

NEW ZEALAND CUSTOMS SERVICE: CHANGES OVER THE LAST DECADE AND INTO THE FUTURE

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Abstract

Like other border management authorities around the world, the New Zealand Customs Service has experienced a changed emphasis over the last decade from one of facilitation to one of facilitation alongside security. Agencies are, in many cases, being asked to articulate more clearly their contribution to broader government goals and work together in a ‘whole-of-government’ fashion. This has engendered a commitment to broader government goals and increased cooperation and connectivity with a wide range of government agencies as well as the business sector. Technological developments together with the proliferation of international alliances, trade agreements and standards, and changing business practices are similarly influencing the nature and functions of the New Zealand Customs Service.

Introduction

‘It’s a unique place because it is so far away from the rest of the world. There is a sense of isolation and also being protected.’

Elijah Wood, actor, *The Lord of The Rings*

New Zealand, or its Maori name, Aotearoa, is situated in the South Pacific and consists of two main islands (North and South) with mountain ranges down much of its length and a coastline of over 15,000 kilometres. Its two main islands cover over 266 square kilometres making it a similar size to Japan or California and slightly larger than Great Britain. However, where Great Britain has a population of over 60 million, New Zealand has a population of only four million.

New Zealand’s Exclusive Economic Zone (EEZ) is the fourth largest in the world, giving us a substantial border to protect. And, to add to our distinctiveness, our country has no land borders—the physical border control points are accessible only by sea or air.

The New Zealand economy is reliant on international trade. The four main trading destinations in 2006 were Australia (our nearest neighbour), the United States, Japan and China. Our main exports have traditionally included dairy, meat and wool. However, the products and markets we export to are diversifying. Forestry, horticulture, fishing, and manufacturing are becoming increasingly significant, as is tourism.

Our stunning scenery, which attracts millions of tourists every year, has been shared with the world through the work of local and international filmmakers. Their work, in turn, has attracted even more tourists. In 2006 tourism arrivals set new records and the forecast is that they will continue to grow.

All of these facts, figures and trends shape the role the New Zealand Customs Service plays in protecting the country’s unique community and border.

International Network of Customs Universities

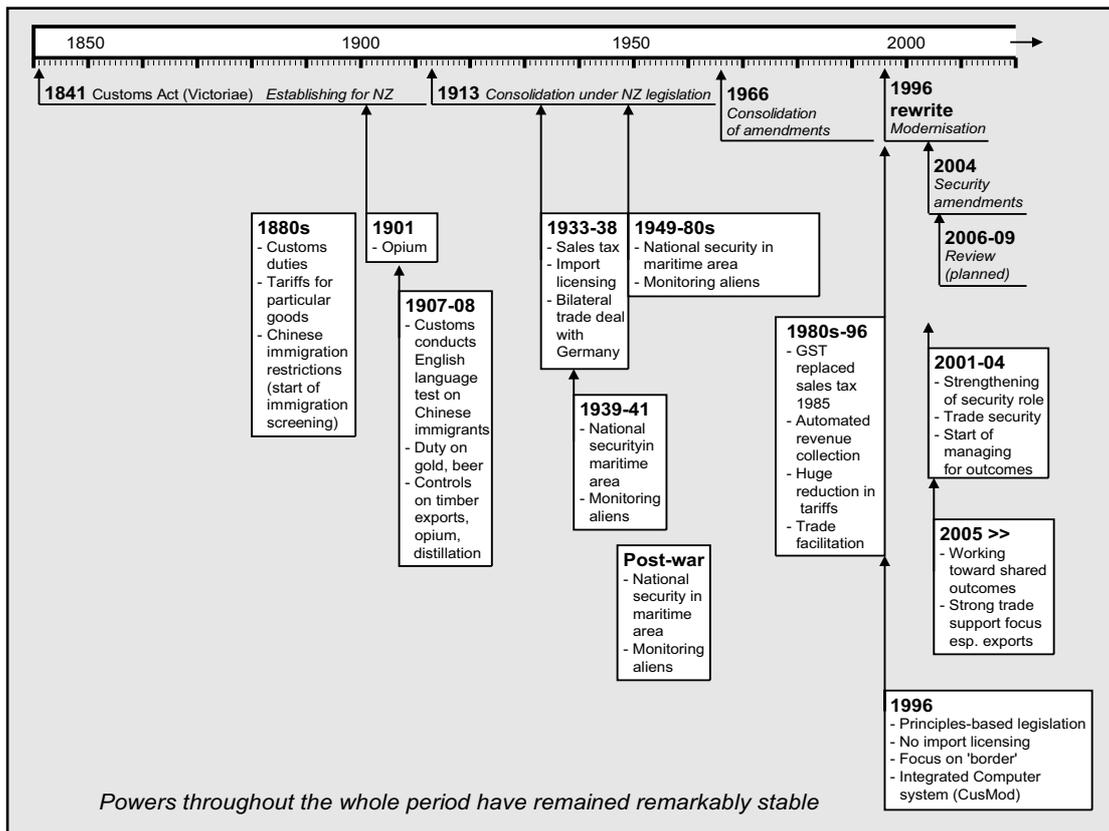
In October 2006, the New Zealand Customs Service commissioned Dr Andrew Ladley and Nicola White from the Victoria University's Institute of Policy Studies to write a book called *Conceptualising the border*. The starting point for the thinking that went into this book was: *From the point of view of regulation, is there anything unique or different about 'the border'?* Ladley and White suggest borders are places where governments exercise their sovereignty and that this is done by raising or lowering the fences into and out of the country to achieve a range of different policy objectives.

