



WORLD CUSTOMS ORGANIZATION
ORGANISATION MONDIALE DES DOUANES

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CAPACITY BUILDING
DIRECTORATE

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Partnership In Customs Academic
Research and Development
(PICARD)
28 – 30 September 2009
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4th Conference
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Brussels, 23 November 2009.

DAY 1

1. The fourth conference on the Partnership in Customs Academic Research and Development (PICARD) was held in San Jose, Costa Rica from 28 to 30 September 2009 and hosted by the University of Costa Rica. It was attended by almost 200 delegates representing WCO Members, the academic world, donors and other interested parties.
2. This hugely successful event was dedicated to academic programmes focused on Customs and research on Customs-related topics. It brought together many academics and Customs representatives from all six regions of the WCO. Most participants came from the Americas and Caribbean region; representing 35% of the total number of attendees.
3. The main discussion items for the 2009 conference were:
 - The WCO recognition procedure for University Customs Curricula based on PICARD Professional Standards;
 - The growth of the INCU network and existing Customs-oriented academic programmes;
 - Customs-related research projects.
4. The conference agenda is attached as Annex 1.
5. The conference was co-chaired by Prof. David Widdowson, President of the International Network of Customs Universities (INCU) and Prof. Jhon Fonseca from the University of Costa Rica (UCR).
6. Most of the original research papers presented at the conference have been included in the 6th edition of the World Customs Journal which is freely downloadable at the following address: www.worldcustomsjournal.org.

Opening speeches

7. Although the Secretary General, Mr. Kunio Mikuriya, was unable to attend the Conference, he did send a message to the delegates. His message is reproduced below.
8. "The WCO is pleased to be jointly hosting the 2009 WCO PICARD Conference in cooperation with our partners from the academic community. Quality research in our knowledge-based society is crucial to our future development as it empowers our decision-making and will ensure that we are well-placed to effectively meet the challenges of the 21st century. Indeed, the themes of the conference could not be timelier as we seek solutions that will help us to manage the impact of various global issues such as the financial crisis, environmental protection, and the proliferation of regional trade agreements. Costa Rica is an ideal venue as its customs administration is a model of progress in customs modernization with strong political support, and I would encourage them to share their lessons learned and success stories with others in the region. Owing to prior commitments I am unable to be with you today but I am confident that your discussions will result in successful outcomes".
9. *Mr. Lars Karlsson*, the WCO Director of Capacity Building, welcomed all delegates, extended his greetings to the conference organizers (the University of Costa Rica, the Government of Costa Rica and INCU), encouraged all institutions to participate more actively in the PICARD programme, and announced the topic for this year's Picard conference, namely, the impact of the financial crisis on Customs.
10. In her opening speech, the Costa Rican Foreign Trade Vice-Minister, *Mrs. Amparo Pacheco Oreamuno*, stressed the importance of risk management in Customs in order to facilitate legal trade and curb illegal transactions. She pointed out that one of the initiatives to reach this goal was the establishment of a professional programme to combat fraud and its causes. She also reiterated that rules against fraud and contraband should be transparent for both the public and private sectors.
11. During his opening remarks, the Vice-President of Investigation at the University of Costa Rica (UCR), *Mr. Henning Jensen*, underlined the utmost importance of the educational component for any policy field. This thinking served as the major reason for the establishment of the UCR. Mr. Jensen noted that the University was the major institution to promote and protect knowledge based actions that would allow their society to become a more participative democracy and build a more solid economy. He underlined the role of civil values and civil society and noted that Costa Rica had become the centre in Central America for studying development and globalization. After congratulating the organizers for hosting a forum where people from all over the world could exchange ideas, Mr. Jensen concluded by expressing his delight at seeing a new paradigm of equitable international commerce being developed in the University.
12. The Costa Rican Customs Director General, *Mr. Desiderio Soto Sequeira*, pointed out that the subjects to be discussed at the conference were of central importance to Costa Rica. He noted that Costa Rica paid a lot of attention to foreign trade policy, especially in such areas as participation at the WCO, free trade negotiations, common foreign trade policy and regional negotiations. The main features of Costa Rican policy are to promote foreign direct investments and avoid trade distortions. Keeping in mind that major exports of sugar, beef, bananas and coffee are traded in 140 countries, Costa Rica has a diversified trade policy. The Vice-Minister also advised that Costa Rica had signed free trade agreements with the U.S. and Panama, and expects to sign an agreement with China at the end of the year. 80% of Costa Rica's trade would be covered by these agreements. He stressed that as education was governmental policy, the PICARD

conference was extremely important both for Customs and the University which is preparing young professionals to work on Customs and trade issues.

