



TRADE BEAT

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Changes in the International Trade Environment

- Increased globalization of trade
- Rapid growth in international cargo
- A highly competitive international business environment
- Establishment of the World Trade Organization (WTO) and regional trading arrangements such as the Caribbean Single Market Economy (CSME)
- Reduced tariff barriers through the WTO
- Removal of many non-tariff barriers
- Growth in e-commerce and use of electronic data interchange (EDI) for delivery of Government services
- Increased focus on trade security

FACILITATING INTERNATIONAL TRADE REVISED KYOTO CONVENTION

Trade in goods and services is nothing new in the realm of international commerce. Over time, with globalization and trade liberalization, trade volumes have significantly increased across borders. This growth in trade has largely been due to the changing nature of supply chains, which simply refers to the process of moving goods or services from supplier to consumer. Through this increased activity, Customs administrations across the world have considerable responsibility in monitoring this process and ensuring that smooth and predictable trade flows occur with limited hindrances.

Free movement of goods is essential in the linking of international supply chains, which have become increasingly far reaching, as suppliers are located further away from their consumers. In the current environment, supply chains may become susceptible to disturbances in the global market and traders may experience challenges to the logistics process. Consequently, if these links are not efficiently managed, procedures involving border control or documentary regulations could prove to be costly and may result in delays for business interests. In order to address the potential issues and facilitate a steady trade, negotiations focused on harmonization and simplification of customs procedures are taking place.



As a result of the changing trade environment, the traditional approach to Customs control was largely seen as creating non-tariff barriers to trade (NTBs). NTBs are restrictions that result from prohibitions, conditions, or specific market requirements that make importation or exportation of products costly and difficult. Consequently, the international trade community had to address the matter of lengthy Customs procedures which were adding to the cost of doing business. In support of trade liberalization, there were calls from the World Trade Organization (WTO) to simplify and harmonize Customs procedures as a key to trade facilitation. In order to achieve this objective, a multilateral approach to Customs modernization and standardization became necessary.

The Revised Kyoto Convention (RKC)

In response to calls for changes to the International Convention on the Simplification and Harmonization of Customs (The Kyoto Convention), a revised agreement was done to encompass significant changes in trade practices, as well as major developments in technologies. Consequently, the Revised Kyoto Convention (RKC) was developed and entered into force on February 3, 2006. The RKC made it harder for contracting parties to avoid their obligations, but made the Convention up to date, easier to join, implement, understand and more adaptable to the changing global environment. As with all International Conventions, the RKC is a legally binding international treaty, that specifically comprises a set of principles that lay out standards and recommendations regarding Customs procedures and administrative practices.

The RKC has become the main trade facilitation Customs Convention and serves as a roadmap for efficient and modern Customs procedures. It is developed and administered by the World Customs Organization (WCO), and recommends standards for predictability, transparency, legal process and the use of modern technologies in international trade. The adoption and implementation of the RKC will deliver tangible benefits to the economies of its contracting parties by increasing their share of world trade. By harmonizing the elements of trade, stakeholders involved will be able to share and access information, and address common objectives over secure platforms. This modern and efficient Customs operation will contribute to reduced transaction costs and enhanced trade security as procedures that were otherwise lengthy and costly would be diminished through the use of technology and coordination among authorities. These standard procedures will encourage economic activity resulting in growth for the relevant countries and contribute to an overall increase in international trade volumes as trading will become easier, less costly and predictable.

Purpose of RKC

The main purpose of the RKC is to facilitate trade. The RKC enables contracting parties to achieve a modern customs administration, while providing improved trade facilitation and enhanced Customs control. It provides a simpler, harmonized and more flexible approach to Customs operations.

