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The Authorized Economic Operator in the Pacific Alliance

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This paper portrays an up-to-date status of the Authorized Economic Operator (AEO) Programs in the Pacific Alliance (PA), shining a light on the different obstacles these programs have encountered and what their probable outcomes will be in the coming years. The main goal with this investigation is to answer two questions: (1) What is the current situation of the AEO programs within the Pacific Alliance? (2) What impact will the PA's AEO programs have in the medium term? Can these programs become as successful as the Customs-Trade Partnership Against Terrorism (C-TPAT)?

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THE AUTHORIZED ECONOMIC OPERATOR IN THE PACIFIC ALLIANCE

SECO/WTI ACADEMIC COOPERATION PROJECT
WORKING PAPER

Jorge Vega Cancino.[1]

Abstract

The Pacific Alliance (PA) is a regional integration initiative comprised of Chile, Colombia, Mexico, and Peru. With 215 million inhabitants, the PA's countries account for just over 40% of Latin American GDP, as well as 52% of total trade and 45% of FDI in the region. They are also the four nations that occupy the top four places for Latin America in the 2016 World Bank's Doing Business index.As a block, theyaspire to becoming a platform for political articulation and projection to the world, with an emphasis on the Asia-Pacific region. Indeed, an example of these common objectives is the Authorized Economic Operator (AEO), an institution born after the establishment of the Customs-Trade Partnership Against Terrorism (C-TPAT) by the U.S. Customs and Border Protection (CBP),as a part of a multi-layered cargo enforcement strategy. Through this program, the CBP works with the trade community to strengthen international supply chains and improve border security.

The AEO Program is, at the same time, part of a much larger and ambitious global initiative, supported by both the World Trade Organization (WTO) and the World Customs Organization(WCO). Each of these international institutions have encouraged new measures towards Trade Facilitation, where the SAFE Framework is a specific application of the principles set by the Bali Package.

The AEO Program is aimed at cooperation based on 3 pillars: (1) Customs-to-Customs; (2) Customs-to-Business and Authorized Economic Operator; and (3) Cooperation between Customs and other Government and Inter-Government agencies.

This research portrays an up-to-date status of the AEO Programs in the PA, while shining a light on the different obstacles these programs have encountered and what probable outcomes will be in the coming years.

Our main goal with this investigation is to answer two questions:

1. What is the current situation of the AEO programs within the Pacific Alliance?
2. What impact will the PA's AEO programs have in the medium term? Can these programs become as successful as C-TPAT?

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1. Introduction: The AEO and its Role in International Trade.

A main focus for the WTO has been to achieve the simplification, modernization and harmonization of export and import processes, an objective summarized under the concept of 'Trade Facilitation'. Therefore, on the WTO's 2013 Ministerial Conference in Bali, on the landmark Trade Facilitation Agreement (TFA), an international instrument was concluded by its members, and entered into force on 22 February 2017, following its ratification by two-thirds of the WTO membership. The TFA contains provisions for expediting the movement, release and clearance of goods, including goods in transit. It also sets out measures for effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues. It further contains provisions for technical assistance and capacity building in this area.[2]

Although it is an independent initiative, started in 2005, the WCO's SAFE Framework is on the same track as the TFA. Accordingly, the WCO pledged to aid in the implementation of the 'Bali Package'. Although concurring, the SAFE Framework offers its own specific scope, on how Customs administrations must work co-operatively –among themselves and with the private sector as well– in order to achieve objectives common to both the WTO and the WCO. The AEO is a very relevant aspect of these measures.

In order to establish the concept framework for our study, we need to first assess what the AEO entails. For this purpose, it is necessary to analyze its peculiarities, pursuant to the 5th version of the SAFE Framework (the latest one), which was released by the WCO in June, 2015. This document defines the AEO as a party involved in the international movement of goods in whatever function that has been approved by or on behalf of a national Customs administration, in compliance with WCO or equivalent supply chain security standards. AEOs may include manufacturers, importers, exporters, brokers, carriers, consolidators, intermediaries, ports, airports, terminal operators, integrated operators, warehouses, distributors and freight forwarders.[3]

Since the end-to-end management of goods moving across borders became the standard in international trade, the AEO arose as an institution with a double purpose: on the one hand, it helps to add security to the supply chain; on the other, it reaps commercial benefits, such as faster processing of goods through Customs, e.g. via reduced examination rates. This, in turn, translates into savings in time and costs, as it also reduces multiple and complex reporting requirements. These processes will ensure that AEOs see a benefit to their investment in good security systems and practices, including reduced risk-targeting assessments and inspections.[4] AEOs that meet the criteria specified by Customs should reasonably expect to participate in simplified and rapid release procedures on the provision of minimum information.[5] Benefits also include improved security levels and an enhanced reputation for the organization,

[2] WTO Official Website, Trade Topics, Trade Facilitation, https://www.wto.org (Visited in January, 2017).
[3] WCO, SAFE Framework 2015, p. I/1, available on http://www.wcoomd.org (visited in February, 2017).
[4] WCO, SAFE Framework 2015, p. 5, available on http://www.wcoomd.org (visited in February, 2017).
[5] WCO, SAFE Framework 2015, p. 12, available on http://www.wcoomd.org (visited in February, 2017).

increased business opportunities, improved understanding of Customs requirements, and better communication between the AEO and the Customs administration.[6]

Strengthening Customs – Business co-operation is a main pillar and objective of the SAFE Framework; accordingly, it has thoroughly established the requirements to become an AEO. To convey a broad look at this institution, we will summarize its core aspects below:

Table 1: AEO Conditions, Requirements and Benefits.[7]
1. Demonstrated Compliance with Customs Requirements: Customs shall take into account the demonstrated compliance history of a prospective AEO when considering the request for AEO status.
2. Satisfactory System for Management of Commercial Records: The AEO shall maintain timely, accurate, complete and verifiable records relating to import and export. Maintenance of verifiable commercial records is an essential element in the security of the international trade supply chain.
3. Financial Viability: Financial viability of the AEO is an important indicator of an ability to maintain and improve upon measures to secure the supply chain.
4. Consultation, Co-operation and Communication: Customs, other competent authorities and the AEO, at all levels, international, national and local, should consult regularly on matters of mutual interest, including supply chain security and facilitation measures, in a manner which will not jeopardize enforcement activities. The results of this consultation should contribute to Customs development and maintenance of its risk management strategy.
5. Education, Training and Awareness: Customs and AEOs shall develop mechanisms for the education and training of personnel regarding security policies, recognition of deviations from those policies and understanding what actions must be taken in response to security lapses.
6. Information Exchange, Access and Confidentiality: Customs and AEOs, as part of an overall comprehensive strategy to secure sensitive information, shall develop or enhance the means by which entrusted information is protected against misuse and unauthorized alteration.
7. Cargo Security: Customs and AEOs shall establish and/or bolster measures to ensure that the integrity of cargo is maintained and that access controls are at the highest appropriate level, as well as establishing routine procedures that contribute to the security of cargo.
8. Conveyance Security: Customs and AEOs shall jointly work toward the establishment of effective control regimes, where not already provided for by other national or international regulatory mandate, to ensure that transport conveyances are capable of being effectively secured and maintained.
9. Premises Security: Customs, after taking into account the views of AEOs and their necessary compliance with mandatory international standards, shall establish the requirements for the implementation of meaningful Customs-specific security enhancement protocols that secure buildings, as well as ensure the monitoring and controlling of exterior and interior perimeters.
10. Personnel Security: Customs and AEOs shall, based on their authorities and competencies, screen the background of prospective employees to the extent legally possible. In addition, they shall prohibit unauthorized access to facilities, transport conveyances, loading docks and cargo areas that may reasonably affect the security of those areas in the supply chain under their responsibility.
11. Trading Partner Security: Customs shall establish AEO requirements and mechanisms whereby the security of the global supply chain can be bolstered through the commitment of trading partners to voluntarily increase their security measures.
12. Crisis Management and Incident Recovery: In order to minimize the impact of a disaster or terrorist incident, crisis management and recovery procedures should include advance planning and establishment of processes to operate in such extraordinary circumstances.
13. Measurement, Analyses and Improvement: The AEO and Customs should plan and implement monitoring, measurement, analysis and improvement processes in order to : ● assess consistency with these guidelines; ● ensure integrity and adequacy of the security management system; ● identify potential areas for improving the security management system in order to enhance supply chain security.

Source: WCO SAFE Framework 2015.

As established above, this framework sets forth the criteria by which businesses in the supply chain can obtain authorized status as a security partner. It addresses issues such as threat assessment, a security plan adapted to those threats, a communication

[6] WCO, SAFE Framework 2015, p. 24, available on http://www.wcoomd.org (visited in February, 2017).
[7] WCO, SAFE Framework 2015, p. IV/3 – IV/14, available on http://www.wcoomd.org (visited in February, 2017).

plan, procedural measures to prevent irregular or undocumented goods entering the international supply chain, physical security of buildings and premises used as loading or warehousing sites, security of cargo, means of transport, personnel vetting, and protection of information systems.[8] All of these requirements fall under the 'Authorized Supply Chain' concept, where all participants in an international trade transaction are approved by Customs by means of observing specified standards in the secure handling of goods and relevant information. Consignments passing from origin to destination entirely within such a chain would benefit from an integrated cross-border simplified procedure, where only one simplified declaration with minimum information would be required for both export and import purposes.[9]

In sum, the key aspect here is in the collaboration established on both national and international levels: private and public sectors within the country cooperate to create a secure supply chain; while countries and their respective public agencies set forth the rules and objectives. These goals range from preventing terrorism, to enabling faster physical trade of goods among nations. For example, one of the main focal points, security, is provided for within AEO measures in the sense of ensuring the safekeeping of buildings, monitoring and controlling exterior and interior perimeters, access points that prohibit unauthorized entering of facilities, conveyances, loading docks and cargo areas. Access control of facilities in the secure supply chain incorporates managerial control over the issuance and adequate control of identification badges (employee, visitor, vendor, etc.) and other access devices, including keys, access cards, and other devices that allow for unfettered access to company property and assets.[10]

Considering international cooperation as one of the foundations of WCO efforts, agreements between countries are essential. Consequently, the SAFE Framework also aims at 'Mutual Recognition'; a broad concept whereby an action or decision taken or an authorization that has been properly granted by one Customs administration, is recognized and accepted by another Customs administration. The standardized approach to AEO authorization provides a solid platform for the long-term development of international systems of mutual recognition of AEO status at bilateral, sub-regional, regional and, perhaps in the near future, global level. In order for a system of mutual recognition to work it is essential that:[11]

1. The AEO programs are compatible and conform to the standards and principles set out in the SAFE Framework;
2. An agreed-upon set of common standards that include sufficiently robust "action" provisions for both Customs and AEOs, have been established;
3. Standards are applied in a uniform manner so that one Customs administration may have confidence in the authorization of another;

[8] WCO, SAFE Framework 2015, p. 24, available on http://www.wcoomd.org (visited in February, 2017).
[9] WCO, SAFE Framework 2015, p. 12, available on http://www.wcoomd.org (visited in February, 2017).
[10] WCO, SAFE Framework 2015, p. 26, available on http://www.wcoomd.org (visited in February, 2017).
[11] WCO, SAFE Framework 2015, p. 36, available on http://www.wcoomd.org (visited in February, 2017).

4. If the certification process is delegated to a designated authority by an authorizing Customs administration, there shall be an agreed upon mechanism and standards for that authority;
5. Legislation enabling the implementation of a mutual recognition system is in place.

