

Chapter 2. Small shipments and counterfeits: Ever greater challenges

The role of the postal operators, express services and e-commerce platforms in small cross-border shipments

Small parcels can be transported cross-border via sea, road, rail and/or air. These movements can be carried out by individuals or a range of companies that handle freight. Two of the more important parties involved are national postal authorities and express and courier services, which together account for most of the movement of small shipments.

Postal operators

National postal operators have traditionally been responsible for handling the movement of letters and parcels within countries and across borders, enjoying a monopoly position for many years. Their competitive position has been challenged on a number of fronts. As markets have been liberalised their main market has significantly weakened, with the number of letter-post items declining from 432 billion pieces in 2001 to 317 billion in 2015 (Table 2.1). At the same time, the market for parcels has surged, rising by 66% to 7.8 billion items between 2001 and 2015. The rise in international parcels was even more pronounced, increasing by close to 150% during 2010-15, from 43.6 million items in 2010 to 108 million in 2015.

Table 2.1. Letters and parcels processed by postal authorities in recent years

Year	Letters			Parcels		
	Domestic	International	Total	Domestic	International	Total
	Billions			Billions	Millions	Billions
2001	432	7.0	439	4.7	40-45	4.7
2010	376	4.8	381	6.1	43.6	6.1
2012	347	3.7	350.9	6.4	61	6.4
2013	336	3.5	339.8	6.7	67	6.7
2014	324	3.46	327.4	7.38	101	7.4
2015	317	3.04	320.4	7.81	108	7.9

Source: UPU (2012, 2015).

The post plays an important role in the movement of letter packets and parcels internationally, providing a relatively low-cost vehicle for moving small consignments across borders. As indicated above, the international parcel market has grown markedly in recent years. Specific data are not available on letter packets, which are classified as letters.

Parties using postal services to ship letter packets and parcels are required to include a customs declaration with their shipments. The information on these declarations is certified by the sender and does not typically appear to be verified by the postal authorities. When presented with an item, postal authorities then apply a 13-character barcode, which includes a two-letter designation of the type of letter or parcel being sent, a unique 9-digit number

identifying the letter or parcel and a two-letter country code that identifies the postal operator (UPU, 2018b). At present, this tracking barcode is the only electronic information that is required for the mailing in most countries.

The declarations have typically been provided by shippers in paper form; as they accompany the shipment, there are no possibilities for sharing such information with destination countries prior to shipment. This puts customs officials in destination countries in an awkward position as manual review of the declarations at the time of arrival would be a time-consuming process, further complicated by the growing volume of such shipments in international trade. Moreover, slowing the processing of arrivals for review would be at odds with objectives aimed at trade facilitation. There are also potential issues with the quality of the information appearing on the declaration, as it is typically unverified, leaving significant scope for fraud on the part of the sender. Finally, as such shipments are relatively small, the cost of interception could be quite high compared to the benefit; moreover, rights holders may well not want to pursue a case involving a small number of low-value items, essentially resulting in wasted effort on the part of customs officials.

Efforts are made to improve mechanisms for collecting and sharing information. In the case of air cargo, for example, the International Civil Aviation Organization (ICAO) and World Customs Organization (WCO), in co-operation with the International Air Transport Association (IATA), are working on mechanisms for developing information on cargoes, prior to their being loaded onto planes; a number of pilot projects have been operating in recent years, with the United States taking the lead in implementing a mandatory reporting requirement in June 2018.¹ The matter is also addressed in the WCO's SAFE Framework of Standards to Secure and Facilitate Global Trade, which calls for postal and customs authorities to consult with one another to ensure that electronic information is shared with customs in advance of the arrival/pre-loading of items (WCO, 2018a).² Moreover, the EU Union Customs Code aims at achieving a fully electronic information exchange regime in the coming years.³ In the United States, a Synthetic Trafficking and Overdose Prevention (STOP) Act was signed into law in 2018; the law requires postal authorities to provide customs with advance electronic data on all international packages, by 2021.⁴ Actions are also being taken on this front in Brazil, Japan and the Russian Federation (WCO, 2018b).