Taking this into account, we need to make sure that our border is open to those who are legitimate traders and travellers. We also need to make sure our border is closed to those who indulge in illegal activity such as illegal immigration and enterprises like drug smuggling and terrorism.

Too often, the process of managing borders is taken for granted until something goes wrong. In New Zealand, while our controls can't stop everything, we have an enviable international reputation for the integrity, efficiency and effectiveness of our border agencies.

In the New Zealand context, our customs administration has been an 'instrument' of sovereignty since its inception in 1840, starting with revenue collection, picking up immigration screening in 1881 and undergoing a range of changes until the present day.

Figure 1: Timeline of New Zealand Customs Service adaptation



Source: New Zealand Customs Service

It is the vision of the New Zealand Customs Service to provide leadership and excellence in border management that enhances the security and prosperity of New Zealand. It is our mission to protect New Zealand's border and revenue in order that New Zealanders may live in safety while actively participating in the global community.

Over the past ten years, one of the more significant changes to New Zealand's customs administration has been the increased cooperation and connectivity with a wide range of government agencies as well as with the business sector. We work with the Department of Labour – Immigration, the Ministry of Agriculture and Forestry, the Ministry of Economic Development, the Ministry of Foreign Affairs and Trade, the New Zealand Police, the Ministry of Health, the Ministry of Tourism, the Ministry of Justice as well as exporters, importers and airlines to name just a few. Our state service aims to achieve more coordination and all New Zealand Government agencies are encouraged to work closely together.

An example of agencies working together is the National Maritime Coordination Centre (NMCC) which was established in 2002 at the direction of the New Zealand Government to coordinate civilian maritime patrol and surveillance needs. The NMCC is an operationally independent unit within the New Zealand Customs Service that operates on behalf of all government agencies. The NMCC has its own staff as well as Liaison Officers from the New Zealand Customs Service, the Ministry of Fisheries and the New Zealand Defence Force.

This collaborative approach means we can better share resources and expertise and duplication of work is avoided. It is one of the benefits of living in a nation of only four million people that we can easily maintain good working relationships with other government agencies.

