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'I/A' ITEM NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee/Council
No. prev. doc.:	ST 9846 + ADD 1
Subject:	Preparation for the 79th session of the Policy Commission of the World Customs Organization, Brussels, 25-27 June 2018 - European Union coordination of a common position - Approval

1. On 12 June 2018, in view of the above meeting, the Commission services transmitted to the Council a note set out in doc. 9846/18 + ADD 1, laying down the draft coordinated position it recommends that the Union would take.
2. On 13 June 2018, the Working Party on Customs Union examined this document and took note of scrutiny reservations and of comments by delegations¹. The Presidency invited delegations to lift their scrutiny reservations by 18 June 2018.
3. Against this background, COREPER is invited:
 - to approve the text of the draft coordinated position as set out in annex to this note and to endorse the recommended EU positions contained in them;

¹ All outstanding reservations were lifted by 18 June 2018.

- to forward it to the COUNCIL for approval in one of its upcoming sessions, so that the above-mentioned coordinated position can be used as basis for the interventions of the Commission's representative, and of the representatives of the EU Member States who are members of the World Customs Organization Policy Commission at its next session (25-27 June 2018).
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DRAFT COORDINATION PAPER

World Customs Organization

79th Session of the Policy Commission, 25-27 June 2018

General

I. Adoption of the Agenda (Doc: SP0631E1a)

Common position

The EU and its Member States support the adoption of the agenda for the 79th Session of the Policy Commission.

II. Approval of the Report of the 78th Session (SP0630E1a)

Common position

The EU and its Member States support the adoption of the Report of the 78th Session of the Policy Commission.

III. Comments by the Chairperson of the Council

No position is necessary.

IV. Secretary General's Progress Report on the Implementation of the Strategic Plan (SP0632E1a)

Common position

The EU and its Member States take note of the progress report on the implementation of the Strategic Plan.

“A” Items (issues for information, progress for noting or issues unanimously agreed by Working Groups and Committees for endorsement)

V. Governance

- **Financial Audit (Doc: SP0633E1a)**

The Financial Audit Report for the accounts for the financial year 2016/2017 was examined by the Finance Committee in March 2018, under the Financial Rule 11(b), which noted the Auditor’s report on the financial statements and recommended that the Council acquits the Secretary General of his financial responsibility for the financial year 2016/2017.

The Policy Commission is required to:

- Recommend that the Council take note of the Financial Audit Report for 2016/2017 and the Finance Committees observations and recommendation on that Report;

- Recommend that the Council acquit the Secretary General of his financial responsibilities for 2016/2017.

Common position

The EU and its Member States support the recommendation that the Council takes note of the Financial Audit Report for 2016/2017.

We also support the recommendation that the Council acquits the Secretary General of his financial responsibilities for 2016/2017.

VI. Customs Capacity Building

(a) Report of the Ninth Session of the Capacity Building Committee (Doc: SP0634E1a)

The purpose of this agenda item is to report on the outcomes of the Ninth Session of the Capacity Building Committee.

The Policy Commission is invited to take note of the Report and the Executive Summary of the Ninth Session of the Capacity Building Committee.

Common position

The EU and its Member States take note of the Report and the Executive Summary of Ninth Session of Capacity Building Committee.

(b) Report of the Integrity Sub-Committee (Doc: SP0635E1a)

This agenda item reports on the 17th Session of the Integrity Sub-Committee (ISC) for endorsement of the Policy Commission.

Customs are susceptible to corruption and subject to threats such as organised crime. The WCO ISC work focuses on corruption risk mitigation plans and stresses the importance of stakeholder engagement and the need for Customs to work with other partners on issues such as fighting illicit financial flows. Its efforts are focused on ensuring a strong systematic approach in relation to data management, information security and management of human resources to address integrity. In the context of the WTO Trade Facilitation Agreement, the National Committee on Trade Facilitation should, take into account its coordination function and multi-stakeholders, and pay due attention to integrity and anticorruption matters.

The ISC is looking for experts on integrity from Member administrations in order to support an upcoming WCO technical assistance and capacity building programme on integrity issues.

The Policy Commission is invited to:

- Take note of the Report of the 17th Session of the Integrity Sub-Committee;
- Take note of the featured topics that highlight ongoing efforts to cover WCO priority areas of work from an integrity perspective and to include integrity in the work of the other WCO Committees.

Common position

The EU and its Member States take note of the Report of the 17th Session of Integrity Sub-Committee.

VII. Economic Competitiveness Package Action Plan - Progress Report (Doc: SP0636E1a)

The Economic Competitiveness Package (ECP) is designed to support the first pillar of the WCO Strategic Plan (Promote security and facilitation of international trade, including simplification and harmonisation of Customs procedures). The working document provides the updates since the December 2017 Policy Commission.

