Authorized Economic Operator (AEO) Programme
Trade Facilitation and Mutual Recognition

Hong Kong, China

Mr Kaison Chan
Superintendent
Hong Kong Customs
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1. The Authorized Economic Operator (AEO) Concept

2. Setup of Hong Kong AEO Programme

3. International Cooperation under Mutual Recognition Arrangement (MRA)

4. The Challenge: Small and Medium Enterprises (SMEs)

5. The Way Forward
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1. The Authorized Economic Operator (AEO) Concept
   - WCO SAFE Framework

   World Customs Organization
   “The SAFE Framework of Standards”

   Customs-to-Customs
   Customs-to-Other Government Agencies
   Customs-to-Business

2001 Sep

2005
1. The Authorized Economic Operator (AEO) Concept
   - WCO SAFE Framework

- **Authorized Economic Operators (AEOs)**
  - Involved in the international supply chain
  - Complied with the pre-determined security and safety criteria
  - Accredited by Customs administration
1. The Authorized Economic Operator (AEO) Concept
   - Global AEO Development

   • 77 Operational AEO Programmes and
     17 AEO programmes under development
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2. Hong Kong Authorized Economic Operator (AEO) Programme

- **Background**

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>SAFE Framework of Standards to Secure and Facilitate Global Trade formally launched</td>
</tr>
<tr>
<td>2005</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>Pilot run</td>
</tr>
<tr>
<td>2011</td>
<td>Review and consultation</td>
</tr>
<tr>
<td>2012</td>
<td>Formally launched</td>
</tr>
</tbody>
</table>
2. Hong Kong Authorized Economic Operator (AEO) Programme

- Features

Compliant with international standards

Free, Open and Voluntary

Two-tier certification to accommodate qualified SMEs
2. Hong Kong Authorized Economic Operator (AEO) Programme
   - Criteria for AEOs

   **Tier 1**
   - 10 security criteria
     - 1. Customs Compliance
     - 2. Maintenance of Commercial Records
     - 3. Financial Soundness
     - 4. Premises Security & Access Control
     - 5. Personnel Security
     - 6. Cargo Security
     - 7. Conveyance Security
     - 8. Business Partner Security
     - 9. Security Education & Training
     - 10. Info Exchange, Access & Confidentiality

   **Tier 2**
   - +2 additional security criteria
     - 11. Crisis Management & Incident Recovery
     - 12. Measurement, Analysis & Improvement

   3-Year validity
2. Hong Kong Authorized Economic Operator (AEO) Programme

- Accreditation of AEOs

1. Application
   ✓ Designated Account Manager to provide expertise and professional advice.

2. Validation
   ✓ Process review, document check, and on-site validation by accreditation team.

3. Approval
   ✓ Examination and approval by Accreditation Panel.

4. Post-accreditation Management
   ✓ Maintaining an ongoing communication.
2. Hong Kong Authorized Economic Operator (AEO) Programme
- 49 HKAEOS

- All stakeholders of global supply chain
- MNCs & SMEs
- Various industries
  (e.g. electronic goods, foodstuff, metal products...)

Annual Certificate Presentation Ceremony
2. Hong Kong Authorized Economic Operator (AEO) Programme

- Facilitation measures for AEOs

- Lower rate of physical inspection
- Prioritized Customs clearance
- Designated AEO Priority Service Counters
2. Hong Kong Authorized Economic Operator (AEO) Programme
   - Facilitation measures for AEOs

   Lower rate of physical inspection

   **AEO Cargo Inspection Rate (HK Customs)**

   80%

   (Rest are mostly licensing controlled items)
2. Hong Kong Authorized Economic Operator (AEO) Programme
   - Facilitation measures for AEOs

Prioritized Customs clearance

AEO Parking Bay at Control Points
2. Hong Kong Authorized Economic Operator (AEO) Programme
   - Facilitation measures for AEOs

Designated AEO Priority Service Counters
2. Hong Kong Authorized Economic Operator (AEO) Programme
- Facilitation measures for AEOs

Strengthened Competitiveness

- AEO database
- AEO cargoes as low risk

Internal Control
Predictability
Costs
Delay

CONFIDENCE
2. Hong Kong Authorized Economic Operator (AEO) Programme
   - Facilitation measures for AEOs

