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)
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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
1. The Authorized Economic Operator (AEO) Concept

2. Setup of Hong Kong AEO Programme

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2. Hong Kong Authorized Economic Operator (AEO) Programme

- Background

SAFE
Framework of Standards to Secure and Facilitate Global Trade

Formally launched (April 2012)

Pilot run (June 2010)

Review and consultation (June 2011)
2. Hong Kong Authorized Economic Operator (AEO) Programme

- **Features**

1. Compliant with international standards
2. Free, Open and Voluntary
3. Two-tier certification to accommodate qualified SMEs
2. Hong Kong Authorized Economic Operator (AEO) Programme
   - Criteria for AEOs

**Tier 1**
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**
11. Crisis Management & Incident Recovery
12. Measurement, Analysis & Improvement

3-Year validity

+ 2 additional security criteria

10 security criteria
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
## 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><strong>No. of Consignment</strong></td>
<td><strong>HK$ (Billions)</strong></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**
   - HK AEO 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
### 3. 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>
</tr>
<tr>
<td>Australia</td>
<td>7</td>
</tr>
<tr>
<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>
</tbody>
</table>
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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 HKACEO Programme

2-Tier Certification in HKACEO Programme

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

<table>
<thead>
<tr>
<th>Tier 1</th>
<th>10 security criteria</th>
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<tr>
<td>Tier 2</td>
<td>+2 additional criteria</td>
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</table>

3-Year validity

1. Customs Compliance
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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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- *Looking forward to entering AEO MRA with other Customs*
Thank You

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