While the SAFE Framework is considered a minimum set of standards, it will be implemented at various stages in accordance with each administration's capacity ("phased approach") and the necessary legislative authority.[12] This affirmation is very relevant when we think of the Pacific Alliance and its various states of development, especially regarding the AEO programs, as we will learn briefly.

2. A Brief Look at the C-TPAT Experience.[13]

C-TPAT is a voluntary program. It began in November 2001, whereas the Security and Accountability For Every Port Act (SAFE Port Act) of 2006 provided a statutory framework and imposed strict oversight requirements. When companies join the partnership, they sign an agreement to work with CBP to protect the supply chain, identify security gaps and implement specific security measures and best practices. Additionally, partners provide CBP with a security profile outlining the specific security measures the company has in place. Applicants must address a broad range of security topics and present security profiles that list action plans to align security throughout their supply chain. C-TPAT members are considered low-risk and are therefore less likely to be examined. This designation is based on a company's past compliance history, security profile, and the validation of a sample international supply chain.

By extending the United States' zone of security to the point of origin, the customs-trade partnership allows for better risk assessment and targeting, freeing U.S. Customs and Border Protection (CBP) to allocate inspectional resources to more questionable shipments. Companies must be eligible and agree to comply with the C-TPAT Security Criteria. In return CBP provides incentives and benefits like expedited processing. Today, there are more than 11.325 certified companies. These companies account for over 54 percent (by value) of what is imported into the United States. Below is a breakdown of the 11.325 C-TPAT Certified companies:[14]

U.S. Importers	4.246
U.S. Exporters	492
U.S. Customs Brokers	867
Consolidators/3PLs	984
Carriers (Airlines, Sea Carriers, Cross Border Trucking Companies)	3.153
Canadian & Mexican Manufacturers	1.518
Marine Port Terminal Operators	65

[12] WCO, SAFE Framework 2015, p. 3, available on http://www.wcoomd.org (visited in February, 2017).
[13] Sources: http://www.c-tpat.com ; http://www.cbp.gov ; http://www.miq.com
[14] Source: http://c-tpat.com/what-is-ctpat/ (visited in March, 2017).

Table 2: List of C-TPAT Benefits.[15]

1. Reduction in U.S. Customs Inspections: When cargo is imported, CBP assigns an undisclosed risk value to each shipment; assessing such risk factors as: country of origin, supplier, type of product, developed intelligence.
When a C-TPAT certified company imports cargo, CBP deducts points from the risk value. This results in the imported cargo being placed in a preferred category. Even if the shipment is selected to be inspected, the process is faster if the shipment is being imported by a C-TPAT certified U.S. importer.
All of this translates into reduced inspection fees, customs fees, cargo fees, increased speed to market and an immediate positive effect on a company's bottom line.
Entries filed by Tier II C-TPAT certified U.S. importers are 3.5 times less likely to be selected for a security based examination whereas Tier III C-TPAT certified U.S. importers are 9 times less likely to be selected.
2. Front of the Line Privileges: Granted to full C-TPAT containers/trailers that are selected for an examination.
To the extent possible and practicable the containers/trailers can be moved ahead of any non C-TPAT containers/trailers awaiting exam, regardless of how long they have been there. Containers/trailers will not wait as long in line at a Container Examination Site.
Overall: Reduction in time and cost of getting cargo released by U.S. Customs
3. Priority Access: In the event of a national emergency or terrorist act, which results in the closing of an airport, land or sea port of Entry; C-TPAT certified shipments will have priority access into the U.S. once the U.S. Port of Entry reopens.
4. Free and Secure Trade (FAST) Lanes: Expedited clearance across the borders between the U.S. & Canada / U.S. & Mexico via dedicated FAST lanes.
5. Additional Benefits: (1) Maintain business relationship with an existing customer that is requiring your Company to be certified. (2) Obtain new customers. (3) Increase competitiveness. (4) Minimize the probability of a disruption to your supply chain. (5) Improve predictability in importing cargo from abroad or transporting cargo to the U.S.

Source: C-TPAT Official Website.

Below is a diagram of every point where the Supply Chain is susceptible to breach. Thus, C-TPAT aims at collaborative results, encouraging every link to upgrade its security standards:

- Diagram of Supply Chain Opportunities to Insert Contraband/Weapons of Mass Effect:

Source:http://www.miq.com

[15] Source: http://c-tpat.com/what-is-ctpat/c-tpat-benefits/ (visited in March, 2017).

3. The AEO in the Pacific Alliance.

With 215 million inhabitants, the Pacific Alliance countries account for just over 40% of Latin American GDP, as well as 52% of total trade and 45% of FDI in the region. They are also the four nations that occupy the top four places for Latin America in the 2016 ranking of the World Bank 'Doing Business' index, which estimates the ease of doing business in the countries.[16] As of 2015, the PA's main port's container traffic adds up to a very relevant total of 9.343.198 TEUs (see table below), which considered as a whole, positions it within the top 20 ports in the world.[17]

Table 3: PA's PORT TRAFFIC 2015 (ECLAC FIGURES).[18]

Port	Country	Place Port Ranking ECLAC 2015	Volume in TEU
Manzanillo	Mexico	5	2458135
Callao	Peru	6	1900444
San Antonio	Chile	12	1170184
Lázaro Cárdenas	Mexico	14	1068747
Veracruz	Mexico	15	931613
Buenaventura	Colombia	16	911533
Valparaíso	Chile	17	902542
		Total	**9343198**

Taking these figures into consideration, it is a relevant matter when we think of the AEO as a part of an economic agreement that allows for a faster and more secure movement of goods. At the same time, it upgrades the standards so it helps to build a reliable reputation within its partners in the developed world. This is a stand out example of both South – South cooperation and of a multilateral approach at international economic relations.

