

RESOLUTION OF THE POLICY COMMISSION
OF THE WORLD CUSTOMS ORGANIZATION
ON THE GUIDING PRINCIPLES FOR CROSS-BORDER E-COMMERCE

(Luxor, December 2017)

THE POLICY COMMISSION

ACKNOWLEDGING that the digital transformation of the economy is one of the key drivers in the global trade environment,

NOTING that the digitalization of the economy has revolutionized the way businesses and consumers are selling and buying goods, providing wider consumer choices and broader access to customers by Micro, Small and Medium Enterprises (MSMEs),

BEARING IN MIND that E-Commerce offers a huge opportunity for the economic growth and competitiveness of nations, providing new growth engines, developing new trade modes, driving new consumption trends and creating new jobs, and that it is important to be innovative, inclusive, prudential and collaborative in order to leverage opportunities brought by E-Commerce,

ACKNOWLEDGING that the exponential growth of E-Commerce, in particular new trade patterns including the growth in direct business-to-consumer (B2C) and consumer-to-consumer (C2C) transactions and an increased role of consumers in individual transactions, is presenting several challenges to governments and businesses alike, in terms of trade facilitation, safety and security, society protection, and accurate and efficient collection of duties and taxes,

CONSIDERING that key issues stemming from increasing volumes of mainly small B2C and C2C E-Commerce shipments and the time sensitivity thereof pose unique challenges to all E-Commerce stakeholders under the current conditions,

OBSERVING that the current methods of revenue collection might not be efficient and effective enough for the dynamics and trends of E-Commerce flows,

RECOGNIZING that cross-border E-Commerce is characterized by, among other things : online initiation; cross-border transaction/shipment; physical goods; and destined to consumers (commercial and non-commercial),

ACKNOWLEDGING the need to adequately measure cross-border E-Commerce flows and the importance of Customs' role therein for well-informed policy decision making, risk assessment, analysis of trade and revenue statistics, performance measurement including the cost of revenue collection, and the exchange of information,

TAKING INTO ACCOUNT the different levels of digitalization and associated gaps as well as challenges in IT preparedness and accessibility to IT solutions (digital divide) among Members and business stakeholders,

HAVING REGARD to the WCO Revised Kyoto Convention (RKC), the WTO Agreement on Trade Facilitation (TFA), the WCO SAFE Framework of Standards (SAFE FoS), Annexes 9 and 17 of the ICAO Chicago Convention, the UPU Convention (specifically Article 8) and Security Standards (S58 and S59) and other relevant international standards,

AIMING to adapt, embrace and leverage opportunities presented by E-Commerce, and find solutions collaboratively between government and non-governmental stakeholders to challenges using modern technologies to facilitate legitimate trade, in particular for MSMEs,

ENDEAVOURING to adopt streamlined and simplified Customs and other border formalities in order to strengthen security and safety (including product safety and compliance with intellectual property rights) and to establish fair and efficient revenue collection mechanisms,

AIMING to develop and deliver common standards, guidelines, and tools for Customs clearance and data harmonization, to the extent possible, to address challenges relating to certain high-risk consignments, whilst facilitating legitimate E-Commerce flows,

ENDEAVOURING to develop a harmonized approach to E-Commerce, in close coordination with other international organizations, that provides flexibility and customization for future developments and emerging business models, and

DESIRING to contribute to the development of this new trade channel and improve the effectiveness and efficiency of related processes of Customs administrations and other relevant agencies,

RESOLVES that the WCO :

Endorses the principles for cross-border E-Commerce (as outlined in the Annex) for establishing an E-Commerce framework of standards;

Invites Customs administrations to work in partnership with relevant stakeholders to apply these principles in a harmonized manner by developing an implementation strategy and action plan;

Advocates a deeper engagement with partner intergovernmental organizations, using all relevant bilateral and multilateral platforms; and

Provides technical assistance/capacity building based on the existing WCO instruments and tools, the tools being developed/updated and the expertise/best practices in Member administrations that will include tailor-made assistance to meet Members' identified and specific needs.

