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NINETEENTH MEETING OF NATIONAL CUSTOMS DIRECTORS OF LATIN AMERICA, SPAIN AND PORTUGAL

First meeting on European soil. The Nineteenth Meeting of National Customs Directors of Latin America, Spain and Portugal was held in Palma, Mallorca, Spain, from 2 to 6 November 1998. The opening session stressed the importance of this being the first meeting held on European soil, and members were urged to pool their efforts to develop closer cooperative ties between the region's customs services.

PARTICIPANTS

Member countries: Argentina, Chile, Colombia, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Mexico, Nicaragua, Panama, Paraguay, Peru, Portugal, Spain, Uruguay and Venezuela.

Observer countries: Australia, Canada, France, Japan and the United States.

International Organizations: International Association of Professional Customs Brokers (ASAPRA), Inter-American Development Bank (IDB), Mexican Confederation of Customs Brokers Associations (CAAAREM), Centre for Customs Investigation and International Trade (CIACI), Latin American Convention of Courier Enterprises (CLADEC), World Customs Organization (WCO), and Postal Union of the Americas, Spain and Portugal (PUASP).

Firms: Also attending the meeting were more than 40 representatives from firms that use customs services and related entities.

HIGHLIGHTS OF CONCLUSIONS AND AGREEMENTS

Private Sector collaboration in future meetings: Approval was given to making participation by private-sector representatives an established part of future meetings, although limiting their participation to specific issues.

Web page on customs services: Spain's offer to create a page on the Internet was accepted. This will initially contain information on the text of the Multilateral Convention on Cooperation and Mutual Assistance between National Customs Services and its annexes; final reports of meetings and

customs information on each member country.

Mexico, venue for the Twentieth Meeting: The Mexican delegation's offer to host the Twentieth meeting in October 1999 was accepted, as was Uruguay's offer to stand as alternate venue. At this meeting, working groups were set up for the first time, whose conclusions are detailed below:

APPLICATION OF THE NEW TECHNOLOGIES IN CUSTOMS SERVICES

- Information should be updated to take account of different realities in the geographical and cultural spheres and particularly in relation to existing priorities.
- There should be a common denominator for data interchange among different member countries with respect to: 1) merchandise value; 2) the fight against fraud; and 3) technological standards.
- Technology for merchandise recognition should be selected carefully, as this is costly and its location in just a few customs services may involve a risk for customs administrations in our area.
- The Internet is very important in today's world, and customs services are encouraged to identify where it can be applied, especially as regards fighting the various types of fraud that can be perpetrated on the Internet.
- The possibility of using satellite-based detection technology should be looked into, as this will help to enhance security in goods transport systems.

THE FIGHT AGAINST FRAUD

- An effective fight against fraud requires strong international cooperation and good ex-post inspection, as customs clearance is tending to become quicker.
- There are a variety of ex-post inspection models, but it seems they all need to be based on thorough risk analysis leading to greater practical effectiveness in the fight against fraud (for example, higher penalties). It might be worth the Convention Secretariat finding out about different countries' experiences and strategies for inspection and risk analysis, so that these can be passed on to other members. Such experiences could also be built into training courses.
- International cooperation is a crucial and decisive factor in effective customs controls. Such cooperation should be in deed and not only in word, and should be developed between different types of countries. There are many channels: our Convention, WCO, Embassies (especially through permanent customs advisers). In addition, the Regional Intelligence Liaison Offices (RILO) should be better exploited. The importance of cooperation in technical training is also stressed.
- While our Convention does include cooperation in combating fraud, its as yet underused potential needs to be better exploited, and reform may be needed to make it more effective in this fight.
- Also, in the framework of the Convention, contact links could be developed between entities involved in the fight against fraud in each country.

PROCESSES OF INTEGRATION BETWEEN CUSTOMS AND TAX ADMINISTRATION

- There are three possibilities for viewing the tax institutional system in this context: 1) total separation of Customs and Tax Administrations; 2) coordination between the two Administrations at a variety of possible levels; 3) total integration.
- Of these possibilities, total separation does not seem advisable for various reasons, including economies arising from the non-duplication of services and the deficient service provided to taxpayers under a separated set-up.
- There is, therefore, a consensus on the need for Customs and Tax Administrations to be efficiently coordinated, at a level depending on the needs of each country according to their degree of development, type of political and administrative organization and current organizational sophistication.
- Such coordination might end up in total integration, although this possibility is not really very viable, because there should be some degree of specialization in the different taxes, at least between the federal and local levels.
- As an initial conclusion, member countries are recommended to channel their efforts into coordinating Customs and domestic Tax Administrations.
- Secondly, consideration should be given to the possibility of adopting common forms of organization in Customs and domestic Tax Administrations in the following areas: 1) information technology; 2) training; and 3) ex-post inspection.
- Thirdly, to move these tasks forward, a technical assistance programme needs to be set up to facilitate exploration of the possibilities existing in this area.