In regards to the legal status of the AEO, last year saw the Additional Protocol to the PA's Framework Agreement enter into force. Within its provisions, Chapter V Article 5.8 is dedicated to the Authorized Economic Operator:[19]

> *'1. The customs administrations of the Parties shall promote the strengthening of the Authorized Economic Operator programs (hereinafter referred to as 'AEO'), in accordance with the WCO Framework of Standards to Secure and Facilitate Global Trade (hereinafter referred to as the 'SAFE Framework').*
> *2. The customs administrations of the Parties shall encourage and work in Mutual recognition agreements (hereinafter referred to 'MRA') of the Parties' AEO programs.'*

Periodical meetings have been held by the PA's Technical Group (more specifically its Trade Facilitation and Customs Cooperation subgroup). In these

[16] Source: http://www.bbc.com/mundo/noticias-36709925 (visited in March, 2017), translated by the author.
[17] See the Top 50 World Container Ports http://www.worldshipping.org/about-the-industry/global-trade/top-50-world-container-ports (visited in March, 2017).
[18] ECLAC Official website http://www.cepal.org/sites/default/files/infographic/files/cepal_ranking_puertos_esp-okweb.pdf (visited in March, 2017).
[19] Additional Protocol to the Pacific Alliance's Frame Agreement, Translated by the author.

reunions, according to Chile's AEO Program Director, Jorge Yany, countries share valuable info, set forth common goals and receive help from C-TPAT experts. They are currently looking forward to the establishment of AEO Programs in all four PA's countries. PA members do not have the same level of development in these programs; indeed, Chile has the most work left to be done.[20] Nevertheless, firm steps are being taken towards a PA MRA, as the Customs administrations of all four PA countries signed an action plan to negotiate a multilateral agreement for the recognition of their AEO Programs. The signature took place at the 3rd AEO Global Conference held from May 11 to 13th, 2016, in Cancun, Mexico.[21]

Table 4: Pacific Alliance / USA Customs Country Profile (WCO Annual Report 2015).[22]

Country Name		Chile	Colombia	Mexico	Peru	United States
Name of Head of Customs Administration		Mr. Juan ARAYA	Mr. Santiago ROJAS ARROYO	Mr. Ricardo TREVIÑO CHAPA	Mr. Victor Martín PAMOS	Mr. R. Gil KERLIKOWSKE
Title of Head of Customs Administration		Director General of Customs	Director General	General Customs Administrator	Superintendente Nacional	Commissioner, U.S. Customs and Border Protection
Name of Customs Administration		National Customs Service	Dirección de Impuestos y Aduanas Nacionales (DIAN)	General Customs Administration, Tax Administration Service	Superintendencia Nacional de Aduanas y de Administración Tributaria (SUNAT)	U.S. Customs and Border Protection
Type of Organization		Customs Agency	Ministry Department	Revenue Authority	Revenue Authority	Border Protection Service
Customs Website Address		www.aduana.cl	www.dian.gov.co	www.sat.gob.mx	www.sunat.gob.pe	www.cbp.gov
Number of Customs staff (approximate)		1,832	4,797	7,648	3,480	60,000
Year of WCO Accession		1966	1993	1988	1970	1970
Key WCO Instrument	HS[1]	✓	✓	✓	✓	✓
	RKC[2]					✓
	SAFE[3]	✓	✓	✓	✓	✓

Footnotes
HS Harmonized Commodity Description and Coding System
RKC Revised Kyoto Convention
SAFE Framework of Standards to Secure and Facilitate Global Trade

Explanatory Notes
Type of Organization: 'Ministry Department' indicates that the Customs administration is a department, bureau, or division within a Ministry, such as the Ministry of Finance or the Ministry of the Interior. 'Customs Agency' indicates that the Customs administration is an autonomous Ministry or committee, or an independent agency, even if affiliated to a Ministry. 'Revenue Authority' indicates that the Customs administration is a pillar of an agency in which Customs and Tax authorities are integrated. 'Border Protection Service' indicates that the Customs administration is responsible for immigration services, such as visa verification at borders, in addition to the Customs portfolio.

[20] Interview held between Mr. Yany and the author on December, 2016.
[21] Source: Inter – American Development Bank Official Website http://www.iadb.org/en/topics/trade/customs-of-the-pacific-alliance-countries,20247.html (visited in April, 2017).
[22] WCO Annual Report 2015-2016, p. 24 – 53. Available on http://www.wcoomd.org (visited in February, 2017).

Country Name		Chile	Colombia	Mexico	Peru	United States
Name of automated clearance system		DIN system; DUS system	Customs Information System SYGA	SAAI (Sistema Aduanero Automatizado Integral)	SIGAD (Integrated Customs Management System); SDA (Customs Clearance System)	Automated Commercial Environment (ACE); Automated Export System (AES)
No. of Declarations	Import	1,110,175	n.a.	6,302,350	754,849	54,400,000
	Export	457,173	n.a.	2,383,489	307,109	19,068,298
No. of Electronic Declarations	Import	1,110,175	n.a.	6,302,350	754,849	31,164,800
	Export	457,173	n.a.	2,383,489	307,109	19,068,298
Electronic Declarations Rate	Import	100%	n.a.	100%	100%	57.3%
	Export	100%	n.a.	100%	100%	100%
No. of authorities – that issue import or export permits		12	n.a.	12	18	18
No. of authorities – connected to Customs Single Window System		3	n.a.	12	2	47

Explanatory notes
The 'Number of Declarations' includes all paper-based and electronic declarations processed by a Customs administration throughout the year 2015.
The 'Electronic Declarations Rate'was calculated by dividing the 'Number of Electronic Declarations' by the 'Number of Declarations'.

In the Customs country profile shown above (info taken from the WCO AEO Compendium 2016[23]), an idea of the volume of declarations these agencies manage and of their workforce as well, emerges. This data was included so that the reader could have a whole picture of the reality of the PA's Customs Administrations. This, just before the analysis of each PA member and their current AEO Program's status.

For each country, the paper will show a table that summarizes all the information related to the country's AEO Program, also taken from the WCO AEO Compendium 2016, and an up-to-date status of the program, complemented with information taken from various other sources.

