*



### ***Jamaica Customs AEO Programme***

The Jamaica Customs AEO programme was initially activated in 2009 and positions Jamaica as the first English-speaking Caribbean country to implement the Authorized Economic Operator Programme. The Jamaican AEO programme has since been revamped to ensure the integrity of the value and supply chain and was launched on July 28, 2014. Since the revamp, twenty-seven (27) companies have been validated fulfilling the security requirements for both the Jamaica Customs and the AEO programme. Designed to encourage compliance and reduce threats to security, the AEO programme requires the certification of all personnel involved in the import/export process. Internationally, the AEO programme has been accepted in over fifty (50) countries worldwide, and allows Customs administrations to focus resources on potentially unsafe and high risk entities and individuals to maintain security standards and foster compliant trade. The AEO programme facilitates a working partnership between traders and the JCA that will improve Customs to client relations, customer service and improve the business processes of both Customs and the enterprises that seek validation. The AEO programme is a JCA led initiative that seeks compliance throughout the revenue arms of the Government of Jamaica (GOJ) including income tax and general consumption tax (GCT).

## Criteria for Obtaining Jamaican AEO Status



- **Record of compliance with Customs requirements and other regulatory bodies**

The compliance level of the applicant is considered based examination of the last 3 years of records pertaining to Customs and other laws administered by the JCA. Compliance to fiscal laws such as those related to income or corporate taxes are also considered.

- **Satisfactory system of managing commercial and transport records, as well as internal processes**

These are examined to facilitate appropriate Customs controls and consider the applicant's procedures to control the documentation and movement of goods. These include procedures to archive and retrieve records and information, procedures for handling licenses and protection against loss of information.

- **Proven Financial Solvency**

Financial solvency describes a company's ability to meet its long-term financial obligations, while liquidity speaks to the ability to meet its short-term obligations. The applicant's ability to pay duty is examined and records should indicate no delay in duty payment or taxes due. The applicant should be financially solvent for a period no less than 3 years preceding the date of application, and should not be in liquidation or bankruptcy. Additionally, there should be no outstanding guarantee claims by the applicant within the last 3 years.

- **Appropriate Security and Safety Standards**

Safety mechanisms and internal controls will be assessed to determine the security of the applicants business, as well as his supply chain. In accordance with the requirements of the AEO programme the applicant is required to ensure business partner security, container and conveyance security, physical security, physical access control, personnel security, control of raw material finished products and packaging, information technology security, and engage in security training and awareness of threats.



## Benefits of the AEO Status

### Customs Benefits

- Simplification of Customs processes
- Reduction in the inspection of cargo being imported and exported
- Possibility of requesting a specific place for Customs inspection to be conducted
- Easier access to authorizations and permits through the Public Sector Inter-Institutional Committee (PSIIC)
- Less documentary scrutiny
- Stronger Alliance with the Customs Agency
- Assignment of an Account Manager for each AEO



### Commercial Benefits

- Competitive advantage compared to non-AEO marketability; AEO status can lead to further business opportunities as companies are considered secure and reliable traders.
- Provides faster logistics handling
- Reduced costs as a result of the reduction in turn-around time on ports

### Business Efficiency

- As a result of the controls required by the AEO programme there is smoother business flow and improved quality output because processes are well documented.
- Reduced contamination and pilferage of goods
- Improved planning

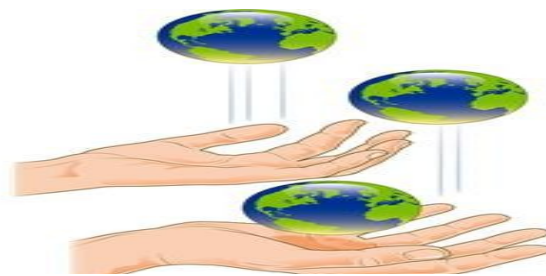
### International Benefits

- The opportunity to conclude Mutual Recognition Agreements with other Customs Administrations having similar AEO programmes
- Recognition as safe and secure business partners, thereby opening the possibility of accessing previously inaccessible or difficult to penetrate markets.
- Improved security and Communication among the supply chain partners.



In order to be considered for the AEO Programme, entities must complete a Prequalification Questionnaire and an Application and Self Assessment Questionnaire. These documents are available at <http://www.jacustoms.gov.jm> and must be submitted online.

Our next publication will examine the Application Process for an AEO and will elaborate on the different questionnaires and self assessments required, as well as review AEO obligations such as the signing of a Memorandum of Understanding between themselves and the JCA.



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