The main areas of progress include the promotion of the WCO Data Model, Time Release Study and WCO Transit Guidelines. The April 2018 PTC devoted a full day to disruptive technologies and adopted the E-Commerce Package, the Guide for the Time Release Study, the IT Guide for Executives, the Integrated Supply Chain Management Guidelines, the Immediate Release Guidelines and the Coordinated Border Management Compendium. The PTC also endorsed the Trader Identification Number Package. A number of Memoranda of Understanding have been also signed with the aim to enhance cooperation.

The Policy Commission is invited to take note of the progress made with the implementation of the ECP Action Plan for Phase III.

Common position

The EU and its Member States take note of the progress made with the implementation of the Economic Competitiveness Package Action Plan for Phase III.

VIII. Compliance and Enforcement Package - Progress Report (Doc: SP0637E1a)

The Compliance and Enforcement Package (CEP) contains four main components: tools, networks and technology, partnerships, and operations. The working document provides an update and the final report regarding the implementation of the 2017/2018 CEP Action Plan that was endorsed by the July 2017 Council.

The developments in particular concern the latest edition of the WCO Illicit Trade Report (December 2017), an update of the Customs-Police Handbook, maintaining and promoting the WCO Customs Risk Management Compendium, further development of the WCO Information and Intelligence Centre (I2C). Furthermore, 19 operations/projects have taken place covering a great range of research areas such as cultural artefacts, movements of cigarettes through Free Trade Zones, medicines and medical devices, drugs, illegal wildlife trafficking, chemical/ nuclear weapons, Small Arms and Light Weapons

A new Action Plan for 2018/2019 containing 29 actions was endorsed by the March 2018 Enforcement Committee.

The Policy Commission is invited to take note of the activities reported by the Secretariat, including the 2018/2019 CEP Action Plan.

Common position

The EU and its Member States take note of the report of the activities reported by the WCO Secretariat, including the 2018/2019 Compliance and Enforcement Package Action Plan.

IX. Revenue Package Phase III Action Plan - Progress Report (Doc: SP0638E1a)

The Revenue Package has been developed to respond to Members concern over the declining revenue returns due to the global financial crisis of 2008. The document provides an update on the progress made regarding the implementation of the Revenue Package Phase III Action Plan.

The main areas of interest concern the development and update of several tools; a new Guide has been produced on practical implementation of the WTO Valuation Agreement; on Customs-Tax cooperation the Policy Commission discussed a concept paper on Customs' role in the collection of indirect taxes and tasked the Permanent Technical Committee to develop guidance in this area. The Guidelines on Origin Certification have been further developed and five new e-learning modules have been introduced.

The Policy Commission is invited to take note of the activities reported by the Secretariat, the new and updated materials prepared under Phase III, as listed in paragraph 36; and note the completion of work on the Phase III Action Plan.

Common position

The EU and its Member States take note of the activities reported by the WCO Secretariat.

X. SAFE Framework of Standards and aviation security (Doc: SP0639E1a)

This document presents the draft 2018 version of the SAFE Framework of Standards following the current review cycle. It also provides an overview of the ongoing work by the 12th Meeting of the Technical Experts Group on Air Cargo Security (TEGACS), the 3rd Meeting of the Technical Experts Group on Non-Intrusive Inspection (TEG-NII), and the 4th WCO Global AEO Conference.

The Policy Commission is invited to endorse:

- the SAFE Framework of Standards 2018 edition; and
- the Recommendation of the Customs Co-operation Council concerning the use of Trader Identification Number.

and to take note of:

- the Advance Cargo Information (ACI) Implementation Guidance;
- the Guidelines on Trader Identification Number;
- the AEO Validator Guide;

- the Handbook on Data Analysis;
- the MRA Strategy Guide

Common position

The EU and its Member States support the adoption of the draft SAFE Framework of Standards 2018 edition; and the Recommendation of the Customs Co-operation Council concerning the use of Trader Identification Number.

We further take note of the new tools, including the Advance Cargo Information (ACI) Implementation Guidance; the Guidelines on Trader Identification Number; the AEO Validator Guide; the Handbook on Data Analysis; and the MRA Strategy Guide; that will be included in the SAFE Package.

X. Report on Private Sector Consultative Group Meetings (Summary Report)

Common position

The EU and its Member States take note of the oral report from the Private Sector Consultative Group Meeting.

“B” Items (issues requiring discussion, orientation or guidance)

XII. E-commerce (Doc: SP0640E1a)

The December 2017 Policy Commission adopted a Resolution on Cross-Border E-Commerce (Luxor Resolution) and issued a Communication from the International Customs Community on Cross-Border E-Commerce to the Eleventh WTO Ministerial in December 2017 in Buenos Aires.

The Luxor Resolution outlines eight core principles for addressing the challenges stemming from Cross-Border E-Commerce to be implemented through a set of Framework of Standards.