[23] Available at http://www.wcoomd.org (visited in February, 2017).

a) Chile.

Program Title	Date Launched	Scope	Type of Operator	Legislation	Further Plans (Deadlines)
AEO	2016	Exports		Modification of Resolution Num. 0849/2009 Modifications of Art. 24 of Customs law (Ordenanza de Aduanas)	- Launch of 'pilot validation' stage. - Determination of 'resources breach' (financials, human, logistics, legal and training). - Redact and publish the customs regulation for AEO program, including certification processes, appeal and suspension or revocation of AEO Accreditation.
Accreditation (Components, process)					**Benefits**
Accreditation: - Pre-Application: The companies must complete and deliver to Customs the Pre-Application Single Form; - Pre-Evaluation: Customs will conduct a summary risk assessment process, to determinate the compliance of customs, legal, financial and tax standards. The assessment is based on the information supplied by the applicant in the Pre-Application single form; - Auto-Evaluation: The companies must complete and deliver to Customs the Auto-Application single form; - Evaluation: Based on the information supplied by the applicant in the Auto-Application single form, Customs will conduct a risk assessment process and "in situ" verification procedures, to determinate the compliance of security standards. - Certification: The certification is valid for a defined period, after which companies should apply to renewal of the certification, updating all information and backgrounds; - Monitoring and Reassessment: Customs will evaluate if the trade operator maintains its compliance with the obligations and standards. In the event of any breach, the Customs may suspend or revoke the certification. **Suspension & Revocation:** Customs could suspend or cancel an AEO certificated company, if the company doesn't maintain the AEO standards and/or seriously fails guarding integrity and security of cargo. **Appeal:** All trade operators could appeal to any customs authorities decision through a legal procedure established in current national law.					In general, depending on the type of certificate, operators can benefit from trade facilitation and simplifications, reduced waiting time and faster clearance of the goods. - Quality mark for the company; - Valuable investment for global companies; - Trade facilitations; - Security implementation guidance for the companies; - Reliable trading partner.

Source: WCO AEO Compendium 2016.

On March 13th, 2017, Chile passed the law number 20997, of "Customs Modernization". Its article 23 bis creates the AEO's legal basis, allowing for the Head of the Customs Administration to implement a regulation and approve AEO status for those operators that comply with the requirements. This development speaks volumes about the current status of the Chilean AEO program, where only pilot programs have been implemented. The country still awaits the Ministry of Treasury to dictate a bylaw that will thoroughly regulate the AEO. However, this should take place very soon; in the interview with Jorge Yany on October, 2016, it was stated that this new regulation was already in the making and that the Chilean Customs is working on the implementation stage of the Program, which will initially be available for customs brokers and exporters.

Based on their accumulated experience from the pilot programs, a new campaign was started to rebuild trust in the AEO Program, with a 3 year work plan, aimed at 3 different lines of development:

1- The Private Sector, centering on preparing companies for the certification;
2- Within the Customs Service, to train the workforce for the new challenges, creating an institutional basis;
3- International cooperation, using the WCO and the PA as platforms.

Chile's efforts, according to Mr. Yany, aspire to emulate other successful experiences –such as C-TPAT–, and to thus create a Program that will grow deep roots within the Chilean Foreign Trade community. Although they aim high, the protracted attempts have many explanations; the pilot programs date from as far as 2008, and after

9 years in the making, he tells us that there have been both internal and external factors in accounting for the delay:

- Internal or Structural Factor: Customs are used to being inspectors; they control the flow of goods. The AEO requires letting go of some of these inspections, based on risk assessment. This is resisted by some within Customs, as they have apprehension for new institutions and their possible results. It requires establishing a new paradigm.
- External Factor: Corporations must be convinced of the real benefits associated with the AEO Program, convincing them of the actual gain they can get from perfecting their security standards.
- Legal Factor: Updating regulations to the 2015 SAFE Framework requires modernization and coordination between public services inside the country. Certification must be valid for every public service involved in the international trade of goods.

b) Colombia.

Program Title	Date Launched	Scope	Type of Operator	No. of Operators	Legislation	Further Plans (Deadlines)
AEO – Authorized Economic Operator	September 2011	Exports	Exporter	13	Decree 3568 de 2011. Amended by decree 1894 from 22 September 2015.	Allow the participation of importers, ports and customs agents to the program

Accreditation (Components, process)	Benefits
Categories: - Safety and Simplification. - Safety and Sanitary simplification.	- Recognition as safe and reliable operators in the supply chain by control authorities. - Assign an operations officer from each authority that will support its operations. - Participation in AEO Congress. - Participation in training activities scheduled for AEO, by the supervisory authorities in matters within its competence. - Decreased number of awards, physical inspections and documentary operations for export, import and customs transit by the Tax and Customs and decreased physical inspections for export operations by the Narcotics Division National police. - Using special simplified procedures for the development of measures of recognition or inspection, as the case when these are identified as a result of risk analysis systems by the supervisory authorities. - Using channels and special mechanisms for conducting foreign trade operations that are filled suede Control Authorities. - Direct action of exporters and importers as respondents to the Tax and Customs regimes import, export and transit. - Recognition of goods under the terms stated in the customs legislation, for exporters and importers when acting as witnesses, and so require. - Tax benefits.

Source: WCO AEO Compendium 2016.

Although data shown above is very recent, Miss Luz Murcia, AEO Coordinator for DIAN, was contacted directly. She answered via email giving the following insight on their program: [24] Currently, Colombia has 23 companies authorized as AEO Exporters. The Program is available to exporters and importers, and works among institutions, whereas there are several control authorities that have security requirements and grant benefits:

- For exporters: Customs, Anti-narcotics Police, Colombian Agricultural Institute, National Institute for Drug and Food Surveillance.
- For importers: Customs, Anti-narcotics Police and the Colombian Agricultural Institute.

[24] Interview Via Email, email with answers received in January 6, 2017, from Luz Murcia Reyes, AEO Coordinator for Colombia's DIAN.

