

# Back to the future of Customs: A new AEO paradigm will transform the global supply chain for the better

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## Abstract

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This paper presents recent changes in the area of compliance management and identifies how the Authorised Economic Operator (AEO) instrument is about to transform into more mature and developed models. This will allow the AEO concept to become the future game changer it was originally intended to become, for both international trade and other stakeholders in the global supply chain.

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## Purpose

The purpose of this paper is to prepare governments and the private sector for the opportunities and mutual benefits that further developed AEO concepts can provide. These opportunities and benefits will arise through the design, development and implementation of more advanced compliance management models and applications that, in the near future, will cover the entire global supply chain and all border agencies.

## Introduction

Today we know that world trade is one of the main drivers for global development and an efficient weapon to fight poverty. Globalisation has changed the world. Fifteen years ago, we only read about globalisation in books and articles. Today, we know what it means. During the last decade we have seen a number of domestic crises transform into global challenges through the butterfly effect. We had the security crisis post 9/11, the commodity price crisis in the years that followed, the global financial crisis, the Euro crisis and, lately, the refugee crisis that brought with it major migration challenges.

We now know that globalisation challenges cannot be met by local or regional solutions alone. Global problems need global solutions. So we have a driver for harmonisation and standardisation that will become more evident during the years to come.

In the early 2000s, the international customs community responded to the post 9/11 environment by creating the SAFE Framework of Standards. This international standard came into force in 2005 and has been adopted by 169 countries to date. It shapes the foundation for modern Customs practices. The second of the SAFE pillars regulates Customs-to-Business cooperation and AEO regimes.

In 2015, as a part of the coordinated border management concept, the SAFE Framework was amended to add a new third pillar describing cooperation between Customs and other government and inter-governmental agencies. The standard states, ‘... [it] should therefore be encouraged to develop cooperative arrangements with other government agencies’ (WCO SAFE, 2005, p. 6). However, this development has not yet been fully realised as very few countries have expanded their AEO programs to include border agencies other than Customs.

In addition, the SAFE Authorized Supply Chain envisages a concept under which ‘all participants in an

international trade transaction are approved by Customs as observing specified standards in the secure handling of goods and relevant information' (WCO SAFE, 2005, p. 17).

The World Customs Organization (WCO) AEO concept also includes an instrument of cooperation, the so-called Mutual Recognition Agreement principle. This means that two countries meeting the international standards sign a bilateral agreement to acknowledge the status of AEO companies and the controls already carried out by the other country in order to avoid duplication of inspections.

The AEO concept is one of the key building blocks of the World Trade Organization's (WTO) Trade Facilitation Agreement that was agreed in December 2013, the so-called Bali package. When ratified by member states, the Agreement will become international law, meaning that all WTO members have to implement an AEO program in line with international standards.

## The theory of compliance management

By the mid-1990s, risk management had become a trend used by some of the most advanced customs administrations in the world. This approach proved to be more efficient than previous control strategies used by Customs. Risk management enhances the ability to prioritise actions and thus has the potential to bring a cost-efficient impact on the use of resources. The idea is to identify high risks in relation to the organisation's objectives and apply the most suitable action to mitigate the risk. This means that a risk can be handled through a customs control activity—for example, a targeted inspection or a post-clearance audit—or it can be transferred, avoided or accepted. The important thing is to identify and analyse the risk. A risk is most dangerous when it is unknown. Risk management means that all activities within a customs operation should be handled in priority order based on risk.

However, the early applications of risk management in Customs were often concentrated on risks related to goods or procedures. Risk management systems concentrated on transactions. As people commit fraud, not goods, it became evident that a third indicator needed to be introduced and prioritised, namely the operators. The *Border Management Modernization Handbook* from the World Bank states, 'Customs and other border management agencies cannot continue to use an exclusively transaction based approach to controlling the movement of physical goods across borders—one where each shipment received is assessed individually, with little regard for the customer's compliance history or for commercially available information that could ground admissibility checks and preclearance decisions' (McLinden, Fanta, Widdowson & Doyle, 2011, p. 12).

This early experience led to a number of conclusions. First, that it is not enough to base an international trade risk management system on goods and procedures alone, as the operator involved is the most critical factor. If the operator is safe and low risk, then the risks related to goods and procedures have less impact on the total risk evaluation.

