

Pitching for the New AEO



Mandar Athalekar
Head – Global Trade
Management, South Asia,
Thomson Reuters

A growing number of countries are adopting AEO programmes, which enable certified businesses to be regarded as secure, efficient, and customs-compliant organisations within the global supply chain



The global AEO programme helps to both secure and facilitate global trade. While many organisations that trade across borders are aware of the programme (at least conceptually), an alarmingly large number continue to live in an information vacuum, with no understanding of what the AEO is and how it can benefit them. The AEO is a pillar of the WCO's (World Customs Organization) Framework of Standards to Secure and Facilitate Global Trade (SAFE), which provides guidelines to customs administrations across the world. Essentially, it is a certification scheme with certain requirements for eligibility criteria. In a nutshell, once an organisation meets these criteria, it is AEO-certified as a secure, efficient and customs-compliant business in the global supply chain. This provides an incentive for customs authorities and trading companies to act as partners in securing and facilitating global trade.

Gaining traction globally...

It is useful to examine AEO's significance in the backdrop of recent trade data and projections. In September 2017, the WTO raised its growth estimate of world merchandise trade volumes in 2017 from 2.4 per cent to 3.6 per cent, but also cautioned against several risk factors that could impede growth. These include high levels of economic and policy uncertainty, trade-restrictive actions, expanding and multiplying terror networks, and a rise in global geopolitical tensions, natural disasters, fake goods, counterfeiting, maritime piracy, armed robbery, smuggling, drug trafficking, money laundering, and data breaches.

The WCO adopted the SAFE Framework in June 2005, both to counter some of these threats, and to promote world trade. The AEO programme in particular was meant to combine the security and facilitation needs of certified entities. Since then, a large number of countries have launched AEO programmes, including the EU member-states, the US, China, Japan, Kenya, Uganda, Algeria, Argentina, Brazil, Chile, Peru, Singapore, Malaysia, Thailand, South Korea, Australia, and New Zealand. Each country has its own name for the programme: in the US, it is known as C-TPAT (Customs-Trade Partnership against Terrorism); in Singapore as STP (Secure Trade Partnership); Australia calls it ATT (Australian Trusted Trader); and Brazil, OEA (Operador Econômico Autorizado). Most of these schemes include legislative and control measures for both import and export, but some are either export- or import-only.



India revised its trade-facilitation guidelines, including for the AEO, last year, and the new system has three levels of certification for both importers and exporters



...and in India

India launched its AEO programme in August 2011, but in July 2016, the CBEC revised its guidelines for two prominent entity-based trade facilitation programmes, the ACP (Accredited Client Programme) and the AEO programme. Essentially, the two have been merged into a single programme, the New AEO, which combines their individual benefits while enhancing the scope for further advantages to accrue to certified entities. The emphasis is squarely on control and compliance.

The new AEO has three tiers of certification (AEO-T1, AEO-T2 and AEO-T3) for importers and exporters, but only one tier for all other entities, such as logistics service providers, custodians, terminal operators, customs brokers, and warehouse operators. Each tier comes with specific eligibility requirements, but also varying benefits. These include direct port entry/delivery for imports (DPD) and exports (DPE); shortened cargo release time; space allocation in the custodian's premises; exemptions from normal bank Guarantee; expedited case investigations and dispute

There are currently fewer than 170 AEO-certified entities in India, but CFOs should be pushing for this, also because it ties in with their broader objective of building an efficient organisation underpinned by strong, technology-enabled information systems



resolution; exemption from regular transactional PCA (Post Clearance Audit); email notifications on vessel arrival/departure; 24/7 clearance on request at all sea ports and airports; seal verification and document scrutiny waiver; priority scanning through the front line; deferred payment; faster drawback disbursement and facility for self-sealing of export goods; paperless declarations without physical copies of supporting documents; and access to consolidated import export data through the Customs' ICEGATE database. Businesses that are not involved in customs-related work – such as banks, insurance companies and consultants – are ineligible for AEO status. Nor is AEO status, once granted to a particular entity, applicable to group companies: each entity must apply separately.

Taking the lead: the CFO's role

Despite the many advantages of the programme, as of end-March 2017, there are, across all tiers, fewer than 170 AEO-certified organisations in India. This is surprising, but clearly, the world's fastest-growing economy has a long way to go, at least in this respect. It is here that CFOs can play an important role, but it demands both foresight and action.

CFOs are responsible for a range of functions, from financial planning, cost and budgetary control, to compliance, record-keeping, and, most importantly, framing corporate strategy and securing the corporation against financial risks. What must underlie all of this is an efficient information system built on strong and secure communications technology. Such a system must be equipped with error-eliminating automation processes, proactive controls, the ability to generate analytical reports, and to securely integrate with other important corporate functions, such as procurement, inventory, manufacturing and logistics, as well as with external trading partners and government agencies – almost all of which are cost centres, and sources of financial data directly involving the flow of goods.

Through its security criteria alone, AEO certification helps achieve all these objectives – and more. It is therefore critically important for CFOs to push for it. The starting point is to build an efficient information management framework. Essentially, it should have three aspects. First, it should be able to automatically compile, store, update and retrieve all content related to AEO. Second, it should integrate this content into operational processes, including export/import workflows, mandatory trade-document generation, and the creation of documents for other regulatory authorities, as well as reports for audit and analysis. Third, it should empower organisations to get AEO-certified and steadily graduate to higher tiers of certification, allowing the firm to realise all the benefits that come with this. Such a system would not only improve operational efficiency at the AEO-certified organisation itself, but also for customs and other regulatory agencies. The gains, therefore, would spread across the entire global trade ecosystem. ■