13. The Acting President of Costa Rica, *Mr. Francisco Antonio Pacheco Fernandez*, welcomed all conference participants to Costa Rica. The major focus of his speech was on the referendum as an efficient means to resolve problems internally (in reference to the conclusion of the US-Costa Rica free trade agreement), and ethics as the major challenge for Customs. He noted that in Costa Rica the evolution of foreign trade was accompanied by vivid public debates via the mass media and the involvement of citizens. Despite the fact that life in the field of customs was becoming more complex, there was a need to make it simpler. He underlined the role of ethics for Customs because of general public perception that Customs was intertwined with organized crime. Therefore, the main task was to develop traders that were safe, secure and law-abiding. The Acting President mentioned that the change would happen once society was ready for it and as Costa Rica had enormous human resources with extraordinary qualities, he strongly believed that an event such as the PICARD conference would help the change happen.
14. After the coffee-break *Prof. Jhon Fonseca* (University of Costa Rica) welcomed participants on behalf of the organizers and underlined the major goal of the event; to provide solutions to Customs problems and to develop new initiatives and cross-country comparisons.
15. *Prof. David Widdowson*, President of the INCU (University of Canberra) explained how the INCU was working with the WCO on Members' needs and reiterated that more information on the kinds of academic research required by Members to achieve their objectives would be useful. He pointed out that during the global financial crisis which had a tremendous impact on international trade, customs had an important part to play in reinvigorating the world economy. In this respect, the World Customs Journal is an important platform where academic research and commentary can assist the customs community in its decision-making processes.

WCO presentations

16. *Mr. Lars Karlsson* gave a presentation on the WCO capacity building strategy and programmes. Besides the traditional components of capacity building, such as Customs modernization and reform, and building institutional capacity to bring about change, there is also a need for political leadership and commitment, as well as ownership.
17. He underlined that there is always a need to have a holistic view on how to modernize an organization to be successful, which is something that has been lacking before. Thus there is also a need in structured approach and best practices to show how implementation is to be done.
18. *Mr. Karlsson* described the composition and the projects of the Capacity Building Directorate at the WCO, as well as its Committee. One of the major roles in capacity-building in the regions is played by WCO's regional offices for capacity-building (ROCBs). These are coordination offices for planning, coordination, support to Members in the regions and research. There are also 16 regional training centres. However, there is a need for more centres in the Americas region and in the Middle East.
19. There is also an IT learning platform, as well as 3 other major programmes: Columbus, PICARD, and a platform for interaction. All these programmes are available free for Members. Columbus started off in 2006. Currently there are 112 parties in the programme and 157 parties that had committed to implementing the SAFE Framework of

Standards. The diagnostics phase had been completed in 110 countries, 80 are in the implementation stage, there are 3 regional programmes and 3 countries are being evaluated.