In the area of Mutual Recognition Agreements, they are currently in the implementation phase of the action plan, for a multilateral MRA of the AEO program with Pacific Alliance Customs. Future expectations are to continue the development of the Program by incorporating new links in the international supply chain.

To the question about which setbacks are acting as deterrents, she said that they still need to offer more attractive benefits to businesses. Also, they have work to be done in developing the program with their inter-institutional model, since continuing that development requires the approval of different issues (e.g., regulations) by all participating control authorities.

When speaking about their inspiring models, she confirmed that C-TPAT and European AEO's are the examples they have followed, always within the provisions of the SAFE Framework. Finally, regarding the PA's joint work and the future of the program, she said –as already stated in this study– that there is a regional strategy for the development and strengthening of the AEO program in the region, consisting of the exchange of best practices and frequent contact, both present and virtual. The AEO in Colombia, with the issuance of the new customs regulation decree 390 of 2016 (Article 34), has consolidated itself as a user with the full confidence of Colombian Customs and, because of this, any AEO in Colombia, will have access to multiple benefits in terms of Facilitation, which should see a significant increase in the demand for the Program, and a consequent increase in the number of companies that are authorized as AEO's. Furthermore, with the signing of the MRA, interesting benefits are expected in terms of facilitating trade with foreign Customs, which will be reflected in an increase in the competitiveness of Colombian exports.

c) Peru.

Program Title	Date Launched	Scope	Type of Operator	No. of Operators	Legislation	Further Plans (Deadlines)
Authorized Economic Operator	February 2013	Import and Export	Exporters, customs brokers, Warehouse. Gradually incorporate other operators.	21	Customs General Law Legislative Decree N° 1053 AEO Certificate Rules Supreme Decree N° 186-2012-EF. AEO Certification General Procedure Resolution N° 0061-2013-SUNAT/300000	Incorporation of Importer

Accreditation (Components, process)	Benefits
General Requirements: - To comply with tax and customs regulations. - To have an adequate system of logistic and accounting records. - To be financially solvent. - To have an adequate security level. Accreditation: - Submit application to Customs. - Documentary evaluation. - Validation visits. - Certification. **Certification:** - The certification is issued by Customs Administration (SUNAT) and is valid for three years. - Customs Administration may conduct periodical checking visits and post validation audits based on risk assessment.	- Reducing examination rates to the export cargos according to risk; - Priority to handling clearance formalities; - Direct export from the business site; - Assigning special officers to help companies to coordinate and resolve Customs issues. - Priority in handling trade formalities such as modifying or rectifying data. - Special attention to those extraordinary control activities. - Preferred term to resolve the request for the reimbursement of customs duties. - Preferential service during contingencies or the potential closing of ports and/or airports.

Source: WCO AEO Compendium 2016.

According to the Peruvian Customs Authority (SUNAT) official website, to date there are 49 AEO's in Peru: 21 exporters, 23 customs brokers, 4 warehouses and 1 importer.[25] Although it more than doubles Colombia's numbers, it is still a very small number of operators. When we look at the reasons for slow growth of the program, considering its 4 years of lifespan; they are very similar to those of Colombia; better regulations and more benefits for AEO's are needed. Another focal point is increasing the promotion of the program, so more eligible candidates get acquainted with it.[26] In light of this, last year, SUNAT eliminated the minimum annual export amount (US $ 3.5 million) to be accredited as an AEO, allowing for small and medium-sized enterprises to obtain certification. AEO's exported more than US $1.536 million in 2016; if Peruvian total exports for 2016 were valued at US $ 25 billion, AEO's represented 6,14% of the total.[27]

d) Mexico.

Program Title	Date Launched	Scope	Type of Operator	No. of Operators	Legislation	Further Plans (Deadlines)
New Programme of Certified Companies (NEEC: Nuevo Esquema de Empresas Certificadas)	2 January, 2012	Import and Export	Exporters, Importers, Carriers, Customs Brokers.	421 (Import-Export) 36 Carriers 9 customs brokers application	Article 100-A, 100-B and 100-C of Customs Law Rules 3.8.1. - 3.8.18. of the Mexican Foreign Trade Rules	- Design a regulatory framework to continue the certification of other trade partners within the supply chain(railroad in 2015). - Single Window for NEEC 2015. - Increase the number of NEEC companies.

Accreditation (Components, process)	Benefits
Validation Process(Note: Up to 180 natural days to grant a response for the application): - Tax and customs operations analysis: a) The company delivers the application, enclosing all documents required, including the company's profile. b)Analysis of the company's behavior in tax and customs matters in our internal data bases. - Documental analysis of the company's profile and validation visit: a)Documental analysis of the company's profile, in which can be required additional or missing information. b) Once the company's is analyzed, the validation visit must be scheduled in all the facilities registered, following up the next procedure: c) Define the scope of the validation plan. d) Schedule the validation visit to the company's facilities. e) Approve the inspection plan. f) Carry out the initial meeting previous to the validation. g)Validation Verification (verifying the compliance of the supply chain minimum security standards). h) Carry out the final meeting after the validation. i)Validation Report. - Opinion: once the specialist finishes his validation report and is approved, it is sent to the resolution area to grant or to reject the application. - Tracing: the company will have to keep accomplishing the indicated in the company's profile and fiscal or customs requirements. NEEC team will trace certified companies during the time granted in the certification. **Authorization:** - To the companies that fulfill all the previous requirements, it will be granted an opinion. In the cases in which the opinion includes observations, this must be resolved within the next 6 months after their certification. The time granted in all the authorizations is of 1 year. **Negative response:** The certification will be rejected in the following cases: - The company does not fulfill fiscal and customs requirements. - The company does not fulfill the indicated in the company's profile. - The company does not attend to extra information's requirements that can be made by NEEC. - The company does not allow the validation visit in their facilities. - The company is applying to the Program within any of following scenarios: - The company is putting up together temporary import operations from the tariff codes listed in the annex 28 of Mexican Foreign Trade Rules, to make up goods from the footwear industry classified in the chapters 64 and in the tariff subheading of the TIGIE. - The company is putting up together temporary import operations of the tariff codes listed in the annex 1 of IMMEX decree. **Penalties:**If the response is negative, the following restrictions will be applied immediately: - If the response is negative before the validation visit to the facilities, the company cannot re-apply until 6 months after the negative response is granted.- If the response is negative after the validation visit to the facilities, the company cannot re-apply until 2 years after the negative response is granted.	NEEC companies have more than 30 logistics-customs benefits. The most representative benefits are: - Reduction of the risk level associated to its foreign trade operation. - Less inspections and priority for physical as well as documental inspections - speed up in trade operations. - Express lane. - Assignment of a specialist person and a NEEC advisor.