Guiding Principles of the RKC

- Transparency and predictability of Customs actions
- Standardization and simplification of goods declaration and of supporting documents
- Simplified procedures for authorized persons
- Maximum use of information technology
- Minimum necessary Customs control to ensure compliance with regulations
- Use of risk management and audit-based controls
- Coordinated interventions with other border agencies
- Partnerships with trade related stakeholders

Benefits of Implementing the RKC

For Customs:

- Measurable results
- Improved efficiencies
- Improved effectiveness

For Countries:

- Improved competitiveness
- Attract investments
- Development of industries



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Structure of RKC -The Convention comprises three parts- The Body, The General Annex and the Specific Annexes. Both the General Annex and the Specific Annexes are divided into chapters detailing Guidelines that explain how they operate. To become a party to the Convention, the Body and the General Annexes must be accepted in their entirety. The Specific Annexes do not have to be accepted initially and may be eventually accepted as a whole or on a chapter by chapter basis.



The Body is obligatory – The basic provisions

of the RKC are outlined here. It also contains the preamble which sets out the goals and principles of the Convention, as well as provisions relating to scope, structure, administration, accession and amendment.

The General Annex is also obligatory – The core principles of the RKC are outlined here which are not repeated in the Specific Annexes. It has 10 Chapters, which contain Standards and Transitional Standards, all of which are mandatory. The General Annex is a new addition to the original Kyoto Convention and has approximately 120 binding provisions that have general application across a number of Customs operations. It comprises provisions on traditional customs procedures relating to duties, taxes and customs control, as well as provisions for the use of information technology, risk management and audit techniques, pre-arrival processing and transparency of customs regulations. It also stipulates a partnership approach between customs and trade stakeholders, as well as coordinated interventions with relevant border authorities. Detailed Guidelines are also provided to assist with implementation.

The ten Specific Annexes are not obligatory - The Specific Annexes are also divided into Chapters, and have detailed Guidelines for their implementation. It is possible to accede to either a complete Specific Annex or to one or more Chapters of an Annex. Accession to the Specific Annexes is optional and may be accomplished following accession to the Body and General Annex. The Specific Annexes also contain both Standards and Recommended Practices. If a State decides to accede to a Specific Annex or a Chapter of a Specific Annex, it will be bound to implement any Standards and any Recommended Practices that the Specific Annex or the particular Chapter thereof contains, other than the Recommended Practices that reservations have been lodged against. Reservations speak to exclusions or modifications to the legal effect of certain provisions of an agreement by the contracting party, before it agrees to the terms of the treaty.

Guidelines – All Annexes and Chapters are accompanied by Implementation Guidelines. These do not form part of the legal text. They provide guidance to Customs agencies on administrative practices that will help them to implement the RKC effectively and, more importantly, strengthen the capability of agencies to carry out their tasks. The Guidelines are not mandatory, so agencies do not have to follow them. The Guidelines do, however, represent best current practice and should be treated as a valuable guidance tool. They are regularly reviewed and updated to reflect current practice, and so will continue to be flexible and progressive.

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When the WCO reviewed the original Kyoto Convention, it concluded that:

- an effective mechanism was required to keep Kyoto relevant and up-to-date;
- the system of reservations needed to be more restrictive; and detailed implementation guidelines were needed for the legal provisions.

The RKC addressed these concerns and was strategically designed to always be current; where changes could be easily made in response to the adjustments in the trade climate of the day. It was easier for countries to become a party to the Convention and the amendments made were easily understood. The revision incorporated modern concepts, such as the application of new technology, where transactions were conducted electronically through the use of Information Technology and new concepts to Customs control were introduced. Partnerships with relevant stakeholders also came up on the agenda and new cooperative arrangements were established with both the private sector and other government agencies. This broad based approach led to best practices being established in several key areas of operation including:

- risk management
- audit based controls
- pre-arrival information
- information technology
- coordinated interventions
- consultation with trade
- information on Customs laws, rules and regulations
- system of appeals in Customs matters



Contribution to International Trade

- Develop uniform Customs practices and procedures around the world
- Meet the needs of international trade and Customs for facilitation, through simplification of Customs procedures and practices
- Ensure appropriate standards of Customs control
- Enable Customs to respond to major changes in business and administrative methods and techniques
- Reduce the costs of Customs processing to traders and Governments



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