20. PICARD is an HR development and research programme, operating together with the INCU. Mr. Karlsson highlighted especially the integrity programme, mentioning the WCO elaborated standards for integrity (Arusha Declaration), as well as tools supporting it, and the importance of always having integration of Integrity initiatives in Customs reform and modernization programmes. The WCO is supporting a number of Integrity related projects around the world and the next step is to involve the private sector into pilot projects in Member countries (e.g. Costa Rica and Guatemala have already started pilot activities).
21. The objectives for the future are to increase trade facilitation related initiatives and pay more attention to technology and integrity issues. There is a need in donor coordination, HR training, evaluation tools and using systematic approaches. The WCO is looking for new models, encompassing consistency, endurance, research and development, and inviting academia to have its contribution.
22. The discussion session was focused on the donor funding and possibilities to obtain it for customs modernization processes. It was offered to conduct a research on trade facilitation in order to prove to countries, political levels and the international donor community, that Customs reform and modernization is a worthwhile investment for future. There was also a complaint from academia that they do not have access to information published on the Members website. The private sector was interested to know whether the issue of ethics was included both for public and private sector. The delegates were also interested in the regional educational initiatives in Africa.
23. Mrs. *Riitta Passi* (WCO Capacity-Building Directorate) gave a presentation on the WCO Recognition Procedure and PICARD Professional Standards which included an overview of the recognition process (application and approval procedures). She advised that the WCO had received 6 applications to date and that all of them are scheduled to be finalized by the end of the year. The presentation raised a number of questions in the auditorium. The University of Zambia was interested in the assistance to universities in the form of twinning programmes for teaching staff, lectures, training, and the forming of curricula. A private sector participant from the USA (UCLA) proposed to evaluate the idea of establishing a reciprocity internship programme between the university and Customs, so that the private sector could gain experience in Customs issues and vice versa. He suggested that such an internship should be mandatory. This proposition was supported by the audience.

DAY 2

WCO Presentations (*continued*)

24. Mrs. *Riitta Passi* gave an overview of the WCO Management Programme. She pointed out that as a follow-up to the Global Dialogue on Customs Capacity Building Conference (London, 4-5 October 2008), the WCO Secretariat was asked to coordinate the establishment and drafting of guidance and standardized models on leadership and management development for future and senior managers in order to assist Members in this area.

In order to address this request the WCO established a project gathering experts from the academic world, the private sector and Member administrations to benefit from best

skills and competencies as well as to integrate the latest requirements and trends in leadership and management development in the Customs field. This group of experts agreed that the management knowledge and skill requirements of the WCO Management Programme should be adjusted to meet PICARD Professional Standards.

The first pilot Workshop on Management Development is scheduled to be held in Ethiopia (ERCA) in late October 2009.

Other support provided by the WCO for its Members included the Fellowship Programme and the Capacity Building Development Compendium – a guide to key management techniques.

25. *Ms. Mariya Polner* (WCO Research and Strategies Unit) presented the results of Operation Demeter (Green Customs Initiative), that was conducted by 64 Customs administrations in a joint effort to intercept the cross-border movement of hazardous waste. The presentation drew high interest from the audience, and their questions mainly concerned other types of waste (end of life vessels) that were neglected by the operation, other environmental initiatives by the WCO and customs administrations, the role of the U.S., and the major destination countries.

Presentations

26. *Mr. Mikhail Kashubsky*, the Secretary of the International Network of Customs Universities (INCU), presented an overview of the INCU and its membership. He pointed out that its main role was the monitoring of standards and dissemination of information. Currently, 67 institutions (30 universities and think-tanks and 37 other institutions from 46 countries) are members of the network. Recent developments in the network include the adoption of curriculum guidelines, publishing 5 editions of the World Customs Journal (WCJ), and the adoption of INCU membership guidelines. Mr. Kashubsky underlined that membership was free of charge and open for universities, research institutes and Customs-related bodies. Membership benefits include access to a wide network, regular news and updates, conferences, free advertisement of courses and research, and a subscription to the WCJ.
27. The presentations by Prof. *Jhon Fonseca* (University of Costa Rica), Mr. *Paul Hilaire* (CCLEC Permanent Secretary), Prof. *David Widdowson* (University of Canberra) and Mr. *Stephane Lauwick* (University of Le Havre) were dedicated to the different customs related programmes and their development, as well as recognition of these programmes by other universities. Mr. Hilaire concentrated on the developments in the network as well as in the Caribbean region. The recognition of skills is a very important topic and Mr. Lauwick shared the experience of the University of Le Havre on this issue. Prof. Widdowson provided an overview of the programmes offered by the University of Canberra. He also discussed the issue of the recognition of prior learning in the context of Australian legislation.

Panel discussion

28. The major discussion centered on the issue of recognition including its financial aspects (the costs of prior learning for the government and the costs of the recognition procedure). The issue of human resources and lack of well-qualified trainers was also raised as a critical issue in education.