The Permanent Technical Committee (PTC) in April 2018 recommended that a set of high-level draft Framework of Standards on Cross-Border E-Commerce and the associated draft Council Resolution be submitted to the Policy Commission and Council for their consideration and adoption. It was further recommended to propose to the Policy Commission and Council to extend the term of the Working Group on E-Commerce until June 2019 to enable it to finalise and concluded the outstanding work on the Framework of Standards.

The PTC further recommended to present the draft updated Immediate Release Guidelines to the Policy Commission for adoption as part of the E-Commerce package.

The Policy Commission is invited to:

- discuss and, if appropriate, adopt the draft Framework of Standards on Cross-Border E-Commerce and the accompanying draft Council Resolution;
- consider extending the term of the Working Group on E-Commerce to June 2019 to enable it to finalise outstanding work, and approve the associated Work Plan;
- endorse the updated Immediate Release Guidelines that have been adapted to reflect the cross-border E-Commerce context; and
- provide guidance on the way forward, and encourage Members to share their operational experiences and initiatives/pilot projects in the area of cross-border E-Commerce in order to further enrich the Framework of Standards and associated guidance tools.

Common position

The EU and its Member States should reiterate the importance and support that they pay to Cross-Border E-commerce and the role that Customs could play in this context.

The adoption of the Luxor Resolution on Cross-Border E-Commerce at the Policy Commission in December 2017 provided a timely high-level political acknowledgement of the importance that the WCO attribute to E-commerce and the Organisation's commitment and leadership in effectively managing the associated challenges.

The EU and its Member States have actively been involved in developing the draft Framework of Standards and we appreciate the work conducted so far. We therefore support the adoption of the draft high-level Framework of Standards and the proposed extension of the term of the Working Group, including the Work Plan, until June 2019 to allow for a completion of the outstanding work associated with the Framework of Standards to also include the implementation strategy, technical specifications and guidelines.

On the draft Resolution of the Customs Co-operation Council on the Framework of Standards on Cross-Border E-Commerce, the EU and its Member States draw to the attention that there are several references to "Customs and Economic Unions" that are not Members of the WCO. While we understand from the Secretariat that there is a certain precedence to include such notion in WCO Resolutions we are not convince from a legal perspective that the Organisation can commit "Customs and Economic Unions" that are not Members of the WCO. We are therefore of the opinion that the reference to "Customs and Economic Unions" should be deleted from the draft Resolution. Subject to such amendment, the EU and its Member States can support the adoption of the draft Resolution

The EU and its Member States further appreciate the draft updated Immediate Release Guidelines; that have been adapted to reflect the cross-border E-commerce context; and can support their adoption. From our perspective, we are currently exploring the possibility of a Customs declaration with reduced dataset for the clearance of consignment of low value consignments, similar to the draft Immediate Release Guidelines, that will be applicable subject to the entry into force of the new EU VAT E-Commerce package.

XIII. Trade facilitation (Doc: SP0641E1a)

The purpose of this agenda Item is to update the Policy Commission about recent developments in the area of trade facilitation, including the meetings of the Working Group on the Trade Facilitation (TFAWG) and the WTO Trade Facilitation Committee; and to discuss key messages from the Customs community to be shared by the WCO at the next meeting of the WTO Trade Facilitation Committee

The Policy Commission is invited to:

- take note of the work carried out in the TFAWG;
- take note of the technical assistance provided under the Mercator Programme; and
- discuss key messages from the Customs community to be shared by the WCO at the next meeting of the WTO Trade Facilitation Committee.

Common position

The EU and its Member States take note of the work carried out by the Working Group on the Trade Facilitation Agreement (TFA WG).

As set out in the December 2013 Dublin Resolution on the conclusions of the WTO Trade Facilitation Agreement, is the centre of excellence on Customs matters and the implementation of the TFA depends on capable and efficient Customs administrations.

Having reached the phase where the focus is on the implementation process of the WTO TFA, the TFA WG continues to play an essential role both from a political and technical perspective. It is therefore imperative that the TFA WG adapt its functions to the situation at hand, and remain relevant for both developing and developed Member countries.

The ongoing monitoring process of the functioning of the TFA WG is not only a welcome initiative, but also indispensable, to ensure that the WCO continues to send a clear message to the WTO of its commitment, engagement and capability.

Fully recognising that such monitoring is ongoing, it would be an opportunity to review the current Terms of Reference for the TFA WG to ensure that it remains attentive and relevant. We therefore propose that the autumn 2018 session of the TFA WG examines the current Term of Reference and submits its recommendations to the December 2018 Policy Commission.