HKAEO consignments in total trade volume of Hong Kong, China:

<table>
<thead>
<tr>
<th></th>
<th>2018 (Jan - Jun)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Consignment</td>
<td>HK$ (Billions)</td>
</tr>
<tr>
<td>HK Overall</td>
<td>46 900 000</td>
</tr>
<tr>
<td>HKAEO</td>
<td>2 400 000</td>
</tr>
</tbody>
</table>
2. Hong Kong Authorized Economic Operator (AEO) Programme

- **HKAEO Logo**

**Revolving Globe:** Cooperation among stakeholders to enhance international supply chain security

**Interlocking Arrows:** Partnership between Hong Kong Customs and local industry to secure and facilitate global trade
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3. International Cooperation under Mutual Recognition Arrangement
- AEO MRA in Hong Kong, China

Mutual Recognition Arrangement (MRA)
Reciprocal benefits / facilitation to the mutually recognized AEOs

Mainland, China
29 Oct 2013

India
28 Nov 2013

Korea
13 Feb 2014

Singapore
27 Jun 2014

Thailand
11 Jun 2015

Malaysia
17 Mar 2016

Japan
23 Aug 2016

Australia
6 Jul 2017

New Zealand
28 Jun 2018
### International Cooperation under Mutual Recognition Arrangement

- **AEO MRA in Hong Kong, China**

<table>
<thead>
<tr>
<th>Country/Region</th>
<th>No. of MRA Signed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Korea</td>
<td>19</td>
</tr>
<tr>
<td>USA</td>
<td>12</td>
</tr>
<tr>
<td>Mainland, China</td>
<td>9</td>
</tr>
<tr>
<td><strong>Hong Kong, China</strong></td>
<td><strong>9</strong></td>
</tr>
<tr>
<td>Singapore</td>
<td>9</td>
</tr>
<tr>
<td>Japan</td>
<td>8</td>
</tr>
<tr>
<td>Canada</td>
<td>7</td>
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<td>Australia</td>
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<td>EU</td>
<td>6</td>
</tr>
<tr>
<td>Israel</td>
<td>5</td>
</tr>
<tr>
<td>New Zealand</td>
<td>5</td>
</tr>
<tr>
<td>Chinese Taipei</td>
<td>5</td>
</tr>
<tr>
<td>Mexico</td>
<td>3</td>
</tr>
<tr>
<td>Malaysia</td>
<td>3</td>
</tr>
<tr>
<td>Thailand</td>
<td>3</td>
</tr>
<tr>
<td>India</td>
<td>2</td>
</tr>
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4. The Challenge: Small and Medium Enterprises (SMEs)
- Business environment of Hong Kong, China

- Over 330,000 SMEs in Hong Kong, China –
  - Accounted for over 98% of business units;
  - About 45% of total employment.

- Most in import/export trade and wholesale industries
4. The Challenge: Small and Medium Enterprises (SMEs)
- Supports to SMEs in joining HKAEO Programme

2-Tier Certification in HKAEO Programme

- Encourages SMEs to join
- Provides guidance to enhance their supply chain security
- Facilitates their access to markets

Tier 1: 10 security criteria

Tier 2: +2 additional criteria

3-Year validity

10. Info Exchange, Access & Confidentiality
9. Security Education & Training
8. Business Partner Security
7. Conveyance Security
6. Cargo Security
5. Personnel Security
4. Premises Security & Access Control
3. Financial Soundness
2. Maintenance of Commercial Records
1. Customs Compliance

11. Crisis Management & Incident Recovery
12. Measurement, Analysis & Improvement
4. The Challenge: Small and Medium Enterprises (SMEs)
- Supports to SMEs in joining HKAEO Programme

Account Manager to assist in accreditation process
✓ Sharing on best practices
✓ Providing guidance throughout the process
4. The Challenge: Small and Medium Enterprises (SMEs)

- Supports to SMEs in joining HKAEO Programme

18% of HKAEOS are small and medium enterprises (SMEs)
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5. The Way Forward
- Looking forward to entering AEO MRA with other Customs

![Map of trade partners and MRAs]

- MRAs signed
- MRA under negotiation
- MRA under preparation
Thank You

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