Concerning postal services, Universal Postal Union (UPU) regulations already enable postal authorities to exchange information contained on customs declaration forms electronically, with the understanding that the postal authorities could further share this information with customs officials, bearing in mind the privacy issues associated with such data (UPU, 2018a). Moreover, the UPU has been developing an automated Customs Declaration System (CDS) to help streamline customs activities by allowing postal authorities and customs administrations to exchange advance data. It is already in the production phase in some countries; progress, however, has been slow, affected, in part, by concerns over the cost of required updates to IT technology (WCO, 2018b and OECD, 2018). Pilot project is currently underway which seeks to establish an interface between the CDS and ASCUDY, which is an UNCTAD automated system for customs data that is being used by over 95 countries (WCO, 2018b)

Countries are also taking action. In the United Kingdom, as from 1 January 2019, Royal Mail will require shippers to provide electronic customs data when sending items (other than correspondence) to destinations outside the European Union.⁵ The action was taken to ensure emerging and future legislative, security and customs requirements in overseas destinations would be met. Some countries are considering applying penalties, delaying or returning items in the absence of the required data. In Canada, advanced electronic data is

now mandatory to select destinations for a number of Canada Post's services, including Xpresspost - USA, Expedited Parcel - USA, Xpresspost - International (excluding prepaid), International Parcel (air and surface), and Tracked Packet and Small Packet.⁶

Express and courier services

Express and courier services play an important role in international trade, providing a means to move merchandise across borders in a time effective manner that can meet the needs of businesses operating global value chains, while providing individual consumers with a means to acquire items on an expedited basis, albeit at a higher cost than conventional postal services. Express delivery operators are notable in their providing door-to-door, customs-cleared, next day and time-defined delivery services, as well as deferred delivery, with track and trace services (Frontier Economics, 2015). The services are attractive to users for their global reach, reliability, transparency, speed and security. There are many players in the express market, which is nonetheless dominated by four companies which together account for 89% of the global market:⁷

- DHL Express (a division of Deutsche Post DHL): 38%
- FedEx Express: 24%
- UPS: 22%
- TNT (a subsidiary of FedEx): 5%
- Other: 11%.

Once considered a small part of the total transport picture, the express and courier segment is now generally considered a separate industry, but there are, however, significant overlaps with respect to postal operators which have themselves expanded into express servicers (Frontier Economics, 2015). For example, in 2002 Deutsche Post became sole owner of DHL, the largest express company.⁸ Other postal services either offer express products or operate subsidiaries which provide such services (Frontier Economics, 2015).

The industry collectively has about USD 70 billion in revenues and employs 800 000 workers, while operating 170 000 vehicles and 1 500 aircraft in 220 countries. It accounts for over 30 million shipments per day, which is about one-third of global air cargo.⁹

The largest operators are also referred to as “integrators”, as they maintain fully integrated operations across all transport modes, including air transport (Onghena, 2008). With a view towards strengthening their position, postal authorities are teaming up with integrators as well as e-retailers and start-ups to boost parcel volumes, while leveraging their networks to provide “last-mile” delivery for competing delivery services, such as UPS and FedEx (IPC, 2017).

The express and courier service sector has evolved, from the delivery of documents and parcels to all sort of products (van der Lijn, 2005). This includes high value, low weight items such as electronic components, designer fashion and pharmaceuticals (Oxford Economics, 2011).

The express integrators have been successful in: i) driving shipment preparation costs down in areas requiring specific electronic packaging through information and communication technologies; ii) enhancing integration of air and ground networks; iii) increasing technology in the management of networks; iv) improving customer service through ICT applications; and v) passing variable costs on to consignors or consignees (IPC, 2010). In

selected national parcel markets, they have achieved market shares of 25% to 90% (IPC, 2017).

The procedures for shipping with an express carrier are somewhat different than those that apply to postal services as electronic information on shipments is integral to the tracking and tracing of shipments. Such information is generated early in the process, prior to goods actually being shipped.

The express carriers are thus in good position to provide information to customs, and have indeed pledged to do so. With respect to intellectual property (IP) matters, the Global Express Association (GEA), which represents the leading express and courier service companies, has indicated its interest in working with customs authorities. Noting that “effective enforcement of intellectual property rights requires a risk-based and threat-managed approach, as well as co-operation and information sharing between rights holders, customs and express delivery companies”, the GEA indicates that delivery companies are seeking to assist customs in five areas, by:¹⁰

- Providing advance electronic shipment information to enable customs to perform risk assessment and target shipments for further examination.
- Using track and trace systems to remove packages identified by customs as suspicious from traffic flows and provided to customs for further examination.
- Providing customs with facilities and equipment at express delivery hubs to enable them to identify and examine suspect shipments.
- Providing customs with information that may be legally disclosed on shippers and consignees of shipments identified as containing offending goods.
- Closing accounts of customers publicly identified by customs as repeat offenders.