Second, it was evident that it is difficult from a risk perspective to secure all transactions in cross-border trade, especially as global trade continues to grow. The solution is to study the systems involved from a wide range of perspectives to determine the likelihood of errors in transactions. This started the move from transaction controls to system-based controls.

The third landmark parameter was that if systems were to identify high-risk operators, then these systems would also identify low-risk operators.

The question was how to handle these low-risk operators and to give them an incentive to be compliant with legislation, policies and rules whilst controlling them with as little resources as possible. This meant that the resources in a risk management-based control strategy could then be used for high-risk operators, 'a risk management approach to border management is characterized by the early identification of potential risks, with resources being directed towards high risk areas and as little intervention as possible in similarly identified low risk areas' (Widdowson & Holloway, 2011, pp. 106–107).

This solution became the compliance management model for trusted traders that later became the international standard known as the AEO, ‘Growing recognition that risk detection and facilitation of trusted traders were two sides of the same coin, inherently inter-dependent and reinforcing, spurred the development of AEO programs and clearance regimes aligned with customer segmentation based on measured compliance rates and process maturity’ (Cohen, Baida & Kouwenhoven, 2013, p. 10).

## **The history of AEO and why its potential was not maximised**

The original idea was to create a risk-based separation of trade flows through borders. The resultant new flow should be more compliant and secure and thus faster, more predictable and less resource-intensive for governments to manage. This was a revolutionary idea as legislation and policy in most democracies are written to guarantee neutral competition and equal treatment. However, the idea was not to introduce alternative legislation and policies for compliant traders and service providers in the global supply chain, but to develop an alternative way to ensure that the operators are compliant with legislation, policies, rules and regulations. If an operator invests in meeting the requirements and thus proves to have a low risk of errors, that operator can also be given a different control program to manage and monitor its low risk over time and to maintain its status as low risk.

In compliance management theory, this demands not only a modern, systems-based structured control approach, but incentives to attract companies to be compliant so that government agencies can concentrate their scarce resources on prioritised high risks, ‘the best practice in compliance management in the border context, or any other regulatory context, requires (in the oft quoted metaphor) both carrots and sticks’ (Widdowson & Holloway, 2011, p. 125).

An AEO is a control program that generates simplified processes. Previously, there had been a general opinion that enforcement and trade facilitation were two sides of a scale—more enforcement generated less trade facilitation and vice versa. This is fundamentally wrong. There is no contradiction between facilitation and security, since a simplified process is easier to secure and a safe process is easier to facilitate. It is when processes are complicated that it becomes difficult to determine risks and evaluate early warning signals.

In the 1980s, Sweden and some other countries started to develop the concept of compliance management partnership, so-called Trusted Trader Programs. AEO was called the future of Customs. The basic principles included elements such as:

- voluntary entrance based on specific criteria
- a partnership approach
- self-assessment by the company
- validation of systems
- risk mapping
- generous benefit programs
- certification.

By the year 2000, countries such as Sweden, the Netherlands and Canada had been using risk management control strategies, client management strategies and post-clearance audit techniques for decades. Import and export processes were already electronic and paperless, which created a new platform for efficient processing. When trade volumes increased, this made it possible to move into more sophisticated compliance management strategies and control models, including Trusted Trader programs. The countries mentioned above worked in close cooperation to develop the first compliance management applications in Customs and cross-border trade.

Sweden was a forerunner in adopting segmented clearance regimes aligned with compliance management through its two accreditation schemes: Stairway, which assesses supply chain quality; and StairSec, which assesses supply chain security. Both schemes established a clear relationship between the degree of risk that a trader poses and the degree of trade facilitation that this trader can enjoy. The Compliance Partnership Customs and Trade (COMPACT) model jointly developed by Swedish and Dutch Customs presents a framework for certification of traders as being reliable and was the basis for the European Union (EU) AEO scheme launched in 2008 (Cohen et al., 2013, p. 11).

Applications such as the Stairway concept of Sweden, the Client concept in the Netherlands, and the Partnership program in Canada, were inspired by—and have a number of similarities with—other existing compliance management and quality systems such as the International Organization for Standardization (ISO). These customs programs were successfully implemented and generated considerable interest from the private sector. In addition, once operationalised, they provided significant measurable improvements for both government and traders across all key performance indicators (KPI).

To identify low risk, the principle was to certify all compliant stakeholders in the global supply chain as trusted traders, from the producer, exporter, service provider and importer, through to the end consumer. The early programs were designed to cover all Customs risks; in fact this was one of the key intentions behind the concept.

