AEO Program in Japan

WCO Knowledge Academy
July 4th, 2013

Japan Customs
1. Overview of Japan’s AEO Program
2. Mutual Recognition Arrangement
3. Challenges
I. Overview of Japan’s AEO Program
AEO (Authorized Economic Operator) Program

**Background**

- Promotion of trade facilitation by streamlining customs procedures with a view to striving to greater competitiveness in international environment
- Efforts in international community after 9/11 to address need for strengthened security

- AEO program which ensures security while facilitating trade, working in partnership with private sectors.
- Japan Customs introduced the AEO program in conformity with international standards (March 2006, developed subsequently)

**AEO Program**

Economic Operators who are authorized by Customs as having established a system to ensure cargo security and compliance enjoy benefits such as simplified and expedite customs procedures
Scope of Japan’s AEO Program

Importers Exporters Manufacturers

International Logistic Operators

[Importation]

Customs Broker

[Exportation]

Airline

Shipping Company

Customs

Importers Exporters abroad
## Current Situation of AEO operators

(as of July 1, 2014)

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exporters</td>
<td>236 Exporters</td>
</tr>
<tr>
<td>Importers</td>
<td>89 Importers</td>
</tr>
<tr>
<td>Warehouse Operators</td>
<td>116 Warehouse Operators</td>
</tr>
<tr>
<td>Customs Brokers</td>
<td>86 Customs Brokers</td>
</tr>
<tr>
<td>Logistic Operators</td>
<td>8 Logistic Operators</td>
</tr>
</tbody>
</table>

**Total: 535 AEOs**
The Requirements and Benefits

Consistent with “WCO SAFE FoS”

- Compliance record
- Proper ability to conduct operations
- Compliance Program
  - organizational set-up
  - due Customs procedures
  - cargo/conveyance/premises security
  - internal audit
  - contracting parties requirement
  - communication with Customs
  - crisis management
  - financial integrity
  - education/training
  - etc.

Examples of Benefits

**Authorized Importers**
- Pre-arrival lodgment of import declaration and pre-arrival import permission – early release of cargo
- Reduced number of elements for import declaration
- Reduced examination and inspection at the time of import
- Periodical lodgment of duty/tax payment declaration

**Authorized Exporters**
- Export procedures are completed while keeping the cargo in their own premises
- Reduced examination and inspection at the time of export

**Authorized Warehouse Operator**
- Establishment of a new Customs warehouse only by notification
- Free monthly fee
Benefits of Japan’s AEO Program: Importers

- Compliance-reflected reduced examination and inspection
- Pre-arrival lodgement of import declaration and permission
- Release of cargo before duty/tax payment declaration and duty/tax payment

General Procedure

After placing goods into Customs area

- Ship’s Entry
- Import/Duty Payment Declaration
- Examination/Inspection
- Duty Payment
- Import Permit
- Cargo Release

Procedure for Authorized Importers

Before placing goods into Customs area

- Import Declaration
- Ship’s Entry
- Import Declaration
- Import Declaration
- Compliance Reflected
- Examination/Inspection
- Conducted at Customs area
- Cargo Release
- Duty Payment Declaration
- Duty Payment

(Optional) Periodical
Benefits of Japan’s AEO Program: Importers

Mean Time required for a time period from Customs declaration to Import permit (Time Release Study by Japan Customs)

【 Maritime Cargo 】
(General Cargo)

<table>
<thead>
<tr>
<th>Study</th>
<th>Mean Time (hours)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st study (1991)</td>
<td>26.1</td>
</tr>
<tr>
<td>2nd study (1992)</td>
<td>19.8</td>
</tr>
<tr>
<td>3rd study (1993)</td>
<td>13.1</td>
</tr>
<tr>
<td>4th study (1996)</td>
<td>10.2</td>
</tr>
<tr>
<td>5th study (1998)</td>
<td>5.6</td>
</tr>
<tr>
<td>6th study (2001)</td>
<td>4.9</td>
</tr>
<tr>
<td>7th study (2004)</td>
<td>4.3</td>
</tr>
<tr>
<td>8th study (2006)</td>
<td>3.3</td>
</tr>
<tr>
<td>9th study (2009)</td>
<td>3.1</td>
</tr>
<tr>
<td>10th study (2012)</td>
<td>2.6</td>
</tr>
</tbody>
</table>