The carriers note, however, that their ability to assist customs is limited as:

- i. there are limits on the quantity of information that can be obtained from customers;
- ii. they have no expertise in identifying counterfeit merchandise; and
- iii. they are subject to national data protection and commercial information confidentiality rules and have no law enforcement authority.

Moreover, customs and shippers’ data may be in different formats which are not easily compatible and may make systems integration difficult (OECD, 2018). In addition, in some instances, customs officers are granted access to courier shipper’s warehouses and facilities, where small shipments arrive, to review data on proprietary servers. Discussions with customs administrations reveal, however, that there are many instances where the data cannot be shared, thus preventing the transmission of data into customs risk-assessment systems.

In some instances, co-operation has resulted in significant progress in information sharing (OECD, 2018). Some customs administrations have implemented advance commercial information agreements with certain courier companies, enabling a review of limited data elements in advance of the arrival of shipments. The European Express Association, for example, collaborated in a recent pilot project with the European Anti-Fraud Office (OLAF) to identify threats and develop operational targets for countering illicit trade. Electronic information on IP-infringing goods arriving into EU member states was provided to customs. Courier companies used internal targeting programmes and data to identify illicit trade and submit this information to customs. Courier companies are not,

however, in position to determine whether or not goods are in fact counterfeit, as rights holders must be contacted to seize goods. Customs administrations did not necessarily seize the goods or contact rights holders in all instances, leading to the eventual delivery of suspected counterfeits without restriction OECD (2018),

In the United States, under the legal authority from the Security and Accountability for Every Port Act (or SAFE Port Act) of 2006, the US Customs and Border Protection Agency (CBP) collects advance commercial information (key data elements) provided by express consignment carriers and importers (OECD, 2018). This information is automatically fed into CBP's Automated Targeting System. Using an electronic notification system, CBP can order that the high-risk packages be put on hold and presented to CBP for inspection, reflecting the effectiveness of jointly co-ordinated computer systems that track parcels in the courier mode.

However, opportunities remain for improving cooperation between courier companies and enforcement authorities. Internal targeting processes have yielded uneven levels of co-operation with national customs, and the intermediaries are also not privy to the outcomes from the information provided (i.e. whether it leads to seizure or a contact with the rights owner).

E-commerce platforms

Trading platforms such as Amazon, eBay and Alibaba, and others, have been instrumental in promoting growth in e-commerce. The protections that they provide to consumers through, for example, effective dispute resolution processes have been important in this regard, helping to build consumer confidence, which is critical for their success. The companies maintain multi-billion-dollar retail operations that rely on complex logistics systems that include warehouses, courier and postal operators, airports and seaports to facilitate the connections between vendors and customers. The platforms, in which social media companies such as Facebook and Instagram are also becoming active, are benefitting from enhanced IT infrastructure, encrypted payment systems and simplified transaction processes. The larger platforms are operating on a global basis, providing a means for consumers to purchase goods easily from foreign countries. AliExpress, for example, the China-based consumer retail branch of Alibaba, offers products worldwide, through multi-language sites.¹¹ Related sites operated by Alibaba cater to B2B and wholesale buyers.¹² Amazon and eBay similarly, include foreign offerings on their regional sites. As the sites cater to B2C transactions, they shipments would often fall in the “small” category.

The large platform operators all have policies prohibiting the listing and sale of counterfeit and other illicit products, and they have procedures for removing listings of such products from their sites. While they have intensified efforts to address the problem over time, there are many critics who argue that their efforts still fall short of what is needed. One of the tools for addressing counterfeit listings is through “take-down” requests, which law enforcement or rights holders can make to platform operators. Recent evidence presented by World Intellectual Property Organization (WIPO) members suggests that take-down requests can be an effective method of tackling this problem, so long as the process to apply for such a request in the courts can be done in an effective and timely manner (OECD, 2018). Preventing bad actors from continuing their illicit operations by moving to other venues, however, remains a challenge. Therefore, the European Commission and others have called on the e-commerce platforms to go beyond notice and take down and to take proactive measures to deal with listings for counterfeit products. Some of the major

platforms have begun to address these shortcomings and put in place proactive measures to automatically take down listings¹³.