There were a number of pioneer applications utilising this trusted trader platform, including the Gateway Sweden no-stop-shop on the border between Sweden and Norway, and the Green Corridor on the border between Finland and Russia. In addition, discussions on how to involve other border agencies were also initiated. The Trusted Trader instrument was considered to be the future of Customs.

Then globalisation entered the scene. On 9 September 2001, the terrorist attack in New York forever changed the world. We all know what it meant. This also had a huge impact on international trade. Governments felt a need to evaluate and perhaps re-consider their approach to the international movement of people and goods to make sure that it was safe and secure in the future. This dialogue was also initiated in the WCO and a specific task force was created to address the new global landscape.

In Sweden, the StairSec and Stairway models shaped the first operational AEO program in the world. Through bilateral work with the United States, the Customs-Trade Partnership Against Terrorism (C-TPAT) followed. In the WCO, the SAFE Framework of Standards was developed primarily to address the new situation. Based on the early examples of trusted trader programs built on the principles of the WCO Revised Kyoto Convention as described above, compliance management became an essential part of the international standard. The AEO concept was born. Through the Mutual Recognition Agreement (MRA) mechanism of the SAFE Framework, the WCO also presented a model for bilateral agreements to recognise a company's AEO status, its global supply chain benefits, and the rules for avoiding duplication of controls for trusted traders. Today, more than 70 countries have AEO programs and more are to follow.

So, is there a problem? When you listen to voices in the trade community you could easily get the impression that the AEO concept isn't as successful in reality as the numbers say. It is naturally hard to call a model that has been implemented in more than 70 countries representing a high percentage of global trade a failure, especially since today more 40,000 companies worldwide are AEO certified. However, there has been a feeling, especially in the private sector, that the programs do not fulfil the intended promises of delivering sufficient benefits. Maybe the original ideas of the founders were lost along the way. For a long time there has been a dialogue as to whether or not the potential of this standard model has been fully exploited and realised.

I will argue that there are several reasons as to why some AEO programs around the world are not considered to be as successful on the ground as they could have been.

The first reason was the early requirement to focus on security. This was a necessary development and a response to challenges arising from the terrible attack on 9/11. However, for a number of years this focus took all the attention in the development of the standard and the model. The world needed a new security platform for global trade, and AEO, as a part of SAFE, became that platform. Some other areas were not developed as intended and thus some of the potential benefits of the concept were never fully exploited. The development of the model itself focused on exports, where the benefits for governments were obvious, but where in some countries, there are not many benefits to give to the private sector. The value of an AEO program became less obvious as, generally speaking, countries were compliant in relation to exports whereas imports are often the most important part of the process. Having said that, it should not be forgotten that without the early security focus, the concept would not have the coverage that it has today, leading to the contradiction that while SAFE is one of the most successful instruments in the history of the WCO counting the number of countries having implemented the standard—there are still doubts as to whether this partnership model has provided benefits for all stakeholders or only for governments.

A second reason is that during the process of international harmonisation and standardisation, AEO lost some of its original innovation and creativity. An example is that when AEO was introduced in the EU, a common dominator level of harmonisation in relation to both requirements and benefits had to be found. In practice, this meant that a number of countries had to remove existing benefits and individual solutions as a result of the introduction of a common model throughout the Customs Union. This has had a clear negative impact on the available benefit packages, especially in regions and countries where trade facilitation has generally been prioritised and where, for example, the release of goods is already fast. It can also be argued that it is the price of harmonisation.

The lack of maturity of some AEO programs leading to less tangible benefits for business has also become a challenge in relation to the negotiation of MRAs. If an MRA is signed between two countries that only have security and export oriented AEO programs with insufficient benefits packages, it is challenging to negotiate an agreement that provides more benefits than already exist in the national programs.

A third reason is that the partnership and cooperation between governments and the private sector has not developed as fast as was expected a decade ago. Due to a number of differing international trends, such as the global financial crisis, both government agencies and companies have been forced to set different priorities, which has had a negative impact on the ability and willingness to develop new concepts or to further develop already existing concepts. The understanding, cooperation and partnership between Customs and the private sector through the establishment of a structured approach to dialogue is a prerequisite for an efficient compliance management model like AEO, 'The act of collaboration must start with dialogue. You cannot build relationships without having an understanding of your potential partners and you cannot achieve that understanding without a special form of communication that goes beyond ordinary conversation' (Yankelovich, 2007, p. 28).