Source: WCO AEO Compendium 2016.

[25] http://www.sunat.gob.pe/orientacionaduanera/oea/empresasCertificadas.html# (visited in March, 2017).
[26] On this subject, see e.g. the Business Journal 'Gestión': http://gestion.pe/empresas/sunat-acredito-diez-empresas-como-operadores-economicos-autorizados-2086434 (visited in March, 2017).
[27] Source: http://gestion.pe/economia/operadores-economicos-autorizados-agilizaron-exportaciones-mas-us-1536-millones-2183410 (visited in March, 2017).

In the context of the PA, Mexico has the biggest AEO Program, known as NEEC. It is relevant to mention that data from the Mexican Customs Authority (SAT) differs from that of WCO, as the former counts 516 certified AEO's, with a quick progression from 2012 to 2017.

These numbers are no surprise, given the fact that Mexico is the closest economy to the USA, and also considering the FTA between them. Thus, it is an imperative for them to certify their companies –e.g., if a company in Mexico has AEO status, its delivery times are reduced from 4 hours to 24 minutes, in order to cross the border. This is the difference between delivering goods in the morning of the same day, versus doing it in the following business day; a significant competitive advantage.[28] Also, the AEO Program has a proven expansive effect, in which certified companies are encouraged to have their whole trade chains become certified as well, in order to continue to do business with them. Additionally, there is a C-TPAT peculiarity that takes place, in which certified AEO's sometimes involve visits to their partners in other countries –in this case, Mexico–, so that the whole chain can be considered safe.

Other benefits specific to the NEEC Program are: fewer revision rates, waiver of guarantees, and summary declarations presented once a month. All of these have a concrete monetary impact, reducing paperwork and man hours. There is another very relevant development in analyzing Mexico, as they have already signed a MRA with the USA, on October 2014. Undoubtedly this puts them on the lead in relation to the PA, positioning them as the example to follow for the remaining members.

4. Common Obstacles Faced by AEO Programs in the PA.

As we have seen, with the sole exception of Mexico, PA AEO Programs remain small in their scope and reach, but are functioning in an articulate manner, hoping to be structured as a multilateral effort in the near future. Many of the setbacks encountered in this investigation involve resistance to new institutions, consolidation of the benefits offered to certified companies, and paradigm changes that need to take place among both the private and public sectors.

A standout example of these problems has been that of Chile, where only recently the law that creates AEOs has been passed. Although pilot programs have been put in place, there is a lot of catching up to do, especially keeping in mind that the PA MRA is expected to be in place by 2018, a mere one-year time frame.

Analysis in this particular topic will be very abridged, since other points will be covered subsequently in the prognosis.

[28] This example was given to us by Jorge Yany, as a direct experience shared with him within the PA's Technical Group.

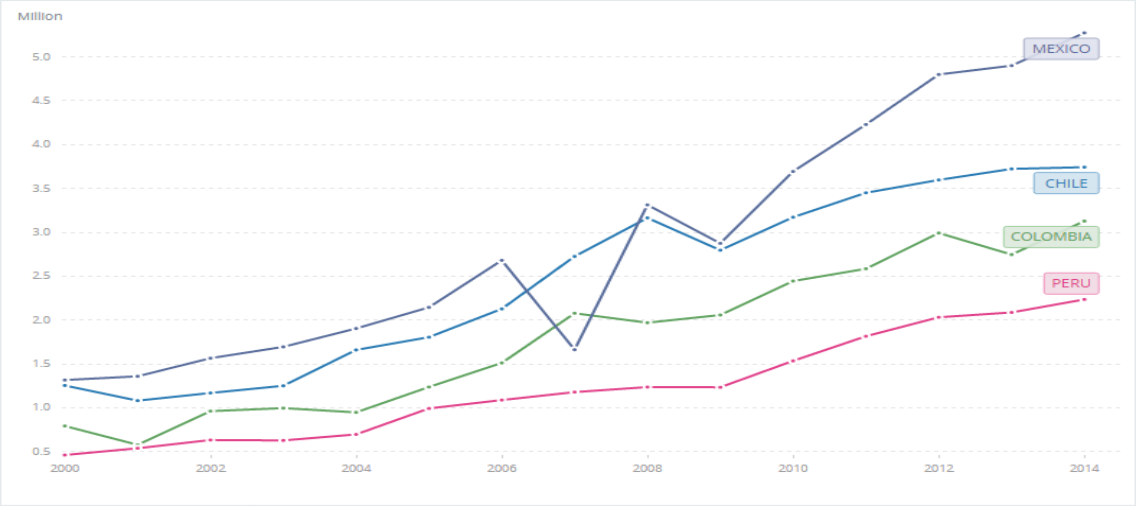
5. Conclusions: PA's AEO Programs Prognosis, Based on the C-TPAT Model.