AEO Cargo

0.1 hours
Benefits of Japan’s AEO Program: Exporters

- Waive the requirement to store goods in the Customs area
- Compliance-reflected reduced examination and inspection

General Procedure

Premises of Exporters

Export Declaration

Export Permit

Examination Inspection

Customs Area (CY)

Export Permit

Examination Inspection

Premises of Exporters

Export Declaration

Examination Inspection

Export Permit

Compliance Reflected
Process of AEO Authorization

1. Submission of Application
2. Examination of application
3. On-site inspection
4. Authorization

For quality assurance based on partnership with “Business” and “Customs”
Process of Post Authorization Audit

Internal Audit Report

Preparatory Work
- Examination of Internal Audit Report
- Identify the points to be checked

Regional Customs

On-Site Audit
- Process Inspection, Site Inspection, Interviews

Regional Customs

Audit Report

CTB

If a significant problem is found

Administrative Order for Improvements

If there is no proper improvements

Revocation
II. Mutual Recognition Arrangement
Concept of Mutual Recognition

- Mutual Acceptance of AEO Status
- Preferential Treatment which corresponds with AEO status of other country

- Ensuring Security and Facilitation in the Global Supply Chain
- Enabling Efficient Allocation of Customs Resources
- Enhancing Competitiveness by Maximizing Benefits to Reliable Stakeholders
<table>
<thead>
<tr>
<th>Year</th>
<th>Events</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>• Signed with New Zealand (May), implementation (Oct.)</td>
</tr>
<tr>
<td>2009</td>
<td>• Signed with the United States (June), immediate implementation</td>
</tr>
</tbody>
</table>
| 2010 | • Signed with the EU (June)  
      • Signed with Canada (June) |
| 2011 | • Signed with Korea (May), implementation (Nov.)  
      • Signed with Singapore (May), implementation (Aug.)  
      • Implementation of EU-Japan MRA (May) |
| 2012 | • Implementation of Canada-Japan MRA (Nov.)  
      • Full-implementation of Japan-US MRA (Dec.) |
| 2014 | • Signed with Malaysia (June) |
History of Mutual Recognition

Signed MRA with Malaysia on the occasion of WCO 2014 Council
Benefits of Mutual Recognition

Before MR
- Compliance-reflected inspection/examination by domestic AEO programme

After MR
- Compliance-reflected inspection/examination by domestic AEO programme
- Compliance-reflected inspection/examination by Mutual Recognition

Other benefits can be provided by Mutual Recognition.
Three Phase Process toward Mutual Recognition

Phase 1: Comparison of AEO Programmes
- to confirm compatibility of two programmes

Phase 2: Joint Verification of AEO Implementation
- to confirm compatibility at operational level

Phase 3: Development of MRA Text

Discussion on MR benefits

Coordination and enhancement of technical capabilities to implement MRA

Signing of Mutual Recognition Arrangement
(Immediately after the signing)

Implementation
Well-functioning AEO programmes

- Fully operational AEO programmes in line with the WCO SAFE Framework

- AEO programmes must have:
  - Proper mechanism to maintain the quality of AEOs
  - Transparency and predictability
  - Measures to ensure consistency of operation
Enabling Factors (2)

<Organizational Setting>

• Adequate organisational settings within Customs to run its programme and to implement MRA

/Framework of Information Exchange/>

• Steady and well-functioning channel for information exchange for effective implementation, supported by legal framework on information exchange
Operational capabilities

• Adequate customs database and proper process to examine compliance records of applicants

• Proper IT system for Customs procedures and risk assessment to properly realise mutually recognized AEOs
  - Automated risk assessment system including selectivity criteria
  - Selectivity criteria including ‘foreign exporters’ and ‘foreign importers’ as indicators
  - Identifier (i.e. code for foreign exporters/importers)
III. Challenges
1. Further expansion of AEOs and Follow-up of existing members

2. Automatic data exchange system of AEOs with partner countries

3. Cooperation between Customs and Aviation Authorities (AEO and KS/RA)
Thank you!

- You Tube (Customs Channel): [http://www.youtube.com/user/mof](http://www.youtube.com/user/mof)
- Facebook: [https://www.facebook.com/Japan.Customs](https://www.facebook.com/Japan.Customs)
- Twitter: [https://twitter.com/custom_kun](https://twitter.com/custom_kun)