Research on operational AEO programs around the world, such as the recent Centre for Customs and Excise Studies (CCES) study in Australia (Widdowson, Blegen, Bryce, Kashubsky & Grainger, 2014), show that operational AEO programs have not reached their full potential. While there are many good examples of functional and efficient AEO programs, and while many companies have received streamlined processes and considerable benefits, there is still a nagging feeling that the AEO concept could have delivered even more benefits for all stakeholders. As there is little doubt that the results for governments have been outstanding in enhancing the security of the supply chain and improving control results, it might be time to seek to accomplish the originally intended balance between both partners in relation to investments, benefits and results of the AEO concept in the future. The good news is that this is exactly what is happening right now.

## **A new AEO paradigm as a bridge to the future**

During the years since its introduction, the international standards for AEO have been modified and further developed by the WCO. The compliance management model has been stabilised and tested in battle, and few companies have voluntarily left AEO programs. This is despite the often basic benefits programs that are offered and indicates that most companies are reasonably satisfied with their AEO status. Still, there is no doubt that more could have been done. Many companies testify that it is not the benefits offered by governments that create the demand for and justify the investment in AEO status, but rather industry quality standards and requirements from other stakeholders. This was always a part of the original idea, but it was not the intention that it should be the only driver for entering AEO programs. The intention of a contemporary compliance management approach is to offer powerful incentives for compliant operators to further improve and maintain compliance over time ‘... there will continue to be a shift away from more direct regulation to a catalogue of alternative strategies, and that these alternative strategies, as far as possible, will emphasize voluntary compliance and self-assessment and working with other border agencies and the private sector to achieve border regulation objectives—collaborative border management—while underpinning these strategies with robust enforcement mechanisms’ (Widdowson & Holloway, 2011, p. 127).

The strategy to develop security and compliance programs as separate entities was not the right one to optimise the benefits for all stakeholders of the supply chain—which should have been the aim of all compliance management partnership programs—and it has also created challenges in relation to the negotiation of MRAs. Today we know that the most successful way to design, develop and implement the AEO concept is by introducing holistic models covering all aspects of customs requirements—and more. A trusted trader is a trusted trader and as long as the trader continues to increase the compliance and security of the entire company, then the status is maintained and serves the intended purpose for all stakeholders. In addition, the way to use regulatory compliance management, as a powerful complementary instrument, has matured since the theory was introduced:

The focus on voluntary compliance (which favors a new set of tools and spawns numerous new programs) deemphasizes reliance on enforcement methods generally or considers them only as a last resort, to be used against recalcitrant or persistent offenders when all else has failed. Regulators are encouraged to pursue systematic solutions that do not involve enforcement, as these are perceived to produce a better bang for the regulatory buck and cause less trouble. Using alternatives to enforcement helps to minimize the use of state authority (although paradoxically it tends to increase governmental intrusion into the affairs of citizens and industry). As a result of these dominant pressures and prescriptions, most regulatory agencies now recognize, and to differing degrees embrace, a much broader range of compliance-producing tools, including education and outreach programs, partnership and mentoring programs, technical assistance, and economic incentives (Sparrow, 2000, p. 34).

This is now about to change. Fifteen years after the first models became operational, we are now seeing a new and more mature generation of programs emerging and being implemented. These programs are bringing the concept back to its original platform, while at the same time taking AEO into new dimensions and areas. These new programs can become the basis for dealing with a more complicated world. We are going back to the future—and the future is looking great again.

## **Common elements of the new AEO paradigm**

A new AEO paradigm is emerging. The aftermath of the global financial crisis and the political dimension of the WTO Trade Facilitation Agreement are the drivers underpinning this development.

So, what is different now? There are a number of common trends and elements that can be seen in these new programs. Here are the ten most significant parameters:

- AEO becomes a holistic model for the entire operation of the organisation
- An AEO is a trusted trader and should always be treated as one
- AEO must provide a powerful benefits package for all stakeholders
- AEO is a management system
- AEO is a smarter control program with better but less intrusive controls that produces facilitated, faster and more predictable processes
- AEO programs must have an effective management, monitoring and evaluation process
- AEO programs must be measured and results transparently presented
- AEO must be developed to become a single government AEO status that includes all border agencies
- AEO needs to include all stakeholders in the supply chain
- AEO innovation is back!