The platform operators collect a great deal of information that could be of great value to customs authorities in their risk assessment activities. To date, customs officials do not, however, typically seek shipment information directly from the large e-commerce vendors or retailers. Indeed, their ability to do so, across borders, would seem to be limited, as would their ability to match e-commerce records with shipping records, as such records would be generated by sellers at the time of shipping and would not necessarily be linked back to the e-commerce transaction. In these instances, postal and express operators would have to be relied on primarily for information.

International policy and regulatory environment

Trade is governed by a series of international agreements and conventions, including those negotiated in the Universal Postal Union (UPU), the World Customs Organization (WCO) and World Trade Organization (WTO). The WCO and WTO agreements seek to promote trade facilitation, in a secure manner that addresses the challenges posed by illicit trade and fraud. The UPU instruments, on the other hand, contain provisions on how postal authorities handle international transactions. The key provisions of the UPU instruments are referenced in the WCO–UPU Postal Customs Guide (UPU, 2018a), which is a joint WCO–UPU tool designed to assist both postal and authorities in areas of mutual interest. Other WCO-UPU tools cover areas such as messaging standards and guidelines for promoting co-operation between postal and customs authorities, at the national level (WCO, 2018b). Moreover, joint guidelines on the exchange of electronic advance data (EAD) between posts and customs authorities are being developed and are expected to be approved and published by June 2019.¹⁴

Following is a summary of some of the more important agreements and regulations that have particular relevance to trade involving small shipments.

WTO Trade Facilitation Agreement

The Trade Facilitation Agreement concluded by WTO countries in December 2013 and came into force in February 2017 provides a framework for strengthening international trade, by promoting measures that simplify and expedite the movement of goods between countries.¹⁵ To this end, the agreement, which came into force in 2017, sets out measures for effective co-operation between customs and other appropriate authorities on trade facilitation and customs compliance issues. It calls for members to provide pre-arrival information on exports to destination countries in electronic format and for importing countries to develop the capacity for processing such information (WTO, 2014).

The agreement also calls for members to adopt or maintain a risk management system for customs control to avoid arbitrary or unjustifiable discrimination or a disguised restriction on international trade. Members are expected to concentrate customs control and, to the extent possible, other relevant border controls, on high-risk consignments and expedite the release of low-risk consignments, but at the same time, are free to select, on a random basis, consignments for such controls as part of its risk management.

Finally, the agreement calls on countries to develop or maintain procedures allowing for the expedited release of at least those goods entered through air cargo facilities, to persons who apply for such treatment, and to provide, to the extent possible, for a *de minimis*

shipment value or dutiable amount for which customs duties and taxes would not be collected.

While limited progress has been made with respect to the development of the capacity to exchange advance information on shipments electronically, countries have been active in developing and refining their risk management systems, and through, the WCO, they have developed further guidelines for expedited shipments. Most countries have also developed *de minimis* thresholds, below which taxes and tariffs are not applied to imports. Table 2.2 shows that these values vary considerably from country to country, ranging from USD 8 to USD 800 for the world's largest economies.

Table 2.2. *De minimis* levels, below which no taxes or duties would be collected by customs, for the world's largest economies

Economy	<i>De minimis</i> levels		Comment
	In designated currency	In USD	
Brazil	USD 50	50	For postal shipments only
Canada	CAD 20	15	CAD 60 for gifts
China	CNY 50	8	Applies to shipments with duty and VAT liabilities below the designated level
France	EUR 150 (customs duties)	186	EUR 45 for gifts
	EUR 22 (VAT)	27	
Germany	EUR 150 (customs duties)	186	EUR 45 for gifts
	EUR 22 (VAT)	27	
India	INR 10 000	150	For commercial samples. INR 20 000 for gifts, and INR 1 000 for items which involve transfer of foreign exchange
Italy	EUR 150 (customs duties)	186	EUR 45 for gifts
	EUR 22 (VAT)	27	
Japan	JPY 10 000	90	
Korea	USD 150	150	
Russian Federation	RUB 5 000	89	
United Kingdom	EUR 150 (customs duties)	186	
	GBP 15 (VAT)	21	
United States	USD 800	800	

Sources: see GEA (2018) and WCO (2017b).