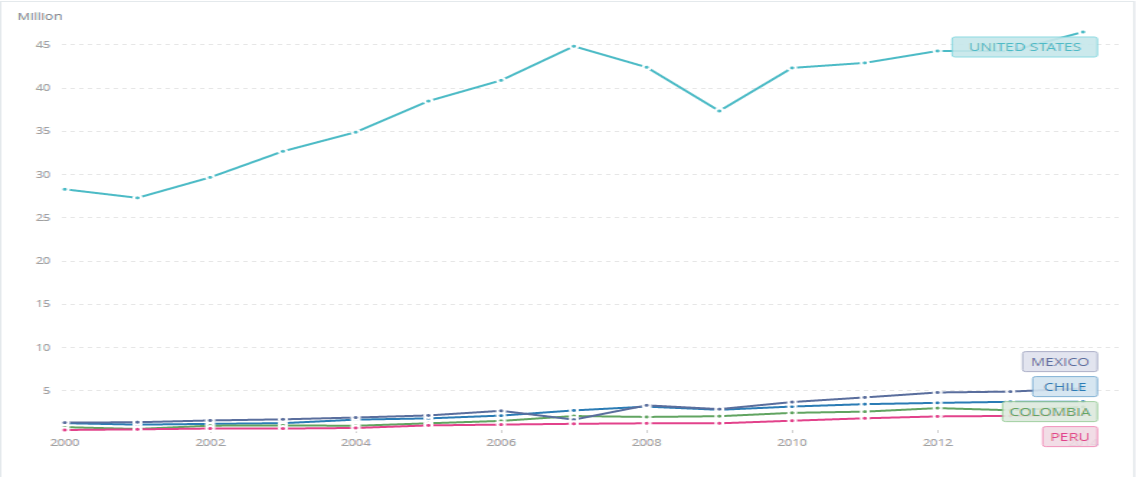
Program Title	Date Launched	Scope	Type of Operator	No. of Operators	Legislation	Further Plans (Deadlines)
Customs-Trade Partnership against Terrorism (C-TPAT)	November 2001	Import and Export	Whole supply chain, excl. warehouse operators, but incl. seaports and foreign manufacturers in Canada and Mexico	11000 as of Jan 2016	Security and Accountability for Every Port Act of 2006. Voluntary program.	

Accreditation (Components, process)	Benefits
Accreditation: - Certify security profile within 90 days once all information has been provided to CBP; - Conduct an on-site validation – within one year of certification. - Requires that Partners update their security profile and risk assessments on an annual basis. - Conduct revalidations within 4 years of the initial validation or sooner based on risk as assessed by CBP.	- Reduced Examination Rates. - Eligibility to Participate in other U.S. Government Programs, e.g. the Free and Secure Trade (FAST) & Importer Self-Assessment (ISA) Programs- - Stratified Exam Benefit for Importer Partners. - Front of the Line Processing. - Business Resumption. - Expedited Trade Processing. - Access to a Supply Chain Security Specialist (SCSS). - Penalty Mitigation. - Benefits through Mutual Recognition.

Source: WCO AEO Compendium 2016.

Container Port Traffic (in TEUs): AP vs United States.[29]





Source: World Bank Data Website.

[29] Source: http://data.worldbank.org (visited in March, 2017).
TEU: Twenty-foot Equivalent Unit.

When analyzing international phenomena, the magnitudes and impact that each individual country has on a global scale should be kept in mind. Considering this, the abysmal breach that separates most Latin American countries and the USA –best represented above in the graphic of their port traffic– in painfully obvious; however, this paper looks to project the future success of AEO programs in the PA, based on the North American model. Thus, while acknowledging this large difference, each PA member must be analyzed within their own particular reality.

As already shown, Mexico has the biggest AEO Program in the PA, maintaining a considerable difference with Peru –tenfold–, followed by Colombia with half as many AEO's as Peru. But even if the PA is considered as a whole, with 588 certified AEOs, it still only represents 5,19% of C-TPAT's (with 11325 certified AEO's). If forced to pinpoint the most relevant reasons behind this, it would definitely be the importance of the unity behind a paradigm: the USA held a standpoint that allowed them to set firm bases for their program, especially regarding regulations, while projecting those principles to the international trade system. This way, the innovations were enforced by the CBP and accepted as a standard by the community.

Certainly the long list of palpable C-TPAT benefits that have already been covered, were a sufficient incentive for every link in the chain to become interested in investing to be incorporated in the Program. This is the main obstacle PA countries have to overcome: creating real benefits that are attractive enough for operators to start thinking about certification. Mexico is pointing towards the right direction in this matter, offering benefits that translate into actual savings.

Another very important setback in the PA is the dissimilar level of development of the Programs, where an equivalent stage must be reached soon in order for them to flourish. This is not a matter of numbers, but of the quality of the regulation and what it offers to those interested in participating. It is certain that once this happens and the MRA is concluded, the PA will be en route to multilateral progression. To provide evidence of this affirmation, one should consider that, when an operator is presented with the opportunity to be certified in 4 economies at once, AEO status will be a much more coveted one.

As the PA's efforts also aim at establishing more fruitful economic relations within the block, the impact that these multilateral programs could have on strengthening the exchange, are noticeable. More importantly, after withdrawal of the USA from the TPP, reunions within the PA are focused on building alliances throughout the Pacific, and specifically with the Asia – Pacific Region. Heraldo Muñoz, Chile's Foreign Relations Minister, said a few weeks ago that the Alliance will initiate talks with partners in the Asia Pacific to achieve free trade agreements with high-quality

standards and short deadlines.[30] These FTAs could present new opportunities to create AEO networks, and will very likely be a stimulus for more certifications.

Finally, it is necessary to state that, since each PA country has its own peculiarities, it is difficult to foresee a similar outcome as that of C-TPAT. If the process discussed in this paper is to happen in the long term, it will be within a much-necessary multilateral framework. As the PA Mutual Recognition Agreement is expected for 2018, and if it comes to fruition –as the very first multilateral MRA–, a very solid and steady rise in the numbers of certified AEOs can be expected. But as of this moment, it is still a time of consolidation and setting the foundations for that somewhat distant expectation.

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