Key drivers for change

Over the past ten years, the context for border management has changed, and while the New Zealand Customs Service finds itself doing the same sort of job it was doing ten years ago, there are some significant differences. Change has come from several quarters but the defining event of the decade was the terrorist attacks in 2001. Those attacks put the word 'security' into the forefront of international laws and relationships, resulting in a major change of focus for customs' administrations and governments all over the world.

That change began with the United Nations Security Council Declaration 1373 which, among other things, identified borders as areas needing stronger controls internationally. The New Zealand Customs Service had (and still has) sound operations in place that enable a quick response to new risks and risk events. These are based on World Customs Organization (WCO) standards, such as the Kyoto Convention, and are built around an integrated information processing system of all border flows (people, craft and goods) which allows for risk assessment across the whole of the organisation. This meant we were able to automatically activate the procedures required on the day of the attacks.

That's not to say we didn't have to change our operations following the attacks. New Zealand Customs Service's initial need was to increase our staffing to enable us to focus better on the terrorism risk. However, the biggest change came from our response to the United States' focus on trade security. The US quickly recognised that containerised cargo was vulnerable, open to exploitation by terrorists, and that there needed to be a global customs response to trade security. The WCO position was that customs administrations globally were best placed to provide assurance over the contents of consignments. It also recognised that trade security could not occur at the expense of cargo facilitation. This led to the development of global customs 'supply chain security and facilitation' standards.

Early on, New Zealand looked at the impacts of the changed environment and developed an approach that was going to work for us. New Zealand has a strong focus on being a 'good international citizen', a national interest in safeguarding our export trade and traders (particularly in the event of a terrorist disruption) and a reputation as a low risk country. We therefore developed a trade security strategy deliberately focussing on security assurance for all exports from all ports within New Zealand.

The New Zealand Customs Service's trade security strategy was built on existing systems and expertise used to risk manage non-compliance within import cargo and for the detection of other trans-national crimes. Export controls were strengthened to secure the part of the supply chain that began in New Zealand, giving the New Zealand Customs Service powers to enable proactive risk management of the supply chain with minimum disruption.

The program of security initiatives was introduced in 2003 for trade between New Zealand and its third largest trading partner, the United States. The partnership was formally recognised in a Supply Chain Security Arrangement signed by the New Zealand Customs Service and US Customs and Border Protection (USCBP) in March 2006. The Arrangement acknowledges New Zealand goods as having US CBP 'Container Security Initiative' (CSI) equivalence status.

While the security standards applied in the Supply Chain Security Arrangement were developed before the WCO developed its Framework of Standards, New Zealand's security standards are consistent with it. Representing the benchmark for securing and facilitating trade, over 140 countries have now expressed their intent to implement the Framework of Standards.

The three interlinked concepts implicit in the WCO's supply chain security policy are demonstrated in the example above. Security of international trade is a 'national interest', an 'individual trader interest' and a 'global interest'. That is, secure trade protects the whole trading system (the global supply chain). For example, the explosion of a container ship in a crowded port would not only disrupt the trade of the nation in which the event occurred (both at a national level and for the individual traders involved), but also the global trading system. The closure of all US airports immediately following the events on September 11, 2001 is a case in point. Non-secure goods entering the global trading system could make such an event possible.

At the national level, countries are interested in protecting their own security. In other words, each country wants assurance that goods entering from the global trading system are secure. In times of disruption, this interest will extend to securing continued access to trade, and to limiting the potentially distorting effects on the economy from traders sourcing alternative suppliers and export markets.

While individual traders carry out the trade, nations have an interest in protecting the reputation of their country and their access to global trade. They can do this by providing assurance over goods entering the global trading system (that is, what is *said* to be in the consignment *is* what is in the consignment).

Traders seek certainty of outcome and access for their trade. They look for the minimum compliance costs for participating in the global trading system with the greatest possible access. In terms of trade security, that means having the same basic standards internationally, such as an agreed standard for container seals. This lets them know that the screening of their goods is going to be treated the same according to the standards for risk definitions.