Capacity building and technical assistance play a vital role in the TFA implementation phase. The Mercator Programme provides the strategic approach to assure the implementation of the TFA. The impressive record for the TFA-related missions (150 in 2017/2018) demonstrates that there is a genuine need for assistance. However, providing assistance missions alone is not enough; monitoring the progress made in recipient Member countries with a potential follow-up where required is crucial. We should point out the need to focus to a larger extent on more direct exchange of experience and focus on concrete areas of challenges. The outcome of assistance missions would be a good tool to provide a better understanding and identification of problem areas and may contribute to finding solutions useful for other Members. To enhance the transparency of the monitoring and evaluation of assistance projects, the TFA WG is an excellent forum that should be utilised to its potential. This could also be beneficial for ensuring further coordination of donors' activities.

The EU and its Member States strongly support the WCO's involvement in the WTO Trade Facilitation Committee (TFC). But, we have to acknowledge that the communication between Brussels and Geneva needs to be further enhanced. We from the Customs community, both at national and WCO level should play a more dominant and direct role in the TFC to draw attention to the vital role that Customs play in the implementing process of the TFA, both vis-à-vis Customs policy and capacity building. The outcome and opportunities of assistance provided under the umbrella of the Mercator Programme should to a larger degree be communicated to the WTO through the TFC.

XIV. Security initiative (Doc: SP0642E1a)

The document provides an overview of the activities of the WCO Security Programme and associated initiatives since the Policy Commission in December.

Member States are invited to present their national experience with regard to the Information and Intelligence Centre (I2C) being uploaded to the Customs Enforcement Network (CEN).

The Policy Commission is invited to

- take note of all the relevant developments in the different areas of work of the WCO Security Programme; and
- provide strategic direction on future initiatives;

Common position

The EU and its Member States support the direction of the development of the security initiatives put forward by the WCO.

We should highlight the European Security Agenda and the EU's strong resolve to take decisive action to deny terrorists the means to carry out attacks, share intelligence between Member States, protect Europeans online and manage our borders better.

At EU level, intensive efforts have already been made or are in the pipeline to combat terrorism and complement the 2015 Punta Cana Resolution. Priorities were set out in the February 2016 European Commission's Action Plan to strengthen the fight against the financing of terrorism, to disrupt the sources of revenue of terrorist organisations.

In May this year, the EU adopted a Directive on strengthening our rules to prevent money laundering and terrorist financing. These new rules respond to the need for increased security in Europe by further removing the means available to terrorists by broadening the access of information on beneficial ownership, improving transparency in the ownership of companies and trusts. It further includes cooperation between financial intelligence units and improved checks on transactions involving high-risk third countries.

Specific Customs initiatives are focused on counteracting the illicit trade in cultural goods. In July 2017, new rules were proposed to stop imports in the EU of cultural goods illicitly exported from their country of origin.

Common cash control provisions upon entering or leaving the territory of the EU have been established as a decisive step in the EU's policy to strengthen the measures to prevent money laundering, terrorist financing and other illegal activities. In that respect the EU is currently working on a new set of rules that should tightened controls of persons entering or leaving the EU with €10.000 or more in cash, enable authorities to act on amounts lower than the threshold of €10.000 where there are suspicions of criminal activity and enhance information exchange between authorities (Customs and Financial Intelligence Units) and EU Member States. The scope has also been enlarged to include prepaid cards, to highly liquid commodities such as gold and cash sent in postal parcels or freight shipments.

The EU also focuses on accelerating its strategy for Customs risk management. The strategy includes the supporting IT systems that provide the early warning system at the arrival of goods into the EU territory allowing early application of risk management to counter inter alia, illegal trafficking linked to terrorism at the external EU borders.

In May 2017, the EU took resolute measures to disrupt criminal activities vis-à-vis the control of firearms, which are crucial in complementing the work of EU Member States in addressing the risk of criminal use of firearms.

XV. Combating illicit financial flows (Doc:SP0643E1a)

The purpose of this agenda item is to report on developments and progress with the ongoing work in the area of illicit financial flows (IFF). The document provides background information on the draft WCO Study Report on IIF, as commissioned by the G20; and the data analysis tool developed by the WCO Secretariat to estimate IFF.

The draft Study Report examines whether high estimates of the IFF/Trade mis-invoicing (IFF/TM) are reliable, and presents policy recommendations summarised from the best practices of Customs administrations to tackle IFF/TM. The draft Study Report recommends that Customs ensure it has sufficient mandate to tackle IFFs, have access to foreign exchange transactions database and adequate financial and human resources. It also recommends to enhance Customs – Trade Business partnership, enhance cooperation between Customs, Tax, Financial Intelligence Units (FIU) and other agencies and develop administrative arrangements for the exchange of information between Customs administrations.

The Policy Commission is invited to:

- take note of the report on the developments and progress made to date; and
- provide guidance on the WCO's approach and future work in relation to illicit financial flows, and approve the draft Study Report before its submission to the G20.

