



Supply Chain Security

SUPPLY CHAIN SECURITY

- This will be a two-part presentation:
 - Part 1 will provide a brief introduction to the materials in the Study Guide
 - Part 2 will look at the sorts of matters that Customs may look at when considering an AEO application:
 - Focusing on the security of premises and personnel
- As with Module 2, you have an activity and a test to complete as well



THE IMPACT OF 9/11

- Prior to 9/11, focus on:
 - Trade Facilitation (RKC adopted 1999)
 - Improving reporting of and clearance procedures for exports:
 - Revenue concerns
 - Prohibited and permitted goods
- Immediately post 9/11, focus turned to border security and supply chain security
 - Global support for US unilateral action
 - US Officials given roles in foreign ports
 - International Organizations such as ICAO and IMO moved to introduce measures to secure aviation and maritime supply chain
- In Australia, immediate switch in focus from trade facilitation to border security



UNILATERAL US MEASURES

- Advance Manifest Reporting Scheme
- Importer Security Filing Initiative
- Container Security Initiative:
 - US Customs personnel stationed in o/s ports to monitor pre-screening of cargoes destined to US ports
- CTPAT Scheme
 - Voluntary compliance program for US importers
 - Forerunner of AEO concept
- Pressure on WCO to introduce mandatory pre-screening of all cargoes destined for US:
 - Opposed within WCO as contrary to risk management principles



INITIATIVES IN THE IMO AND ICAO

- IMO introduced the International Ship and Port Facility Security Code (ISPS Code):
 - establishment of an international framework that fosters cooperation between Contracting Governments, Government agencies, local administrations and the shipping and port industries, in assessing and detecting potential security threats to ships or port facilities used for international trade,
 - For more info on IMO practice go to: [IMO Practice](#)
- ICAO focused on amendments to Annex 17 of the Chicago Convention
- In collaboration with WCO, ICAO developed Guidelines on “Moving Air Cargo Globally”.
 - It recognises that airlines cannot take full responsibility for checking cargo before dispatch, so it pushes the aviation supply chain security function to companies operating before goods come to airports.



EARLY WCO RESPONSES

- WCO Resolution on Security and Facilitation of the International Trade Supply Chain (2002)
 - the WCO Data Model was re-examined to ensure it included a standardized set of data elements necessary to identify high-risk goods;
 - Guidelines were developed to assist Members in developing a legal basis and other necessary steps to enable the advance electronic transmission of Customs data;
 - Guidelines were developed for cooperative arrangements between Members and private industry to increase supply chain security and facilitate the flow of international trade;
- Resolution on Global Security and Facilitation Measures concerning the International Supply Chain (2004) established the High-Level Security Group, with a mandate to develop a framework for the security and facilitation of trade:
 - to report back to the Policy Commission within 12 months



THE SAFE PACKAGE

- The Framework consists of five core elements that:
 - harmonize electronic cargo information requirements on inbound, outbound and transit shipments
 - require countries to adopt a consistent risk management approach to address security threats
 - provide for a receiving state to request the sending state to conduct outbound inspection of high-risk containers and cargoes
 - define and suggest benefits that Customs will provide to businesses that meet minimal supply chain security standards and best practices:
 - Authorized Economic Operator schemes now established in many countries
 - promote close cooperation with other governmental agencies representing different regulatory areas, in order to keep societies safe and secure while facilitating the movement of goods



THE SAFE FRAMEWORK

- The latest iteration of SAFE was adopted in July 2025
- It is considerably enhanced from the original version. It has three pillars:
 - Customs-to-Customs
 - Customs-to-Business
 - Customs-to-Government
- Recommended standards are supported by detailed guidelines on matters such as data collection and transmission, cargo inspections and authorized economic operators
- 172 Countries have expressed their intention (in writing to the WCO Secretariat) to implement SAFE:
 - It remains a set of recommendations and does not have legally binding force
 - Implementation of safe is not uniform around the world and AEO schemes are patchy and variable



THE SAFE FRAMEWORK (cont)

- The 2025 edition:
 - Strengthens the pre-existing standards for cooperation between Customs Agencies:
 - With emphasis on Mutual Recognition Agreements
 - Maintains the Customs-to-Business relationship with strengthened AEO provisions
 - Calls for enhanced cooperation with other border agencies, including introduction of Single Window
 - Puts greater emphasis on inter-agency cooperation, particularly in relation to environmental agencies
 - Heightens the emphasis on internal risk:
 - AEOs are to have a robust Code of Conduct:
 - SAFE is to be made more accessible to micro and MSMEs businesses
 - Customs are encouraged to create greater exchange of best practices, including sealing techniques.