Regional trade agreements: an African perspective of challenges for Customs policies and future strategies

29. On behalf of the African Union Commission, *Mr. Chiza Charles N. Chimuya*, raised the issue of RTA proliferation. He underlined that RTAs created more challenges to Customs, such as transfer pricing, overlapping of regional economic communities (i.e. the rules of origin problem), Customs ethics and integrity (increasing the incentive to bribe). He suggested that the way forward should be to re-focus RTAs to be more relevant to society, to address the issue of resource concerns and inter-agency cooperation, and to deploy more technological solutions.
30. During the panel discussion *Prof. Michael Wolfgang* from Münster University suggested that Customs should be involved in FTA negotiations. Such involvement is crucial as trade policy makers do not fully understand the operational issues surrounding the cross-border movement of goods. Moreover, he pointed out that RTAs were dangerous for businesses, as rules of origin were becoming more and more complicated because of overlapping agreements.

The EU Customs Union: from regional economic integration to single action on the world trade scene

31. In their joint presentation, *Mr. Jean-Michel Grave* and *Ms Tiina Satuli* from DG TAXUD (European Commission) covered the evolution of the EU Customs Union. They looked at Customs unions from the legal and economic perspective and tried to combine the theory with actual developments. After giving a short overview of GATT and the EU, they provided delegates with an analysis of recent developments in the Community Customs Code and its implementation. A special emphasis was also put on the role of the EC in the international arena, in particular the WTO. In conclusion, it was noted that there should be a balance between legislation and implementation tools. Among the major issues to create and/or develop a Customs union, the following three were given special attention: objective (how big the union should be); correspondence to the limits of Art. XXIV; and the importance of choosing the right partners.
32. The discussion concentrated on the issue of educational material concerning the development of EU Customs policy since 1999 and the position of the EU towards Central America. The problems of HR and integrity were also raised.

Recent stimulus packages and WTO law on subsidies

33. Dr. *Santiago Ibanez Marsilla* from the University of Valencia (Spain) delivered a presentation on the necessity of state intervention for companies under the risk of bankruptcy. He made a legal analysis of the WTO legislation on subsidies and measures applied accordingly. He also discussed an intervention on an OECD arrangement and the notion of 'bad subsidies'. Mr. Marsilla highlighted cases when WTO dispute settlement mechanisms could and could not be used. In conclusion, he noted that the U.S. had a strong position on subsidies and on the distortion of competition; there were market failures (thus, there was a need to change the quantification of remedy according to the damage cost) and finally, there was a need in the international regime on subsidies in the service sector (i.e. during the current economic crisis the failed banks received state aid, and this action distorted the market as failed banks were competing with healthy financial institutions).

DAY 3

Supply chain security programmes and border administration

34. Dr. *Maureen Irish* (University of Windsor, Canada) presented the results of her study on the functioning of the mutual recognition arrangement between the U.S. and Canada. She gave a detailed overview of the Partners in Protection Programme initiated by the Canada Border Services Agency. She highlighted the problematic areas that rose after the conclusion of the mutual recognition with the U.S. For instance, she underlined a possible infringement of GATT Article I (the Most Favoured Nation principle) and Article XXI (national security). The issue of benefits from a business perspective was also discussed.

Implementation of the Picard Programme in Argentina

35. Dr. *Guillermo Villanova* (Argentina) shared the experience of his administration in the reform process. The modernization of Argentina Customs started five years ago. It is conducted both at managerial and operational levels. Mr. Villanova focused the attention of the audience on the professional education offered by the institute where Customs officers could develop their expertise in such spheres as risk analysis, dog training, detection of forged documents, etc.

Customs risk management – preliminary results of a global survey

36. Mr. *Juha Hintsa* delivered a presentation on the preliminary results of the survey on Customs risk management conducted by the University of Lausanne. 24 Customs administrations took part in the survey. The project was launched in September 2008 and it is envisaged to be finalized by February 2011. The major findings included the most and the least relevant obstacles for risk management operations as well as potential benefits from the use of the system. Risk management literature is currently being reviewed; the next step is to create a guidebook on 100 good risk management practices and conduct 10 in-depth risk management studies.