The existence and level of thresholds have a number of benefits: for governments, it reduces the scope of the imported items that need to be processed, freeing up resources for other work; for businesses and consumers, it simplifies the importation of goods and lowers their cost. On the other hand, the reduced customs surveillance that could occur on items that are exempt from tariffs and taxes could also benefit parties involved in IP crime, providing a mechanism to operate below the radar screen.

Changes have been or are being made in *de minimis* regimes. The European Union is introducing a new system that will make it easier for consumers and businesses, in particular start-ups and small and medium-sized enterprises, to buy and sell goods cross-border online.¹⁶ The new rules will come into force progressively through 2021 and, among other things, aim at eliminating by 2021 the problem of fraud caused by the Value-Added Tax (VAT) exemption for goods valued at under EUR 22 coming from outside the European Union.

In Australia, goods valued at AUD 1 000 or less were treated as *de minimis* and, as such, Goods and Service Tax (GST)-free (with the exception of tobacco and alcohol). The system raised concerns with respect to equality of treatment with domestic goods (tax neutrality) and higher reported levels of undervaluation fraud to escape taxes. In response, the Treasury Laws Amendment (GST Low-Value Goods) was passed in 2017 and requires that all e-commerce vendors, with business worth AUD 75 000 or more, annually to collect tax revenues and remit these to the government on behalf of consumers as from 1 July 2018 (Productivity Commission, 2017). The system requires an accounting mechanism that includes electronic commercial declarations for these goods (OECD, 2018). Although the legislation does not require that freight companies and express carriers collect this information and report it to the tax authorities, in practice they need to do so.

In the case of the United States, the *de minimis* provisions were liberalised significantly. Under the Trade Facilitation and Trade Enforcement Act of 2015, the level was raised four-fold, from USD 200 to USD 800, in 2016.¹⁷

WCO Immediate Release Guidelines

In 1990, the WCO developed a set of release/clearance procedures designed to expedite the clearance of small or negligible value goods across borders that were primarily carried by courier and express mail services.¹⁸ At that time, the guidelines operated on the principle of information provided by the operator to customs in advance of the arrival of the goods. The guidelines were revised in 2014 to reflect revisions made to the Kyoto Convention and a number of other developments, and again in 2018 (WCO, 2018c).

There are increased demands for customs to take on more, and greater, responsibilities in areas such as security, commercial fraud, illicit drug/firearms trafficking, money laundering, electronic crime, smuggling, environmental crime and transnational organised crime.

There is an acceleration in the pace of the digital transformation of economies and businesses, where information technology,¹⁹ mobile technology, the Internet and electronic payment systems have transformed the way businesses and consumers buy and sell goods.

There is an exponential growth of e-commerce, in particular with respect to business-to-consumer (B2C) and consumer-to-consumer (C2C) transactions, and an increased role of consumers in individual transactions, all of which has led to tremendous growth in smaller consignments crossing the borders and has increased the workload of businesses and border agencies alike.

The guidelines recommend that consignments presented for immediate release be divided into four categories:

- Correspondence and documents.
- *De minimis* consignments for which no duties and taxes are to be collected in light of the low value of the shipment.
- Low-value dutiable consignments (which would be subject to a simplified declaration).
- High-value consignments (which would be subject to a full declaration).

In the case of *de minimis* consignments, the guidelines stipulate that documentation should be provided electronically to customs, in advance of their arrival, with a view towards facilitating customs' risk management and the immediate release of the consignments. As

discussed elsewhere in this report, courier and express companies are in good position to provide such information, as would be parties engaged in B2B or B2C transactions. Postal authorities, on the other hand, are generally accepting customs declarations in paper form, making electronic and advance information unfeasible.

The postal situation is recognised in the guidelines, which indicate specifically that postal consignments for which information is provided in a non-electronic format and is provided after arrival should nevertheless be granted prompt, if not immediate, release. The need for the development of more advanced mechanisms has been, however, underscored. At the same time, the wealth of information available to e-commerce operators is recognised, and it is recommended that co-operation be pursued.

