

Best Practices Recommendations on Trusted Traders (AEO) from the World Semiconductor Council (WSC)

October 15th, 2018

I. Introduction

In recent years, Government/Authorities have adopted rules aiming at enhancing compliance and supply chain security coupled, in parallel, to bolstering efficient import and export processes. The establishment of trusted trader's programs such as the Authorised Economic Operator (AEO) is an example of this trend.

Programmes such as the AEO require the implementation of appropriate systems and internal control programs by the participating companies. Due to complex and worldwide supply chains semiconductor companies have been investing significantly to get certified as AEOs.

However, it is the WSC view that benefits for trusted traders/AEOs (hereinafter AEOs) are not proportionate to the efforts taken by companies to comply, are not sufficiently tangible, and differ across GAMS¹ countries/regions through different guidelines and implementation. Since 2014, the WSC shared with GAMS recommendations to address these concerns and strengthen the AEO programmes. In 2017, the WSC shared illustrative examples of enhanced benefits for trusted traders.

Given the continued efforts undertaken by semiconductor companies to comply with AEO programs, it is in the WSC's interest to share best practices in dealing with this topic. In its 2017 Chairman's Summary, the GAMS acknowledged the importance of the global harmonisation of the different supply chain security programs, welcomed the acceleration of future work for their further alignment and mutual recognition and invited the WSC to perform this task:

"11. [...] GAMS calls on the WSC to further articulate best practices with respect to AEO/Trusted Traders programs from GAMS regions and encourages the WSC to hold a separate discussion with customs authorities from GAMS regions on this matter².

II. Recommended best practices

In response to the GAMS' invitation to further articulate best practices with respect to AEO/Trusted Traders programs, the WSC recommends the following best practices to strengthen AEO programs and ensure that AEO programs facilitate trade for trusted traders:

¹ Government/Authorities Meeting on Semiconductors

² GAMS, Chairman's Summary, November 2, 2017

II.a General Recommendations

Overall, Governments/Authorities should strive to achieve global harmonisation of AEO programs providing adequate tangible benefits. In particular, they should ensure that the below recommendations are implemented in a transparent manner under all relevant programmes. In addition, globally agreed implementation guidance should limit diverging interpretations of AEO benefits and enable harmonised application. This would improve the global level playing field, allowing AEOs to benefit from a set of internationally accepted and tangible trade facilitation benefits.

In addition, to facilitate global trade and supply chains Government/Authorities should conclude more comprehensive Mutual Recognition Agreements, moving beyond the area of safety and security controls, to increasingly cover also trade facilitation. For example, MRAs should ensure that in case of a shipment (import or export) between two AEOs in countries where an MRA exists, there should be no physical inspections.

II.b Specific Recommendations

1. Risk-based approach based on companies' internal compliance policies :

Facilitation and benefits for AEO should be granted based on an analysis and assessment of risks. Authorities should focus on the adoption by traders of internal policies and organization, consisting of set of processes and procedures aimed at ensuring regulatory compliance, and on an assessment of whether a company's risk management is sufficient. The semiconductor industry with the high security standards used in its IT-enabled internal-company environment is an example of an industry sector presenting a significantly lower risk factor compare to others. Such lower risk should correspond to measurable fewer physical inspections and audits.

2. Implementation of self-assessment should be open to AEOs: self-assessment should be the primary mean for AEO to interface with the Customs authorities, based on their proven compliance and reliability.

3. System-based checks

Customs controls for AEO should be system-based rather than transaction-based, in order not to disrupt trade flows in today's fast-moving economies where advanced traders such as AEO play a crucial role.

4. Simplified procedures, reduced guarantees

AEO programmes should grant to trusted traders easier access to simplified procedures for the receipt or consignment, release and declaration of goods where Customs reduces the level of controls and permits clearance of the goods at the declarant's premises. In addition, AEO should benefit from reduced comprehensive guarantees or reduced guarantees, as this would lower the handling costs significantly for AEOs and further enable global supply chains.

5. Pilot project

Members of the GAMS are welcome to initiate pilot projects pertaining to one of the areas related to the above specific recommendations.

III. Conclusions

The WSC appreciates the invitation by the GAMS to identify the above best practices on trusted traders/AEOs and welcomes the opportunity for further discussion on the most effective means to implement these best practices, during a separate discussion with customs authorities from the GAMS regions, as indicated by the GAMS in their 2017 Chair summary.