Common position

The EU and its Member States fully acknowledge the broad scope of IFF and the international challenges associated. As a cross-cutting issue across different policy areas – from customs to direct and indirect taxation, money laundering and terrorist financing, corruption, and other similar potential crime areas, a coordinated approach should be pursued with other international organisations. That is why we are of the opinion that the issue has to be addressed globally as opposed to purely at national level to acquire coordinated holistic solutions or approaches.

The EU and its Member States appreciate the draft Study Report as an extensive starting point for future work of both the G20 and the WCO. With regard to the draft policy recommendations, we are of the opinion that they could have been developed more extensively to demonstrate their benefits.

As for the future work in relation to IFF we see an added value of having the Study Report examined by the relevant WCO working bodies whether and how specific topics of the Report can be addressed further, with more focus on technical aspects of the analysis and recommendations set out in the Report. An identification of existing WCO instruments and tools that may support the fight against IFF might also prove beneficial. This would be essential and a starting point to assess whether new instruments and tools should be developed or existing ones amended. We also recommend that the Action Plan be adjusted to take account of the future work, including a timetable for so doing. It is furthermore essential that the WCO continue to closely monitor and participate in the ongoing work in other international organisations on IFF issues.

Moreover, we consider the need to pay special attention to cooperation between Customs, financial Intelligence Units (FIUs) and Tax authorities and their ability to exchange information between them.

Within the EU, we have already established a sound and stable Customs - Trade Business partnership and EU Member States Customs authorities have been collaborating and working together for long time already through different IT tools.

In May this year, we strengthened our rules to prevent money laundering and terrorist financing. These new rules provide useful tools to authorities in order to combat IFF by broadening the access of information on beneficial ownership, improving transparency in the ownership of companies and trusts. EU rules now provide for cooperation between tax authorities, and financial intelligence units, and impose reporting obligations on a number of key players such as financial institutions or notaries and improved checks on transactions involving high-risk third countries.

We are currently working on a new set of rules for common cash control provisions that will tighten the controls on persons entering or leaving the EU and enhance information exchange between authorities (Customs and Financial Intelligence Units) and EU Member States.

XVI. Customs-Tax cooperation (Doc: SP0644E1a)

The discussions on this agenda item will focus on whether to sign the draft Memorandum of Understanding between the WCO and the IMF on the Collection of Customs Data using the Revenue Administration Fiscal Information Tool.

At that time, it was considered important to elaborate further on the content of the draft MoU and a timeline was agreed upon whereby Members would be requested to submit comments to the Secretariat prior to the December 2017 Policy Commission. The issue has been on the agenda of the Policy Commission since July 2017.

The Audit Committee in February 2018 agreed on the principles for a draft policy on MoUs. The Committee further agreed that the currently pending MoU between the WCO and IMF would be handled by the Policy Commission and should not fall under the conditions of the expected new policy on MoUs.

At the WCO Europe Region Heads of Customs Conference in April 2018, the Vice-Chair acknowledged that there were only four Regional Members opposing the MoU, but he felt that their doubts needed to be further addressed prior to the June Policy Commission and Council.

Consequently, the Secretary General in April 2018 consulted the Region's Members for potential additional comments. In this regard, the Common position below was established and communicated to the WCO Secretariat.

Common position

We should recall that prior to the December 2017 Policy Commission, the Secretariat provided additional clarifying details on the draft Memorandum of Understanding on the collection of Customs Data using the Revenue Administration Fiscal Information tool between the WCO and the IMF.

The Audit Committee in February 2018 recommended that the currently pending MoU between the WCO and IMF should be handled by the Policy Commission and should not fall under the conditions of the expected new policy on MoUs.

The EU and its Member States should stress that it would be left to the discretion of the Members to engage in an exchange of data on a voluntary basis and the exact type of data to be shared. It should also be stressed that participation to this Survey would not imply any ranking/benchmarking nor any performance measurement. It would be inappropriate for the Europe Region to block the MoU when other Regions feel differently.

Consequently, the EU and its Member States should not oppose the WCO signing the draft MoU with the IMF.

XVII. Performance measurement (Doc: SP0645E1a)

As a follow-up of the 78th session of the Policy Commission, the Secretariat initiated discussions with the World Bank Group (WBG) regarding the “Doing Business” survey and potential modification to the methodology used, based on the concerns reported by Members of the WCO. As a first result, WBG agreed to send their questionnaire to interested WCO contact points and use the Time Release Study (TRS) data as appropriate for the Border Compliance Indicator for the 2019 survey.

The need to continue working on improving the “Doing Business” survey was further highlighted by the April 2018 Permanent Technical Committee.

The Policy Commission is invited to:

- take note of the activities reported by the Secretariat and provide guidance on the potential opportunities in respect of the ongoing cooperation with the World Bank Group;
- task the Secretariat to prepare an information paper with input from Members to analyse the “Doing Business” methodologies, and to identify concerns and ways to improve the process; and
- endorse the proposal that the World Bank Group explain its work in relation to the “Doing Business” survey and have a dialogue with the Customs community at the Policy Commission session in December 2018.

