



AUTHORIZED ECONOMIC OPERATOR PROGRAMME– INDIAN PERSPECTIVE

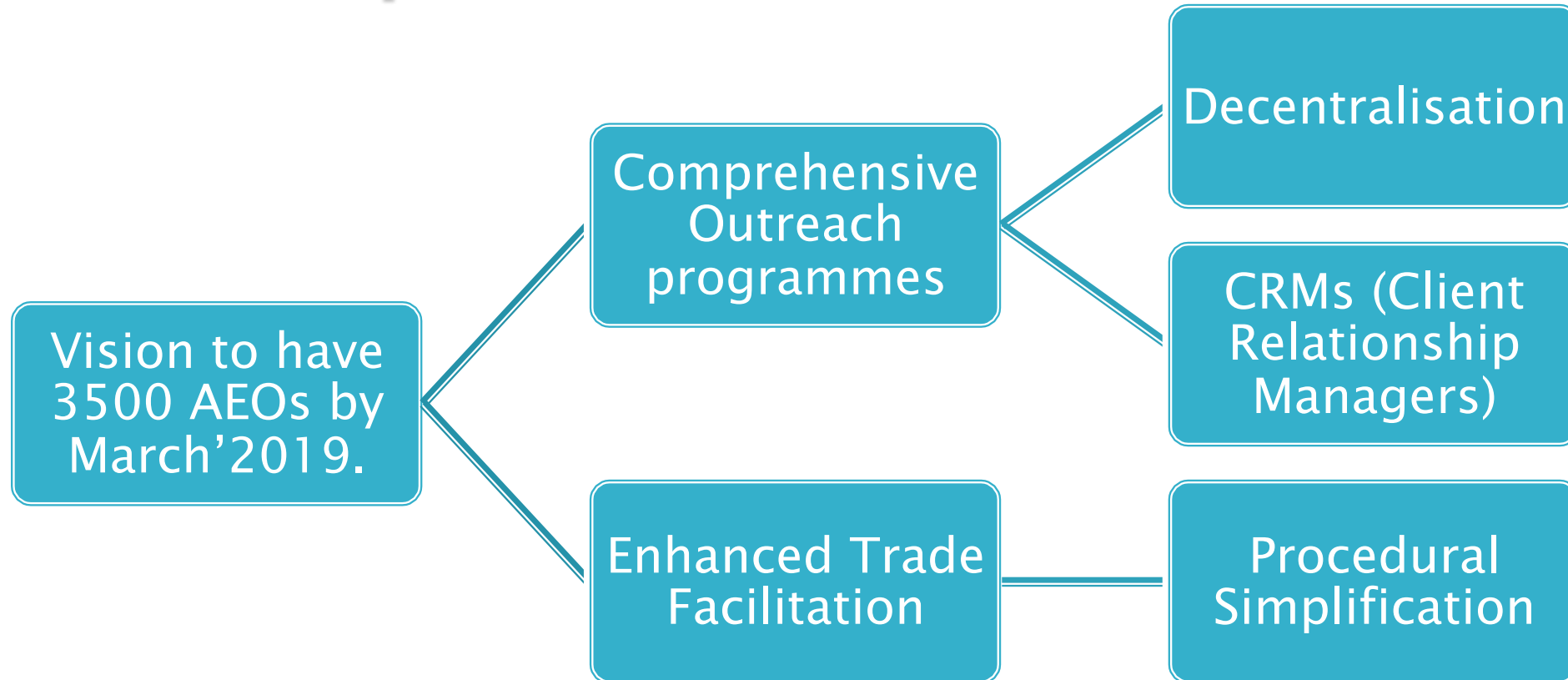
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Evolution of AEO Program in India



- ▶ India introduced Customs Compliance Programme of Accredited Clients Programme (Circular 42/2005 Customs) and Authorised Economic Operator Programme (Circular 28/2012 Customs)
- ▶ The AEO and ACP programmes merged into a full fledged AEO programme based on SAFE FoS (Circular 33/2016 customs dated 22-07-2016),
 - a three tier AEO Status for Exporters and Importers and one dedicated tier AEO LO for all logistics operators.
- ▶ India's ratification of the WTO Agreement on Trade Facilitation(TFA) on 22nd April 2016.
- ▶ Article 7.7 of WTO TFA covering AEO as a trade facilitation measure recognized as Category A commitment.

Vision —Steps taken in Mission Mode



A Web based application is being launched by this month end for complete online processing.

Salient Features



Multi Tiered Structure

Tier 1

- T1, Preliminary level, General Compliance, Exporter/Importer

Tier 2

- T2, General and Security Compliance, Exporter/Importer

Tier 3

- T3, for 2 years T2 or all business partner either T2 or LO, Exporter/Importer

Tier LO

- LO, General and Security Compliance for logistics operators.

Salient Features:



- **Decentralized Processing.**
 - Enhanced outreach through 13 Customs Zones all over the Country.
 - CRM (Client Relationship Manager) in each zones dedicated for AEO entities.
 - Data support based on import/export pattern and volume of trade.

- **Procedural Simplification.**
 - The procedure for T1 certification is done at the zonal level.
 - Issuance of guidance note for ensuring processing/procedural uniformity.
 - Legal and Solvency compliance standards eased and streamlined.

- ▶ **Coordination with PGAs (Partner Government Agencies):**
 - To incorporate certain benefits granted by other PGAs for AEOs. DGFT (licensing authority) on board; Ministry of Environment and Wildlife authorities to follow soon.