PILLAR ONE STANDARDS

- **Standard 1** States should implement the WCO Guidelines on Integrated Supply Chain Management (e.g. the early submission of electronic data on shipments from both the exporter and the carrier to allow risk assessment of goods before departure; customs control of goods at point of departure, including examination capability; and sealing of goods).
- **Standard 2** Customs should have the authority to inspect all cargoes entering, departing or transiting the country
- **Standard 3:** Customs should use modern non-intrusive technology to conduct cargo examinations
- **Standard 4:** Customs should establish a risk management system to identify high risk cargoes
- **Standard 5:** Customs should use sophisticated methodologies for targeting and profiling of high risk consignments
- **Standard 6:** Customs should require advance electronic information to enable risk assessment to take place
- **Standard 7:** Customs should provide for joint targeting and screening, the use of standardized sets of targeting criteria, and compatible communication and/or information exchange mechanisms
- **Standard 8:** Customs should maintain statistical performance measures
- **Standard 9:** Customs should conduct security assessments of the supply chain to identify vulnerabilities and remove them
- **Standard 10:** Customs should maintain high levels of employee integrity
- **Standard 11:** Customs should conduct outbound security examinations upon request.



PILLAR TWO STANDARDS: AEO STATUS

The expectations of AEOs are set out in six standards (and detailed in Annex IV to SAFE):

- **Standard 1:** Companies seeking AEO status are required to conduct a self-assessment process to determine the extent to which their supply chain is secure against external threats. The end product of this self-assessment process should be an agreed strategy between Customs and the AEO to maintain the integrity of that supply chain
- **Standard 2:** AEOs will incorporate pre-determined security best practices into their existing business practices. This requires appropriate physical security, data security and personnel security measures
- **Standard 3:** In return for investing in supply chain security, AEOs should receive tangible benefits from Customs including reduced levels of cargo examination and expedited clearance (see Annex IV)
- **Standard 4:** AEOs are to maintain security using modern technology
- **Standard 5:** Customs is to maintain updated Business partnership programs
- **Standard 6:** Customs is to work co-operatively with AEOs to maximize security and facilitation of the International trade supply chain originating in or moving through its Customs territory



PILLAR 3 STANDARDS (1)

- **Standard 1:** Governments to foster mutual cooperation between their Customs administration and other competent government agencies.
- **Standard 2:** Governments to develop and maintain cooperative arrangements or procedures among their agencies involved in international trade and security.
- **Standard 3:** Governments to align the requirements of the various security programmes/ regimes that are implemented to enhance security of the international supply chain
- **Standard 4:** Governments to harmonize the supply chain security national control measures of government agencies, including risk management and risk mitigation
- **Standard 5:** Customs to work with other government agencies as well as the private sector to identify their respective roles and responsibilities in relation to trade continuity and resumption measures in order to continue trade in the event of a disruptive incident.
- **Standard 6:** Customs to develop cooperative arrangements with other government agencies that require data for the clearance of goods in order to facilitate the seamless submission, transfer, and reuse of international trade data, consistent with the Single Window concept



PILLAR 3 STANDARDS (2)

- **Standard 7:** Governments to foster mutual cooperation between Customs administrations and other competent government agencies involved with supply chain security across borders or within a Customs Union.
- **Standard 8:** Governments to develop cooperative arrangements or protocols among their agencies that are working side by side on a shared border or within a Customs Union.
- **Standard 9:** Governments should, where appropriate, harmonize the requirements of the various security programmes that are implemented to enhance security of the international supply chain.
- **Standard 10:** Governments to work to harmonize cross-border control measures.
- **Standard 11:** Together, governments should foster cooperation between and among international bodies that are involved with supply chain security.
- **Standard 12:** The WCO on behalf of its Members should develop and maintain cooperative arrangements with those international governmental bodies (e.g. ICAO, IMO and UPU) that are involved with supply chain security.



AEOs AND MUTUAL RECOGNITION AGREEMENTS

- Central to Pillar 2 and stressed in the latest iteration of SAFE is the concept of Mutual Recognition. In order for a system of mutual recognition to work it is essential that:
 - The AEO programs of the two countries are compatible and conform to the standards and principles set out in the SAFE Framework
 - There is an agreed set of common standards that include sufficiently robust “action” provisions for both Customs and AEOs
 - Standards are applied in a uniform manner so that one Customs administration may have confidence in the authorization of another
 - If the validation process is delegated to a designated authority by an authorizing Customs administration, there shall be an agreed upon mechanism and standards for that authority
 - Legislation to enable the implementation of a mutual recognition system is in place
 - Members with trade economic integration or regional economic integration arrangements should, when implementing mutual recognition systems at their corresponding level of integration, strive to unify all the criteria for granting, suspending, removing and reinstating AEO status as prescribed in SAFE
- A summary of AEO and MRA programs is available at <https://aao.wcoomd.org/>