Cross border control of radiological, biological and chemically active and harmful terrorist devices

37. In his presentation on radiological, biological and chemical substances that could be used for dirty bombs and other hazardous devices, Dr. *Carsten Weerth* from German Customs noted that, despite the fact that the cross-border movement of these substances was monitored by a number of international and national agencies, cooperation among them was rather weak. Moreover, biological and chemical weapons have been receiving less attention as the focus is on nuclear weapons. Having examined several options for the detection of biological and chemical substances, Mr. Weerth called on the WCO to issue a recommendation on radiological awareness and proposed the use of smart black boxes for containers in order to record any change in pressure and temperature inside the container which could be an indicator of a security/safety danger.
38. The discussion session was very active and included a discussion on GATT Article XXI and the issue of proportionality. This was followed by a debate on inter-agency cooperation. Dr. Irish was asked whether Article XXI was obsolete given the changed security conditions after 9/11 and whether it was possible to review the Article if national security became an issue on the agenda. Panama Customs offered to contribute their

experience in preventing the smuggling of biological and chemical weapons as their national administration had successfully worked in that direction. One of the delegates also raised the problem of the impact of the financial crisis on risk management.

Achieving resource efficiency by Customs administrations in a constrained economic climate: a critical examination

39. *Dr. Michael Haughton* (Wilfrid Laurier University) presented the results of the study carried out together with *Dr. Sapna Isotupa*. The major research question concentrated on the means by which the Customs could utilize its limited resources most efficiently to achieve its mandated goals. During the study several resource efficiency initiatives were examined. The premise of the examination was that the two key drivers of resource efficiency were (i) greater participation by the import/export trade community in Customs trade and security programmes (e.g., Authorized Economic Operator (AEO) programmes) and (ii) lower cost to perform security operations. The examined initiatives included mutual recognition of AEO programmes, Customs internal and external communication, and queue management at borders.

TRS as a measure of trade facilitation: Customs experience in Asia Pacific

40. *Mr. Shujie Zhang* (ROCB Asia Pacific) presented a case study on how to apply WCO tools on trade facilitation. The WCO Time Release study, which is a systematic and standard way to measure the time to release cargo, can substantially help Customs to measure its effectiveness, identify problems and find possible solutions for improvement in clearances. It can be used as an effective Clearance Quality Index and Trade Facilitation Index. The WCO has promoted the TRS and pooled a lot of efforts to develop guidelines and software. Unfortunately, this tool has not been applied widely by the international Customs community. In Asia Pacific, a number of TRS programmes have been conducted and will be conducted both at national and regional level. Based on the actual experiences of Member administrations, the paper empirically reviewed the main aspects of TRS such as the reasons to use a TRS, problems in applying the method and key policy recommendations for Customs in other regions.

Exchange rate impact on origin of goods – can one be sure of accuracy of proof of origin in economic turmoil

41. *Mr. Cezary Sowinsky* (Warsaw University of Economics) presented the results of the study examining the influence of rapid changes in exchange rates on the origin of goods produced in the EU and exported to the Republic of South Africa (RSA). It raised concern whether the long term EU origin declaration could be trusted at the time of an economic crisis as it so severely influenced exchange rates. A simplified model of a product manufactured in the EU and exported to RSA was built. The model product, under the exchange rates applicable at the beginning of 2008, met origin criteria to enjoy preferential treatment on import into RSA under the EU – RSA agreement. The model product was composed of a number of components that were locally acquired/produced or imported. As far as the imported components were concerned, their prices are contractually set in foreign currencies. The prices of both the components and final product were constant within the analyzed period. Having applied the exchange rates of selected currencies and export duties, it was proven that in the case of volatility of exchange rates it was very easy and without any deliberate activity to commit fraud.

Concluding remarks

42. Two Memoranda of Understanding were signed (WCO/Ukrainian Customs Academy and WCO/INCU) to promote cooperation in the development of world-class education and research.
 43. *Mr. Lars Karlsson* and *Prof. David Widdowson* made closing remarks at the end of the Conference, both noting that the event was successful and beneficial to all participants. They expressed their gratitude to the Government of Costa Rica and the University of Costa Rica for hosting the conference and making the event happen.
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