- ▶ **Sectoral/bulk approach for outreach:**
 - Sector specific focus (Pharma, textiles, auto manufacturers etc.) for effective enrolment

AEO-Eligibility criteria

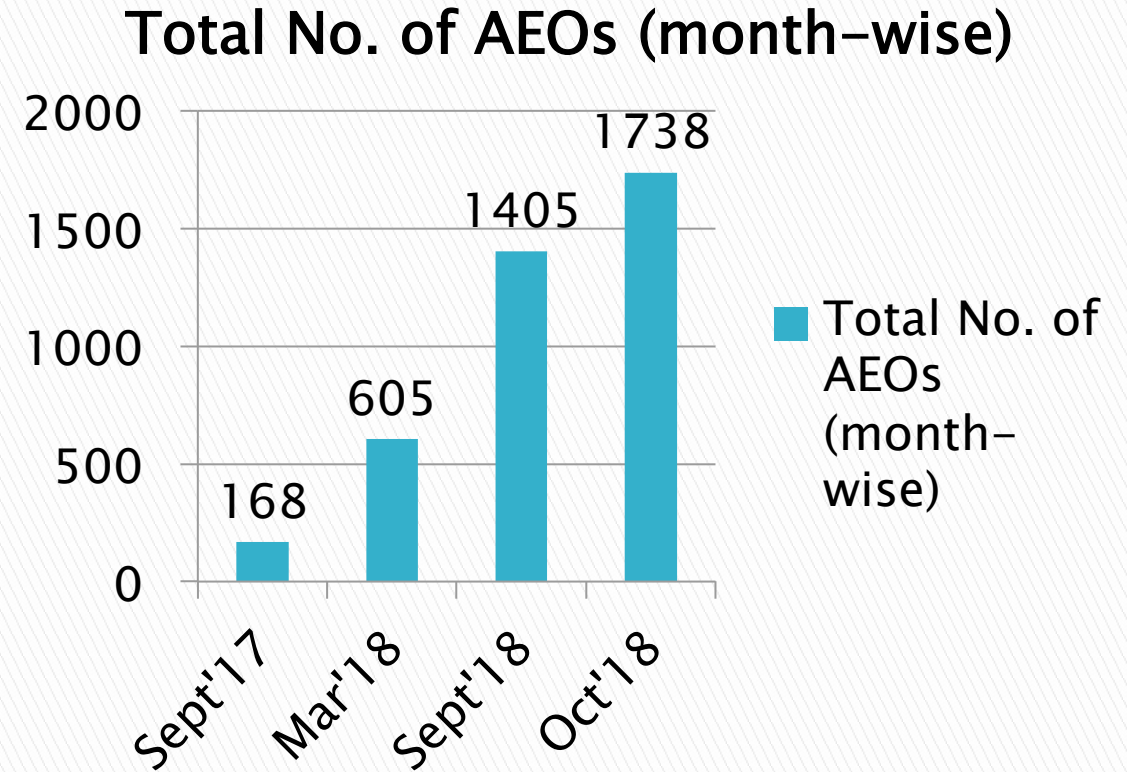


- to suit the needs of a developing economy
 - ▶ Anyone handling 25 documents per annum—low threshold
 - ▶ Anyone in international supply chain- no restrictions
 - ▶ Only to legal entity and not site/branch/division specific
 - ▶ MSME coverage ensured — no size/business profile restrictions.
 - ▶ Business activity for three financial years (can be waived in deserving cases) – Boost to start-up India (newly launched companies) campaign
 - ▶ Simplified Legal Compliance...only Fraud/forgery/suppression of facts/outright smuggling to be restricting eligibility.

AEO: THE CURRENT STATUS (as on 16-10-2018)



AEO T1	1150
AEO T2	228
AEO T3	1
AEO LO	359
Total	1738





Features – Benefits

Priority Processing of documents by queue jumping	Higher facilitation as compared to non-AEO entity
Direct port delivery/entry	Cost saving to the tune of 35%, especially at Nhava Sheva/Mulund/Chennai
Reduced Bank Guarantees	50% for T1, 25% for T2 and nil for T3; cost effective provisional clearances
Deferred Duty (excluding T1)	Cost saving and separation of release, assists in almost nil cargo hold time for customs
ID cards/Earmarking of space in warehouses	Privileged treatment & access, no moving around for space, ease of business
Refund and Drawback	Special initiatives by dedicated staff & duration, priority processing
Self Declaration of Standard input output norms by PGA, DGFT.	Easier discharge of export obligation.

Lessons Learnt..Road ahead

- ▶ As AEO programme is a voluntary compliance programme, for better advocacy and reach, decentralization in its processing/enrollment procedure is important.
- ▶ In a country like India with vast geographical area and differential socio-economic development, a multi-tiered scheme is preferred over a monolithic scheme.
- ▶ Though it is predominantly a supply chain security related programme, a preparatory level (AEO T1) encourages the SME sector to enroll in the program and prepare themselves for better compliance. They will not have to spend on security related infrastructure which can add to cost, will eliminate site visits, ultimately expedite quick enrolment in AEO Programme.
- ▶ Continuous awareness-raising encouraging trade and making them aware that AEO accreditation acts as a mark of status and quality for the applicant.
- ▶ Entering into MRA with important trading partners will validate the security of the overall supply chain, leading to growth in secured trade. Will boost exports.



Thank You