Common Position

The EU and its Member States consider performance measurement as a core element of Customs governance.

As stated previously at several WCO fora, the EU and its Member States established a comprehensive system of performance measurement in the area of Customs Union within the project called "Customs Union Performance" (CUP). We have been working on this project for many years, the CUP system has reached a considerable level of stability and maturity.

Taking into account the influence of the results of the "Doing Business" survey, the EU and its Member States support the enhancement of the methodology used by the World Bank Group and facilitate input from Customs.

As regards the WCO Time Release Study, we support regular update and publication of the Study and expanding its current use especially in the World Bank "Doing Business" Survey.

Given the experience gained at the EU level with establishing and developing the CUP and its indicators measuring the time aspects connected with customs clearance, we would be willing to share our experiences on the subject, especially as several international indices are also being used and analysed for the CUP purposes;

We are also supportive of any process of information exchange to facilitate cooperation with other international organisations.

XVIII. Review of Revised Kyoto Convention (Doc: SP0646E1a)

The need to revise the Revised Kyoto Convention (RKC) was already identified by some Contracting Parties in 2009. Since then the RKC Management Committee (RKC MC), through Virtual Working Groups and a survey, has looked into concrete steps forward. In April 2017 the RKC/MC unanimously endorsed a comprehensive review of the RKC, including the Body, the General Annex, the Specific Annexes and the Guidelines.

To accelerate the review process, the RKC MC decided to establish a Working Group to conduct the review. While the final decision to review the RKC is that of the RKC MC (the MC shall inform the Permanent Technical Committee and the Council of its decision), the creation of a Working Group requires the approval by the Policy Commission based on a Business Case (Council Decision No 318 of 2002). The RKC MC has consequently prepared such Business Case together with the Terms of Reference for the Working Group to be established.

Given the scale of the expected work at hand, considerations were given to human resource requirements and other associated costs for the comprehensive review. In this regard, estimated costs for the RKC review process has been prepared and during the March 2018 Finance Committee addressed the matter. The Finance Committee recommended a WCO Technical Officer be reassigned and two Technical Attachés from Member administrations dedicated to the review of the Convention. Alternatively, the use of the WCO Reserves for the recruitment of three Technical Officers for a period of three years. The latter option requires the Councils approval.

The Policy Commission is invited to:

- discuss the strategic importance of the RKC as the key instrument for trade facilitation and effective Customs controls, as well as how to maintain it as the blueprint for most modern Customs procedures, while ensuring greater accession to the RKC and its effective and harmonised implementation;
- consider the Business Case and, if appropriate, approve the establishment of a Working Group on a Comprehensive Review of the RKC, along with its Terms of Reference;
- examine cost estimates for the envisioned RKC review work and decide on the most appropriate option for meeting the staffing requirements and, if appropriate, forward these to the Council with its recommendation; and
- provide policy guidance on the way forward, including the considerations outlined in paragraph 28 below, and encourage Members to support the future work with appropriate resources, expertise, and modern Customs procedures and initiatives.

Common position

The WCO adopted in 1999 the Revised Kyoto Convention as the blueprint for modern and efficient Customs procedures in the 21st century, which entered into force in February 2006. The overall objective of this revision at that time was to provide international trade with predictability and efficiency that modern trade requires; i.e. promoting trade facilitation and effective controls through its legal provisions that detail the application of simple and harmonised yet efficient procedures.

Following nearly two decades since the revision of the Convention rapid globalisation of trade and the movement of goods have undergone significant changes. Today's Customs environment is about balancing the facilitation of trade on the one hand and the collection of revenue on the other, securing global supply chains and addressing threats such as terrorism and organised crime. To comply with these challenges new WCO tools and instruments have been developed, such as in particular the SAFE Framework of Standards. But also the WTO Trade Facilitation Agreement (TFA) is of particular relevance to Customs and the RKC.

In the opinion of the EU and its Member States, it is crucial that the RKC is updated and modernised to ensure that the Convention takes substantive responsibility to meet its overall objective to facilitate trade and to improve the efficiency and effectiveness of compliance with Customs legislation.

It is therefore essential that RKC remains relevant and capable of facing the challenges brought on by globalisation in today's trading environment. The RKC must continue to be a catalyst for modernisation and harmonisation of Customs procedures. New developments enhanced by new challenges, including security of the international supply chains, calls for a comprehensive review of the Convention.

The RKC is considered as one of the key WCO instruments for trade facilitation. When it comes to the TFA, the WCO is highlighting the Convention as "the quality standard for modern, well-functioning Customs administrations. It provides a comprehensive set of uniform principles, effective and predictable Customs procedures with effective Customs control". With the TFA now having entered into force, the RKC has more than ever to live up to its reputation as being a relevant, visionary and indispensable WCO instrument.