CONCLUSIONS

- Supply Chain Security will be a constant issue for the foreseeable future and will continue to drive innovation in Customs:
 - New technology
 - Enhanced cooperation
 - Enhanced data exchange
- New iterations of SAFE will appear regularly
 - By not being a legally binding document change is much easier
 - Developing it into a Convention or amending the RKC to include SAFE standards may happen eventually
- For most countries, focus is likely to be on:
 - Mutual recognition agreements
 - Single window
 - Data exchange capability and technologies such as track and trace and blockchain
- The balancing act between enforcement and facilitation will become more sophisticated



Part Two:

Authorised Economic Operator

- Issues considered by Customs when assessing if a business is eligible to become an AEO



Business Premises Security

Purpose

- To understand the security measures that the business has in place at its premises that are part of its international supply chain.
- To understand the procedures in place that provide assurance over the integrity of personnel in positions that are involved with the international supply chain
- To understand how the business protects against
 - Unlawful or unauthorised access to its premises
 - Unlawful or unauthorised movement
 - Alteration or interference with goods during their movement into or out of the premises and when stored n the premises



External Security

Examination of

- perimeter fencing
- peripheral barriers
- enclosed areas around cargo handling and storage facilities
- segregation of high value and hazardous goods
- definable perimeters
- signage outlining the area as a controlled zone
- entry to authorised personnel only
- procedures to ensure that fencing is regularly inspected for integrity, and that any damage is repaired



Gates and Gate Houses

- How does the business control the movement of vehicles and personnel entering or exiting the premises?
- Does the business protect the premises against unauthorised access by private vehicles?
- Does the business have procedures that specify
 - when and how searches of vehicles and/or personnel entering or exiting controlled areas are performed (or if they can be at all)?
- Are the gates which vehicles and/or personnel enter and exit the premises manned, monitored or otherwise controlled?



Parking

Have the business describe the procedures in place to prohibit the parking of employees and visitors vehicles in close proximity to goods handling and storage areas.



Building Structure and Locking Devices

Examine

- buildings to ensure they are constructed of materials that resist and protect against unlawful entry
- business procedures are in place to ensure the integrity of the structure is maintained, inspected and repaired when needed

Ensure

- that all external and internal windows, doors, fences and gates are secured with locking devices or an alternative access monitoring or control measures
- procedures are in place for the issuance and access to locks, keys and access cards or similar
- procedures exist for conducting periodic inventory of locks, keys and access cards



Lighting, Alarms and CCTV

Ensure the business has adequate lighting

- inside and outside business facilities
 - including entrances, exits, goods handling and storage areas, fence lines and
- Are there processes in place for the business to maintain lighting equipment and occurrences of failure

Determine

- If the business has alarm systems and/or CCTV?
- If so, do the alarms and CCTV cover
 - potential intruders, possible intrusion, expand the area under surveillance and assist in investigations
- Are the alarms monitored/responded to?



Security Personnel

Does the business have security personnel?

- Are they required to undertake or show completion of a training program?
- Are they employees of the business?
- If not, in what capacity are they employed?



Access Controls

Employees

- What are access controls to the premises at all times?
- Is there an employee identification system that provides access and positive ID whilst working in restricted areas?
- Are there different levels of access and restriction to certain areas?

Visitors and Contractors

- How does the business positively ID and manage access to the premises for visitors and contractors?
- Does the business register and monitor all visitors/contractors?
- What ID does the visitor/contractor have to provide?
- Do all visitors/contractors have to wear visible visitor passes?



Personnel Security

Pre-Employment Verification and Background Checks

- Examine the procedures in place to ensure the application information, including employment history and references, are verified prior to employment
- Ensure background checks are conducted on prospective personnel as appropriate and to the extent allowed by law
- Are criminal history/police checks required?

Periodic background checks/reinvestigation for current personnel.

- Examine the process for conducting periodic checks of current personnel to the extent allowed by law.
- Discuss the criteria for on going periodic checks
 - related to all personnel or
 - only personnel occupying certain positions of responsibility in the business



Personnel Security

Education and Training

- Does the business have education and training programs in place to cover
 - the risks associated with movements of goods in the international supply chain
 - the identification of potentially suspect cargo/goods,
 - how to identify and report suspicious or unusual activity/incidents,
 - maintaining cargo integrity,
 - recognising potential internal threats to security and
 - protecting access control.





Questions?