The AEO Brazil, Trusted Trader Australia and UAE AEO are all examples of recently introduced AEO programs that include all of these elements.

## **What does the future look like?**

When examining the elements of these new AEO programs, there are several interesting perspectives to highlight.

### **A. Re-emerging holistic programs**

These new programs re-introduce the idea that validated, compliant and low-risk companies that have voluntarily applied for AEO status, once certified, should always be treated as trusted traders by the entire customs administration and other areas of government. If a company is an AEO it remains a Trusted Trader, as long as the company maintains or improves the agreed compliance levels over time. This process is managed and monitored by a sophisticated cost-efficient individual control program run cooperatively by the customs agency and the company.

### **B. Extensive benefit programs**

A voluntary compliance management concept has to provide attractive benefits for all stakeholders involved in the program. AEO benefits can be divided into four different categories:

- speed
- greater predictability
- lower cost
- better service.

New benefits must constantly be developed in all these areas. For example, these new programs provide the facility for periodic declarations, deferred payments, pre-arrival release of goods, preferred treatment and fast tracks. There are also new benefits related to service level agreements for average release times and structured facilitated routines when the flow of goods is interrupted. Innovative new benefits related to multi-agency cooperation and coordinated border management is another emerging area.

Programs such as AEO Brazil and UAE AEO have extensive benefits for all companies joining the program, not only for government. In fact, UAE AEO has what is likely to be the most advanced benefit program to date, with 50 different benefits—and it is still undergoing development.

### **C. Single government AEO status**

It was always initially intended that AEO should be wider than just Customs. There are some countries that have tested such cooperation on the ground with positive results. This is the ultimate benefit for traders, as we have known for many years that it is the total release time for goods and the entire treatment that is of value to operators. The WCO Time Release Study, that has been operational for many years, indicates bottlenecks caused by various agencies being involved at the border. Concepts such as Coordinated Border Management and Single Window are initiatives that can address these challenges. So is AEO.

When a company is applying for AEO status with Customs, it is reasonable that this status as Trusted Trader should also extend to all other border agencies. This would take the AEO instrument to a level of a Single Government AEO Status (SGAEOS).

To make this operational, the sub-processes of AEO—a) Application, b) Validation, c) Certification, and d) Management, Monitoring and Re-Validation (Evaluation)—must also reflect the criteria, requirements and risks of the other agencies.

This is exactly what is happening right now. The AEO chapter of the SAFE Framework—the international standard—has recently been amended to also cover cooperation between Customs and other government and inter-governmental agencies (SAFE, WCO, 2015).

Several countries, including Australia and Brazil, are designing, developing and implementing models like this. Platforms for Integrated AEO have been developed including other agencies in one single AEO program, often starting with the agencies most involved at the borders (for example, agriculture, food, health and immigration), but that are also fully operational in all phases of AEO.

An SGAEOS is also developed in parallel with a Single Window, there are unlimited possibilities to offer benefits of a new magnitude. This is the real game changer for the future and we are already seeing operational examples being implemented.

### **D. AEO for SMEs**

There has been a misunderstanding for many years that the AEO instrument is only of benefit to big multinational companies. This is fundamentally wrong. In fact, it is much easier for small and medium-sized enterprises (SMEs) to go through a validation than it is for an international company with their often complicated structures and multi-country presence.

However, the AEO program must be designed to take into account the challenges facing SMEs. This relates both to the benefits, the resources required to apply and be validated and the potential to meet the AEO program requirements. SMEs are the basis for all trading nations and this is especially vital for emerging economies that sometimes rely on SMEs to a larger degree than more advanced economies.

Some countries are now developing interesting models where the existing AEO infrastructure is being applied and used to lower the initial investment cost for SMEs seeking to enter an AEO program. These types of initiatives are welcome and have the potential to revolutionise the entire compliance management concept.

### **E. AEO for transshipments, free zones and transit**

There are today several blind spots within the global supply chain that have still not been addressed in the AEO platform. Typical examples are transshipment hubs and free zones, but also some elements of the transit procedure in general. To create new global secure trade lanes and trade corridors, this needs to change. In fact, these facilities play an increasingly important role within global trade due to changing



trade patterns, changing trends in the movement of goods and the development of global value chains. All parts of the supply chain should be included in future models to secure and facilitate the movement of goods. Some countries have now started projects to develop models for these elements, and this is the way of the future.