WCO Cross-Border E-Commerce Framework of Standards

In 2018, the WCO adopted a Cross-Border E-Commerce Framework of Standards to meet the challenges associated with the growing volume of B2B and B2C trade (WCO, 2018d). These challenges, which were examined in a 2017 WCO report on e-commerce (WCO, 2017b), included the need to balance the need to ensure rapid release and clearance of goods, while managing safety and security risks, efficient revenue collection and statistical analysis. The need for standards was taking place in a setting where problems with illicit trade, illicit financial flows, IP infringement, counterfeiting, piracy and commercial fraud continued to affect trade. Action was seen as required in order to support trade facilitation, safety and security and compliance objectives.

The framework includes 15 standards. The need to develop a capacity for e-commerce stakeholders to exchange advance electronic forms with customs administrations in a timely manner for effective risk management is stressed. The capacity to do so should be supported by:

- The development of appropriate legal and regulatory frameworks (Standard 1).
- Use of international standards for advance electronic data (Standard 2).
- Development of risk management that is specific to e-commerce (Standard 3).

With respect to trade facilitation and simplifying customs procedures::

- Mechanisms should be developed for i) clearing shipments using simplified procedures and ii) facilitating the immediate release of low-risk shipments (Standard 5).
- The concept of expanding the scope of authorised economic operators should be explored, with a view towards assisting micro, small and medium-sized enterprises and individuals to fully benefit from the opportunities of cross-border e-commerce.(Standard 6).

On the safety and security front, customs should share relevant intelligence with trusted e-commerce stakeholders to enhance targeting efforts:

- Customs administrations should work with other relevant government agencies to establish procedures for analysis and investigations of illicit cross-border e-commerce activities with a view to prevent and detect fraud, deter the misuse of e-commerce channels and disrupt illicit flows (Standard 9).
- Governments should establish co-operation frameworks between and among various national agencies through relevant electronic mechanisms including single

window, as appropriate, in order to provide a cohesive and co-ordinated response to safety and security risks stemming from cross-border e-commerce (Standard 10).

- Public-private partnerships and international co-operation should be pursued to ensure compliance and facilitation (Standards 11 and 12).
- Public awareness of risks and responsibilities need to be promoted (Standard 13).
- Customs administrations in collaboration with other relevant government agencies, the private sector and academia, should explore innovative technological developments and consider whether these developments can contribute to more effective and efficient control and facilitation of cross-border e-commerce (Standard 15).

Finally, with respect to *de minimis* thresholds, the guidelines call on governments to make fully informed decisions based on specific national circumstances (Standard 8).

The recognition that specific steps need to be taken to address the challenges posed by e-commerce reflects a recognition that current mechanisms for handling high volumes of small shipments are largely inadequate and that more needs to be done to access the rich electronic data that e-commerce operators routinely collect prior to goods being shipped. There is also recognition that the benefits in taking measures to facilitate e-commerce should not undermine efforts to detect and interdict trade in counterfeits and other illicit products.

UPU agreements

UPU agreements include provisions governing the cross-border movement of documents and merchandise handled by postal authorities, and the costs incurred in cross-border operations.

Customs declarations

The UPU, in consultation with the WCO, developed two forms, one of which must accompany all parcels and letters containing items; the forms are treated as formal declarations by customs. The CN 22 is a simplified form that is used for packets weighing up to 2 kg, with a monetary value up to SDR²⁰ 300 (about USD 400) (Figure 2.1). Until 2016, the form requested information on: i) the type of product being traded (i.e. gift, document, commercial sample or other), which was indicated by ticking a box; ii) the quantity and detailed description of the contents of the shipment; and iii) the weight and value of the shipment. In addition, the parties involved were asked to provide information, “if known”, on the Harmonised System (HS) tariff code for the shipment and the country of origin. The forms were to be signed and dated, with the signee certifying the accuracy of the information, and attesting that the shipment did not contain any dangerous or prohibited articles.