CUSTOMS ISSUES IN PREFERENTIAL TRADE AGREEMENTS

The processes of globalization and regionalization are leading to preferential tariff benefits based on “rules of origin”, the application of which causes difficulties for customs services in the following aspects:

- Complexity of the criteria and requirements that can be demanded, due to a lack of participation in drawing up trade agreements by the agencies responsible for applying them in practice.
- The need for the agencies responsible for issuing certificates of origin to have more specialized professional training.
- Simplification of rules of origin and clear rules for issuing the corresponding certificates (including, standardization, uniform criteria, means of proof, ex-post verification, legal security for economic agents and the authorities in charge of application).
- The possibility of improving the security of document authentication by using Information Technology media.

- The need for greater participation by Customs Administrations in the design of agreements in their customs regulations aspects, and later in groups following up their application, in order to avoid the risks mentioned above.

CUSTOMS FACILITIES AND PROCEDURAL SIMPLIFICATION

The following recommendations are made:

- Customs facilities and procedural simplification should be extended to all processes involved in the customs sphere.
- The use of electronically transmitted standard documentation, at the stage of goods' arrival in customs, should be encouraged.
- It should be kept in mind that the key factors in any customs process are time and cost, and that the public authorities also need to have confidence in the facilities they concede.
- For that reason, it is essential to deal with freedom and security jointly, and the following recommendations are made for achieving this:
 1. Encourage dialogue between the public and private sectors to eliminate intellectual and cultural barriers, and foster mutual trust.
 2. Seek to design a few simple procedures, that are well known and standardized.
 3. Be equipped with electronic media to enable this goal to be fulfilled.
 4. Efficiently manage the streamlining system, keeping International Agencies' recommendations in mind.
 5. Given the facilities established, design effective and efficient systems for inspection and control.
 6. In addition, get the private sector to suggest to other public bodies working with Customs Administration in the customs process, also to introduce streamlining measures in coordination with those being implemented by the customs service itself.
 7. Explore the possibility of installing customs clearance systems in places away from typical customs dependencies.
 8. Permanently check, through measurements made by the Administrations themselves, that customs clearances are being carried out by them with increasing efficiency, and try to establish known quality standards.
 9. Given the interest there has been in the panel discussion, it is recommended that this mechanism be continued with in future meetings of Customs Directors, and that these issues be dealt with in greater depth.

EXEMPTION AREAS: FREE-TRADE ZONES, BONDED WAREHOUSES, CUSTOMS

WAREHOUSES

- Exemption areas, especially free-trade zones and customs warehouses, have considerable advantages both for the firms themselves (tax exemptions of larger or smaller amount depending on the country, streamlining of procedures...) and for national Government, as tools of economic stimulus and in policy implementation, especially industrial, trade and even employment policy.
- There are a variety of factors affecting decisions that have to be taken in an international framework in defining regulations and conditions in the different Exemption Areas. The Panel highlighted the following as the most relevant:
 - the wide variety of situations and different economic and social features present on the American continent, which could make work towards possible legislative uniformity more difficult.
 - the possibility of adapting the legal definition of exemption areas to new regulatory frameworks (as has happened in the European Union), and even to new requirements on the part of users and final recipients of merchandise. In this context examples have been presented of “vendor control”, “tax-free shops in arrival halls” and even “duty-free” shops inside cities.
- In the light of these factors, three conclusions were proposed for the Plenary to adopt:
 1. The Directors General agree in this meeting that the necessary steps should be taken as far as possible to standardize treatment of the different types of exemption areas.

To this end, a comparative analysis will be made of the models existing in the different countries, as a tool to start working with.

2. In the context of this work, the results of existing economic groups and integration processes that are under way, will need to be exploited.
3. This standardization should be based on two broad pillars:
 - Trust between the Customs Administration and firms setting up in free zones, or those to which customs warehouses or bonded warehouses are authorized.
 - Procedural flexibility to enable further progress to be made in simplifying bureaucratic procedures, controls and documentation, which such entities demand of economic operators and even of customs controls themselves.

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