## **F. A new MRA platform**

As MRAs are negotiated and signed between countries that have more holistic, modern and mature national AEO programs, there will be more advanced MRAs that include compliance and security as well as multi-agency environments, both in relation to status and benefits at both ends of the supply chain. Adding international trade hubs to these agreements will create another huge game changer for the AEO instrument and for international trade. Already, the first negotiations between countries with more mature AEO programs have started.

## **G. Measuring results is everything**

The final major change to be mentioned in this paper is the development of new advanced AEO performance measurement models. Measurement is everything and it is essential to put in place new performance management models to measure the results and outcomes for all stakeholders of implemented AEO programs. Just because it is not easy to measure something does not mean that it should not be done. It is important to measure in order to manage and evaluate resource allocation, which is the basis for all risk and compliance management models, 'the first step is to measure whatever can be easily measured. This is OK as far as it goes. The second step is to disregard that which can't be easily measured or to give it an arbitrary quantitative value. This is artificial and misleading. The third step is to presume that what can't be measured easily really isn't important. This is blindness. The fourth step is to say that what can't be easily measured really doesn't exist. This is suicide' (Handy, 1995, p. 219).

Several countries are developing new performance measurement models in order to follow results on speed, predictability, release of goods, benefits, service, public perception and cost savings. These new measurement models will create a basic platform for more advanced management, monitoring and evaluation of AEO programs. The data from these measurement instruments should be publicly presented and, through these open sources, it will be possible to use research and development to learn more about what is working and what is not working in order to further improve the AEO concept in the future.

## **Conclusions**

The AEO instrument is based on compliance management theory and was expected to become the new modern control strategy for Customs and other border agencies. It is a tool to improve control, safety and security whilst still offering fast and predictable processes for cross-border trade throughout the supply chain.

AEO can, if correctly designed, developed and implemented, be the model to balance the interests of both government and business in a time of globalisation and increasing trade volumes. The implementation of the AEO concept, looking at the number of national programs, has been a global success and, from an implementation perspective, is one of the most successful WCO models.

However, for many years harmonisation and the development of the necessary international standards, in combination with various international trends, made the further development of the AEO instrument and its application on the ground less dynamic than expected. This has been especially noted in relation to the benefits offered to compliant traders joining the AEO programs, a crucial element of a compliance management model. It is obviously important to ensure that the potential positive results and impact of any international standard are fully exploited.

At a time when the world is facing huge challenges from a globalisation perspective, seeing increased threats from terrorism and organised crime syndicates, and while world trade is considered a driver for development, we might have one of the solutions to face these challenges already at hand.

Taking the AEO instrument to a new level, a new paradigm (based on its original concept), with further innovative functions and applications related to Coordinated Border Management and Single Window, creates hope for a better world.

It would mean that AEO could become what it was intended to be: a model fostering increased compliance based on risk and a platform for Customs, or indeed government, reform and modernisation.

When the AEO instrument is extended to all parts of the supply chain, including transshipment of goods and free zones, when it is designed to promote SMEs and when it includes all government agencies involved in cross-border movement of goods in an SGAEOS, then there will be a new, safer global trade environment contributing tremendously to the development of our societies. These new innovative AEO and MRA programs, based on international standards and best practices, mark an evolution of the Customs area through compliance management and thus will also provide the necessary benefits for all stakeholders of the supply chain, including making it a sound and prudent business decision for the private sector to become AEO and foster security, safety and compliance. If the benefits are there, the AEO instrument will be used and developed further.

In addition, these new individual trends and innovations are all supporting the overall development of the AEO instrument, making it again the primary game changer for safer, faster and more predictable world trade.

Some countries have already developed this type of AEO program and other countries will upgrade their older models to the new paradigm in the years to come.

We are going back to the future and the future is better than before and better than today.

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Lars is the architect of the world's first AEO program, the Stairway concept, which outlined the principles for Authorised Traders and Authorised Economic Operator programs. It was used as a model for the design of the WCO AEO standard (SAFE), the US C-TPAT and the EU AEO program. He is also the initiator of the Swedish Customs Future Center for innovations, research and trend analysis.

In 2001, Lars received Her Royal Highness the Swedish Crown Princess' Gothia Prize for the best innovation of the year, and in 2003, he was nominated as Swedish Manager of the Year. He holds a Masters in International Customs Law from the University of Canberra and, in 2016, he was awarded a Doctorate of Education (Honoris Causa) by Charles Sturt University, Australia.