PRINCIPLE I - Advance Electronic Data and Risk Management

This principle is cross-cutting and supports trade facilitation, security and safety, revenue collection and measurement and analysis.

i. Advance electronic data

- Establish a legal and policy framework allowing for the electronic exchange of data between all parties involved in the international supply chain, taking into account the applicable laws, in particular, data governance including data security, privacy, protection, and competition law.
- Implement solutions to facilitate the submission of timely and accurate advance electronic data using, inter alia, relevant WCO instruments and tools with due regard to :
 - Timeliness of data (pre-arrival - Customs clearance)/(pre-loading - security risk assessment);
 - Standards for the exchange of electronic messages; and
 - Data quality (including product description).
- Take possible sources of data into account, including :
 - New business models of E-Commerce which process data from various sources on transactions, payments, and logistics (e.g., deliveries);
 - Parties that can provide data include inter alia : e-vendors/e-platforms, shippers, exporters, importers, and intermediaries (e.g., express services, postal operators, Customs brokers, and payment service providers); and
 - Data provided voluntarily to improve facilitation.
- Establish mechanisms for the exchange of advance electronic information between Post and Customs for the purpose of targeting and facilitation, leveraging the work already undertaken in the framework of the WCO/UPU Contact Committee including the Joint WCO-UPU Customs-Post Messaging Standards.
- Ensure reconciliation of data from the front (advance reporting) to the back end (accounting) and re-use of data through the supply chain.

ii. Risk Management

- Leverage the vast volume of data generated in the E-Commerce environment when developing and implementing automated risk management processes based on WCO tools.
- Apply advance cargo information and screening methodologies across all modes of transportation to the extent possible with a view to strengthening Customs controls.

Annex

- Apply non-intrusive inspection (NII) technologies and risk-based interventions using modern methods of data analytics to facilitate legitimate E-Commerce and, at the same time, identify and stop illicit trade. This could include for example comparing declared information with scanned images of goods. Risk management based on knowledge of entities and patterns/trends should be at the heart of this process.
- Identify all relevant stakeholders; including “unknown players” (e.g., individuals, occasional mailers) to address related challenges through :
 - Data validation model - robust identity management system;
 - Trusted data sources that are globally recognized.
- Promote cooperation and consistency between Customs and other governmental agencies at different levels (national/regional), including the exchange of information, capacity building and the sharing of good practices to adopt/enhance risk management systems of these agencies.
- Explore opportunities for information sharing between the government and the private sector, within the boundaries of applicable laws, in particular, data governance including data security, privacy, protection, and anti-trust (competition) law. Cooperation in the exchange of data could facilitate the blocking of websites/platforms/access of vendors that are involved in the trading of illicit goods.

PRINCIPLE II - Facilitation and Simplification

- i. Establish simplified clearance procedures for dealing with the increasing volumes of small shipments/parcels based on the following :
 - Account-based consolidated entry/exit summaries by enterprises/individuals and intermediaries, with periodic payment of all relevant duties and taxes, subject to the compliance with regulatory requirements and provision of financial security/guarantee, as appropriate;
 - Where appropriate, simplified requirements regarding origin, value, and classification.
- ii. As needed, in support of risk management, incentivize electronic access by Customs to relevant data or documents held on E-Commerce operators’ systems or a centralized national electronic platform connected to E-Commerce operators’ platforms.
- iii. Adopt or enhance Customs procedures that provide for the expedited release of shipments, while maintaining appropriate Customs controls, based on the WCO Immediate Release Guidelines, including the use of reduced data requirements for specified flows of goods, by taking into account the categorization of shipments provided in the Guidelines.
- iv. Carry out data processing and other formalities before arrival, with the aim to expedite the release of all low-risk shipments on arrival.

- v. Coordinate release among all relevant border agencies through a Single Window environment.
- vi. Set out simplified return/refund procedures, such as :
 - Control of return shipments by reconciling the inbound with the outbound shipment and granting duty exemption on re-importation;
 - Post-submission of supplementary documents (proof such as export declaration and/or proof of order cancellation);
 - Electronic drawback/refund system based on consistent data requirements and efficient reconciliation between the imported and the returned shipment (if/when taxes and duties have already been paid), including allowing authorized intermediaries to apply for drawback/refund on behalf of customers.
- vii. Enhance data submission, exchange, processing, and release through a Single Window paperless environment.
- viii. Revise existing formalities and/or adopt new procedures, as appropriate, concerning item level data reporting, taking into account existing and evolving E-Commerce business models, as well as considering the needs of MSMEs and individual buyers (consumers) and sellers.
- ix. Strengthen partnerships with E-Commerce vendors/platforms, for example by including them in Authorized Economic Operator (AEO) programmes and Mutual Recognition Arrangements/Agreements (MRAs) or other commodity-driven facilitation measures.