Figure 2.1. CN 22 customs form, pre-2016

CUSTOMS DECLARATION		May be opened officially		CN 22	
Designated operator		Important! See instructions on the back.			
<input type="checkbox"/> Gift	<input type="checkbox"/> Commercial sample				
<input type="checkbox"/> Documents	<input type="checkbox"/> Other	Tick one or more boxes			
Quantity and detailed description of contents (1)		Weight (in kg)	Value (3)		
For commercial items only If known, HS tariff number (4) and country of origin of goods (5)		Total weight (in kg) (6)	Total value (7)		
I, the undersigned, whose name and address are given on the item, certify that the particulars given in this declaration are correct and that this item does not contain any dangerous article or articles prohibited by legislation or by postal or customs regulations Date and sender's signature (8)					

Size 74 x 105 mm, white or green

CN 22 (Back)

Instructions

To accelerate customs clearance, fill in this form in English, French or in a language accepted by the destination country. If the value of the contents is over 300 SDR, you must use a CN 23 form. You **must** give the sender's full name and address on the front of the item.

(1) Give a detailed description, quantity and unit of measurement for each article, e.g. 2 men's cotton shirts, especially for articles subject to quarantine (plant, animal, food products, etc.).

(2), (3), (6) and (7) Give the weight and value of each article and the total weight and value of the item. Indicate the currency used, e.g. CHF for Swiss francs.

(4) and (5) The HS tariff number (6-digit) must be based on the Harmonized Commodity Description and Coding System developed by the World Customs Organization. Country of origin means the country where the goods originated, e.g. were produced, manufactured or assembled. It is recommended you supply this information and attach an invoice to the outside as this will assist Customs in processing the items.

(8) Your signature and the date confirm your liability for the item.


Note. – It is recommended that designated operators indicate the equivalent of 300 SDR in their national currency

Source: UPU (2014), *WCO-UPU Postal Customs Guide*, www.icao.int/Meetings/AirCargoDevelopmentForum-Togo/Documents/WCO-UPU_PostalCustomsGuide-June2014.pdf.

In 2016, the form was revised, with a view towards assisting customs in carrying out better risk profiling and more efficient collection of duties and taxes, as well as supporting postal administrations in enhancing service delivery (Figure 2.2).²¹ The revisions included the addition of two new categories of products: those that were being returned and those that were intended for sale. In the case of the “other” category, parties were asked to provide details. Moreover, two new columns were added, where it was “recommended” that senders provide information on the HS code and country of origin, for the commercial sales of each article listed. Finally, a requirement to include a barcode that would be assigned by the designated postal operator was added and made mandatory in 2018.

Figure 2.2. CN 22 customs form, revised in 2016

CN 22 (Back)

 95 999 999 999 999				
CUSTOMS DECLARATION		May be opened officially		CN 22
Designated operator			Important! See instructions on the back	
<input type="checkbox"/> Gift	<input type="checkbox"/> Commercial sample			
<input type="checkbox"/> Documents	<input type="checkbox"/> Returned goods			
<input type="checkbox"/> Sale of goods	<input type="checkbox"/> Other (please specify): _____			
Quantity and detailed description of contents (1)	Net weight (2)	Value and currency (3)	H S tariff number* (4)	Country of origin* (5)
Total weight (in kg) (6)		Total value (7)		
I, the undersigned, whose name and address are given on the item, certify that the particulars given in this declaration are correct and that this item does not contain any dangerous article or articles prohibited by legislation or by postal or customs regulations				
Date and sender's signature (8)				

Size 74 x 105 mm, white or green

Instructions

To accelerate customs clearance, you must complete all applicable fields, and fill in this form in English, French or in a language accepted by the destination country. If the value of the contents is more than 300 SDR, you must use a CN 23 form. You must give the sender's full name and address on the front of the item.

For commercial items, it is recommended that you complete the fields marked with an asterisk (*), and attach an invoice to the outside, as it will assist Customs in processing the items.

Select a reason for export. ("Gift" is not an acceptable reason for export for commercial items.)

(1) Give a detailed description (generic descriptions such as "clothes" are not acceptable), quantity and unit of measure for each article, e.g. two men's cotton shirts.

(2), (3) Give the weight and value with currency for each article, e.g. CHF for Swiss francs.

(4*) The HS tariff number (6 digits) is based on the Harmonized Commodity Description and Coding System developed by the World Customs Organization.

(5*) Country of origin means the country where the goods originated, e.g. were produced, manufactured or assembled.

(6), (7) Give the total value and weight of the item.