Pure ad-hoc changes that are merely adding and/or up-dating Specific Annexes or revising Guidelines cannot alone provide the necessary assurance required to bring the Convention up to the standard needed to provide the underlying conditions and instruments to support the trading environment and Customs administrations. By proceeding with such an approach, there is a serious risk that other international organisations having Customs-related procedures in their Conventions are more up-to-date and relevant than those set out in the RKC.

The EU and its Member States strongly appreciate and support the decision of the RKC MC to conduct a comprehensive review of the Convention. This would generate the assurance to trade, that the RKC is the indispensable WCO instrument when it comes to trade facilitation and that it genuinely represents a quality standard for a modern and well-functioning Customs administration.

While a comprehensive review of the RKC will be a challenging and time consuming task, we are of the opinion that it is not only timely but also worthwhile the efforts; and that the Convention deserves such attention in order to remain one of the WCO's "Flagship". But, a review would also represent opportunities. Embarking on a comprehensive review process would clearly send a signal internationally that the WCO wishes to and is capable of remaining at the forefront when it comes to Customs procedures. It would also respond to the need and expectations of both the trade and Customs environments. By offering an updated and relevant Convention, this could accelerate the pace of accession to the RKC, including Contracting Parties that have not acceded to the Specific Annexes. Moreover, it would address one of the concerns expressed by WCO Members as regards the implementation of the TFA, namely the risk of a non-standardised approach leading to divergent implementation practices.

The EU and its Member States consider that the comprehensive review of the Convention should be a priority for the WCO and fully support the approval for the establishment of the Working Group on the comprehensive review of the RKC and the two options for the staffing requirements as recommended by the Finance Committee.

With regard to the strategic considerations as set out by the Secretariat in the paragraph 28 of the working document, these should be examined in details by the potential Working Group prior to the RKC MC, as the decision making body, takes its final decision.

XIX. Study on use of additional languages at WCO - Report by Working Group (Doc: SP0647E1a)

The July 2017 Council decided to establish a Working Group on the use of additional languages (Arabic, Portuguese, Russian, and Spanish) at the WCO.

The Working Group – Chaired by Russia – met twice. At its second meeting, in early March 2018, the Group identified 12 priority WCO working bodies where interpretation would be most beneficial to ensure participation of the most appropriate officials. The Secretariat estimated the associate cost implications would amount to some €268,720 per year. The Working Group recommends that a two-year pilot project for provision of interpretation at the identified meetings be conducted.

The Finance Committee at its session at the end of March 2018 agreed to recommend to the Council in June that a two-year pilot project for interpretation at the meetings of the identified 12 working bodies be funded from the WCO's Reserves.

The Policy Commission is invited to:

- endorse the progress made to date by the Working Group on the Use of Additional Languages at the WCO;
- support the proposal from the Finance Committee that a two-year pilot project for interpretation at the meetings of the identified working bodies be initiated, with effect from the next financial year 2018/2019, and that the funding come from the WCO's Reserves;

- recommend, if appropriate, that the mandate of the Working Group be extended to allow it to continue to work during the period of the pilot project in order to monitor the progress, to look at the next stages and to identify long-term sustainable funding in the event that the pilot project proves successful;
- recommend that the Working Group be asked to report on the progress with the pilot project at the Finance Committee's session in Spring 2019 and at the Policy Commission session in June 2019.

Common position

The EU and its Member States support the use of additional languages (Arabic, Portuguese, Russian, and Spanish) and recognise that this would facilitate and increase the involvement of Members in the WCO's work of highly technical content; and heighten the quality of the concerned working bodies. It is noted that two of the concerned additional languages are of particular relevance for some EU Member States.

We appreciate the recommendations of both the Working Group on additional languages and the Finance Committee; and support a two-year pilot project for interpretation into Arabic, Portuguese, Russian, and Spanish at the meetings of the identified 12 working bodies, including the pilot being funded from the WCO's Reserves.

In order to monitor the situation, including the effective use of these additional languages, and to look at the next stage, including identifying sustainable funding if the pilot project proves successful the EU and its Member States support an extension of the Working Group's mandate. We further welcome a progress report from the Working Group both at the Finance Committee in spring 2019 and at the Policy Commission in June 2019.

XX. Establishing of the Working Group on accessions to the WCO (Oral Report)

Following a lengthy and divisive discussion at both the June and December 2017 Council, agreement has in principle been reached to establish a Working Group in an attempt to bring a solution to the issue.

Taking into account that there were decisions taken elsewhere that affected or could possibly bring a solution to the problem, meaning that some delegates of the Council did not have the power to take a decision prior to having consulted with their respective capitals, the final decision on the establishment of a Working Group has been postponed till the June 2018 Council.