PRINCIPLE III - Safety and Security

- i. Develop and apply risk profiles that identify high-risk shipments that pose safety and security risks in E-Commerce channels, noting that security and safety risk factors are not perceived equally by all Governments. Once safety threat indicators (e.g., dangerous goods, strategic trade control goods) are defined, this would allow sharing between Customs authorities where appropriate and to the extent that administrations are able to improve their risk-analysis processes and indicators.
- ii. Improve Customs-E-Commerce operators cooperation : Customs administrations and E-Commerce operators should continue to work in partnership supporting risk management.
- iii. Develop and exploit IT capability that identifies illicit trade channels (e.g., dark web) to understand its impact on legitimate E-Commerce channels and take appropriate countermeasures.
- iv. Use various WCO tools to support profiling and risk assessment.
- v. Leverage WCO regional structures and trade associations to help filter and collect best practices and ensure practices are organized effectively to make them useful and accessible.

PRINCIPLE IV - Revenue Collection

- i. Capture relevant and reliable data as early as possible before the importation, as this will facilitate identification of the nature of the goods and their value, thus permitting accurate and efficient revenue collection;
- ii. Apply, as appropriate, alternative models of revenue collection (e.g., vendor collection, intermediary collection, and consumer collection) using IT solutions and test them through pilot projects or other means. The Models should be effective, scalable, and flexible, and promote a level playing field;
- iii. Define the roles and responsibilities of e-vendors/platforms and intermediaries in the supply chain concerning revenue collection and authorize them accordingly;
- iv. Review/adjust, following a comprehensive analysis, for example through a study, *de minimis* thresholds, as appropriate, based on but not limited to the following considerations :
 - National specificities, economic environment, and geographical context,
 - Simplified revenue collection models,
 - Cost of intervention and duty collection,
 - Compliance costs,
 - Revenue concerns,
 - Needs of Customs supervision,
 - Potential distortionary impact on domestic retailers and producers,
 - Fair, transparent, consistent application.

PRINCIPLE V - Measurement and Analysis

- i. Establish a set of common terminologies and reliable mechanisms to accurately measure and analyse cross-border E-Commerce in close cooperation with international organizations such as the WTO, UNSD, OECD, UNCTAD, UPU, ICAO, WEF, World Bank Group, as well as with national statistical organizations and E-Commerce stakeholders;
- ii. Use Data Analytics (including “Big Data” modules) and the existing capabilities of international organizations, e-vendors/e-platforms, and other stakeholders, with a view to generating trends and analysis for evidence-based decision making to support the implementation of the Guiding Principles and the efficient and sustainable growth of cross-border E-Commerce;
- iii. Establish mechanisms, including supporting legal framework, to capture data at item level to facilitate the development of E-Commerce trade statistics, while implementing simplified clearance processes, for example the consolidated simplified summary declaration.

PRINCIPLE VI - Partnerships

- i. Develop and enhance coordination and partnerships between relevant stakeholders (including Customs, other government agencies, e-vendors/e-platforms, logistics service providers, international organizations, academia, trade associations, non-governmental organizations, social media, financial intermediaries, postal operators, express service providers, individual buyers (consumers) and sellers). This could include more formal arrangements such as Memoranda of Understanding and Trusted Trader Programmes.

PRINCIPLE VII - Public Awareness, Outreach and Capacity Building

- i. Publish in an open and transparent manner all appropriate regulatory, policy, and procedural information including best practices concerning cross-border E-Commerce;
- ii. Raise public awareness and outreach to address issues such as compliance with Customs and other regulatory requirements, as well as potential threats to safety (including product safety) and security in the E-Commerce supply chain. Administrations and stakeholders should strive to raise awareness on goods presenting a safety issue in accordance with national safety regulations, by making information available at a single access point on their websites in order to educate all stakeholders on safety requirements;
- iii. Use all possible means, such as website, mass media, and social media, to share and disseminate related information with stakeholders. Customs should also encourage other partners (such as e-vendors/e-platforms, Post, express carriers) to further disseminate this information through their own platforms;
- iv. Develop a communication strategy for engaging with other agencies/organizations and relevant stakeholders to ensure regular and consistent messaging on opportunities and challenges presented by E-Commerce;
- v. Build capacities including bridging the digital divide through technical assistance, training, and education, integrating the experience of various stakeholders to keep up with rapidly evolving E-Commerce. Some examples include online training and international events which leverage the first-hand experiences of frontline officers and operators.

PRINCIPLE VIII - Legislative Frameworks

- i. Enable harmonized legislative frameworks, as appropriate, by leveraging existing tools/instruments in addressing security and facilitation challenges, such as the WCO Revised Kyoto Convention (RKC), the WTO Agreement on Trade Facilitation (TFA), the WCO SAFE Framework of Standards, Annexes 9 and 17 of the ICAO Chicago Convention, and the UPU Convention (Article 8) and Security Standards (S58 and S59);
- ii. Review and, where required, make changes/adjustments to procedures and practices by leveraging best practices in order to ensure a level playing field for all economic operators, to the extent possible.

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