Ladley and White (2006) set out a useful construct for the border environment that clearly shows why customs administrations are so internationally linked and why our role is expanding on both sides of the physical border. They talk about a zone and a process—that through technology 'the border' is not only a physical crossing but extends out into the international arena and back into the domestic arena according to the risk or opportunity being managed. The border management process determines what sorts of intervention will occur in what parts of the 'border zone'.

The New Zealand Customs Service has long operated a pre-border/at-the-border/post-border strategy. In the past, 'pre-border' meant activities carried out in the international environment (that is, before any border crossing occurs). Now, our export work gives 'pre-border' a new meaning: activities carried out before goods leave New Zealand. This is a simple example of how, as the result of a significant change in our environment, we have to challenge the way we think about our models of operating.

When developing our trade security strategy, we designed a scheme to build on other agencies' existing assurance programs (such as food safety and bio-security certification) to ensure trade facilitation objectives would not be compromised. This created some challenges while we and the other agencies worked through the implications of the new international trading environment and its impact on our respective roles and work methods.

We found new international requirements meant several agencies were being given new responsibilities and had to work through how these related to existing responsibilities. For example, the revised

International Standards for Port Security (ISPS) cover port security and the WCO SAFE Framework covers trade security. While the Standards are quite distinct, getting containers cleared as secure for export and getting them to a secure port had to be treated as part of the same process. It raised questions about who should be responsible for enforcing the Standards. As a result, we had to carefully examine our respective roles to ensure we weren't creating unnecessary duplication. To this end, our Customs Officers are also designated Maritime Security Officers.

Another change has been that our agency, along with other border agencies, is now a recognised member of the 'intelligence community'. Traditionally the core security information agencies have been the New Zealand Police, the New Zealand Defence Force and the security services. These agencies now recognise the valuable contribution the New Zealand Customs Service's well-developed intelligence function is able to make to the cause.

To this end, in 2005, we launched the National Targeting Centre (NTC)—a facility providing 24-hour coverage to help direct New Zealand Customs Service's risk management work in the travel and trade environments. The Ministry of Agriculture and Forestry (MAF) Quarantine Service has placed an officer in the facility, Maritime NZ will soon be placing an officer there and we are now looking to extend the invitation to other agencies.

Our security focus has also taken us into new international territory, such as the Proliferation Security Initiative; the Bali Process on People Smuggling, Trafficking and Related Transnational Crime and APEC's Secure Trade in Asia-Pacific Region (STAR) initiative. These new areas build on our existing work in the Pacific region, including that with the Oceania Customs Organisation. Coupled with the WCO's capacity building work (and the expectation that we, as a developed administration, will contribute to that), these developments have increased our international footprint.

These developments have reinforced for us the value of having an integrated view of border flows—while our origins are in the flow of goods across the border, it is people who are associated with, and responsible for, the goods and craft that bring them in or take them out. Without the ability to interact with all three (people, goods and craft) our ability to assess and respond to risk is greatly diminished. We have had to strengthen our legislative powers as a result, and are developing a more cohesive picture of border management.

In New Zealand, we consider our border management responsibilities, capabilities and activities to be part of a system. They encompass not just border agencies and their legislative frameworks, but also port authorities and transport providers. In turn, these form part of the global supply chain (for travel as well as trade). This shapes our view of the role of a customs administration as a border manager, but also reinforces that we do not, and cannot, ever do it on our own. The best results come from working together to pool expertise, and sharing information and knowledge.

As for other customs administrations, other developments have also influenced our environment such as the proliferation of trade agreements, faster and more pervasive telecommunications, and changing business practices. However, these developments have not caused us to rethink our role in the way the global focus on terrorism has done.