The report of the December 2017 Council concluded the following:

"The Council approves the establishment of a Working Group as agreed at the July 2017 Council Sessions to look at the matter of Accessions to the WCO, in the frame of a constructive approach.

Composition

According to the principle of fair geographical representation, each region will appoint two Members. These Members will provide experts for the Working Group, acting in their national capacity.

The Working Group will choose its Chairperson by drawing lots. At the beginning of each meeting, the Working Group will draw lots to decide on its Chairperson. No Member shall occupy the Chair for a second time until each Member has occupied the Chair.

Scope

The Working Group will discuss the issue of accession to the WCO taking fully into account the decisions of the Council.

Upon completion of its work, the Working Group will submit a report approved by consensus to the Council."

At the Europe Region Heads of Customs Conference in April 2018, the Region nominated the UK and Russia as regional representatives on the Working Group.

It is understood that the Policy Commission will not discuss this agenda Item, but the Council Chair will report on developments since the December 2017 Council, including the outcome of the Group of "Friends of the Chair", and postpone any potential discussions for the Council.

- *Accessions to the WCO*

Common position

The EU and its Member States should reiterate that we acknowledge that the world has evolved considerably since the Customs Co-operation Council Convention was drafted 65 years ago. We recognise that there is a need for a solution that associates the Council in an accession process. This is an approach that is also applied in other international organisations.

The EU and its Member States continue to support the establishment of the Working Group as proposed by the Council Chair at the Council in December 2017. We also support the nomination of United Kingdom and Russia as the Europe Region's representatives on the Working Group.

Taking into account the sensitivity amongst Members associated with this issue, and its negative effect on the work of the WCO, it is crucial that the Organisation returns to its core business; namely Customs matters. The constitution of the Working Group would allow for this. To avoid the risk of jeopardising the establishment of the Working Group by discussing again the Terms of Reference, which would not be productive, we should recommend that this discussion should be held within the Working Group itself, allowing the Council to return to its normal business.

Depending on the developments up to the Policy Commission/Council and during the discussions of this agenda item, it cannot be excluded that further coordination on the spot will be required.

A discussion in the Policy Commission/Council on the accession of Kosovo to the WCO (e.g. as part of a discussion on the Terms of Reference for the Working Group) would be counterproductive and should therefore be avoided. If that were not possible, a restrained approach in any such discussion should be recommended in order to limit its negative impact. In such a case, the following approach should be applied:*

- *Accession of Kosovo to the WCO*

As the situation regarding the EU on this matter has not changed since December 2017 Council, the EU should remain status neutral and would reiterate the point made at the July and December 2017 WCO Council.

EU point to be made

The EU takes note of the notification by the Belgian authority and reaffirms that such designation is without prejudice to its positions on the status of Kosovo, in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

EU Member States are entitled to express their national petitions on this issue.

- **Accession of Kosovo to the WCO**

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EU Member States are entitled to express their national petitions on this issue.

XXI. Governance:

- (a) **Strategic Plan 2016/2017 to 2018/2019: Operational Plan for 2018/2019**
(Doc: SP0648E1a)

The draft WCO Operational Plan for 2018/2019, which includes the proposed updates to the tactical activities to support the WCO Strategic Plan, as well as performance indicators and financial implications.

As requested by the Policy Commission in December 2017, the Secretariat thoroughly discussed the options to prioritise the tactical activities within the Strategic Plan, the Audit Committee at its meeting in February and the Finance Committee in March 2018. A request was sent to the regional Vice-Chairs in April 2018 to obtain their contributions on priorities (This has not been followed up upon by the Vice-Chair)

The Policy Commission is invited to review the proposed Operational Plan for the financial year 2018/2019, which includes tactical activities, performance indicators and financial implications as well as a prioritisation of specific tactical activities and, if appropriate, to recommend its adoption to the Council.

Common position

The EU and its Member States appreciate the prioritisation of the tactical activities for the 2017/2018 Operational Plan. We consider that the priorities of the WCO should focus on Trade Facilitation and implementation of the Trade facilitation Agreement, the comprehensive review of the RKC, cross-border E-Commerce, Illicit Financial Flows and security, and capacity building.

We support the recommendation that the Council adopts the proposed Operational Plan for the financial year 2018/2019.

(b) Audit Committee Report (Doc: SP0649E1a)

Common position

The EU and its Member States support the approval of the report of the Audit Committee and the nomination of Norway as the Chair for the Committee for another year.

XXII. Other business:

- Election of Secretary General

The following two candidates have been put forward for the election to the post of WCO Secretary General during the Council (30 June 2018):

- Ms Pilar Jurado (Spain)
- Mr Kunio Mikuriya (Japan)

The two candidates will be given the opportunity to present their respective candidacies.

No coordination is necessary

XXIII. Date and place of next session

No position is necessary