Future considerations

Global business practices will continue to drive the shape and nature of future trade and travel flows. A whole range of technology developments will significantly influence the nature of those practices in large part, as well as international alliances, agreements and standards. The demand for sustainable manufacturing, farming and trading practices is already gathering momentum in response to the effects of global climate change, for example. We can expect this to drive changes in international trade and travel practices, and the expectations of governments.

The criminal side of trade and travel will continue to develop alongside global business practices, with signs of increasing cooperation between transnational criminal groups as well as deep integration with the licit economy. There will continue to be a threat to New Zealand's security from the activities of trans-national organised criminal groups, with smuggling people and a range of commodities able to yield lucrative returns—particularly drugs.

The World Customs Organization offers a broad vision for Customs in the 21st Century, which is to support international development, security and peace by securing and facilitating international trade. In turn the work of the WCO itself will be to enable customs administrations to become interconnected, their systems to become interoperable and to build customs capacity where it is needed. Working with such a vision will lead to a more certain and predictable and cohesive international trading environment over time, where the intersections between different interests at the border are recognised and addressed. It will require increased connectedness between all parties involved in international trade and travel supply chains. Because of their regulatory roles, international connections, integrity, and common infrastructure, customs agencies will be uniquely placed to be central players in facilitating international trade and travel flows. The role of the WCO as a global customs cooperation network will be an important part of this.

In New Zealand, border control is an effective mechanism for a wide range of purposes. We are starting to ask some fundamental questions about what we are trying to do at the border and the best way of doing it. For example, sustainable economic development, and exports in particular because of their role in fuelling the New Zealand economy, will continue to be important to successive governments over the next 10 years. The New Zealand Customs Service is looking at how we can use our border management regulatory mechanism innovatively to contribute further to New Zealand's economic development.

At the same time, we will continue to provide the Government with as much value as we can from the border as an intervention point. Issues of border infrastructure, such as the number and location of international ports and related transport links and the ways in which the New Zealand Customs Service and other border agencies interact in the border zone, will become increasingly important in an increasingly connected but challenging global trading environment. An obvious area of collaboration is the management of information. Progress is already being made on more cohesive information systems and more connected intelligence processes.

Of course, none of this can be done without the right people. Already we have instigated a consistent, organisation-wide approach to selecting and training future leaders with the aim of building a pool of talented people who are skilled and able to take the organisation into the future.

Conclusions

Despite New Zealand being surrounded by water, with a small population and a lot of sheep, we are well respected internationally for our high-quality goods and the security of our trading relationships.

We are also visited by millions of tourists who come to experience our scenery and hospitality.

In order to help maintain this reputation, the New Zealand Customs Service needs to ensure the border is protected so New Zealanders can live safely and still actively participate in the global community.

We do not operate alone. Working collaboratively with other related agencies, customs administrations and international trade and travel industries is vital to us now and will continue to be into the future.

We can only do this effectively if we stay alert to local and global changes, and consider how these changes impact on our role including why and how we do things. We will continue to research and develop our own ideas and learn from the other organisations we work with. Most of all, we will continue to embrace change and the opportunities it brings.

References

Ladley, A & White, N 2006, *Conceptualising the border*, Institute of Policy Studies, School of Government, Victoria University of Wellington.

Endnotes

- ¹ The Container Security Initiative (CSI) is a US CBP security program involving the pre-load inspection by US CBP officers of 'at risk' containers at 40 ports of origin for goods being imported into the USA. Containers cleared under CSI are less likely to be held up on arrival into the USA.
- ² For example, the Maritime Safety Authority had previously had no 'security' responsibilities. It has since been renamed Maritime NZ as a result of this change.
- ³ World Customs Organization 2006, *Framework of Standards to secure and facilitate global trade*, WCO, Brussels, June.

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Martyn Dunne has been Comptroller of the New Zealand Customs Service since September 2004, following 27 years with the New Zealand Defence Force. Since 2004, Martyn has focussed on ensuring the Service is well positioned to meet, and anticipate, not only today's demands but also those of border management in the future.