(8) Your signature and the date confirm your liability for the item.

Note. – It is recommended that designated operators indicate the equivalent of 300 SDR in their national currency

Source: UPU (2018a), *WCO-UPU Postal Customs Guide*, www.upu.int/uploads/tx_sbdownloader/guideWcoUPUCustomsEn.pdf.

The second form is the CN 23, which can be used in lieu of the CN 22 at the trader's discretion, but must be used for packets or parcels with weights ranging from 2 kg to 20 kg (or, optionally, 30 kg), or whose value, regardless of weight, exceeds SDR 300 (UPU, 2018b) (see Annex A). The form is more comprehensive than the CN 22, requesting information on: i) the name and address of the sender and recipient; ii) the sender's customs reference (if any); iii) the importer's reference (optional); iv) the importer's phone/fax/email (if known); v) postal charges; vi) the office of origin/date of posting; vii) comments; and viii) license, certificate and invoice numbers. In 2016, additional fields were added, including ones for the telephone numbers of the sender and recipient, and "sale of goods" as a new category. As with the CN 22, senders are now asked to provide further information if they ticked the "other" product category box.

As indicated by the WCO, complete and accurate information from the declaration forms would be highly beneficial to customs officials for risk assessment. The current problem is that these forms may only be available to customs authorities in importing countries when the packages and parcels arrive, and only in paper form. As a result, they would seem to be of limited value for risk assessment. Moreover, parties sending merchandise may be challenged in providing accurate information on the 6-digit HS item number, as proper classification would require knowledge of how the system operates and how it can be accessed. The challenges may be particularly great for small traders with insufficient experience in shipping to foreign markets.

Efforts to improve performance in this regard have been underway for a number of years. UPU regulations already enable postal authorities to exchange information contained on the CN 22 and CN 23 forms, electronically, with the understanding that the postal

authorities could further share this information with customs officials, bearing in mind the privacy issues associated with such data (UPU, 2018a and b). Moreover, the UPU has been developing an automated Customs Declaration System to help streamline customs activities by allowing postal authorities and customs administrations to exchange advance data.

In the United Kingdom, as from 1 January 2019, Royal Mail will require shippers to provide electronic customs data, similar to that on customs forms CN22 and CN23, when sending items (other than correspondence) to destinations outside the European Union.²² The action was taken to make sure emerging and future legislative, security and customs requirements in overseas destinations would be met. It was noted that some countries are considering applying penalties, delaying or returning items in the absence of the required data.²³ Assistance is offered to traders with respect to the provision of HS item numbers in the form of an online tool.²⁴

In the European Union, regulations governing Entry Summary Declarations (ENS) require data for targeting and risk-assessment purposes to be provided as early as possible for air traffic, up to two hours in advance for rail shipments and one hour in advance for road shipments (OECD, 2018). In postal and courier modes, there are no current obligations to require ENS prior to arrival. The European Union has, however, piloted a project under its Europe 2020 strategy to ensure that the data elements required under the CN23 are provided in advance under the ENS. The project attempts to identify elements that can be used: i) for immediate risks (i.e. “bomb in box”); as well as ii) for customs declaration and risks related to illicit trade. The results of the pilot project have indicated its feasibility for widespread application; however, many barriers remain, including legacy infrastructures and slow IT development, which have led to delays in the programme’s implementation.

Terminal charges and inward land rates

Postal authorities in the UPU require postal operators to deliver inbound international letters to the recipients in their country (GAO, 2017). A terminal dues system was created in 1969 to establish a means for compensating postal operators for the cost of delivery, from the entry point into its country. Until 2018, a single rate was applied no matter what their shape or contents; the rates took the form of caps on what postal authorities could charge. In 2018, that system was modified to establish separate rates for document mail and letter packets. As shown in Table 2.3 the caps are calculated on the basis of the weight of an item, plus a fixed charge for each mail item. There are four categories of countries, under which developing countries are effectively granted lower caps. Imported parcels, on the other hand, are subject to an inward land rate, which is a unique value based on costs calculated by national postal authorities, for their jurisdictions.

Table 2.3. UPU terminal due cap rates for 2018

Country group	Documents	Small packets
Group I	SDR 2.294/kg + 0.294/pc	SDR 1.584/kg + 0.705/pc
Group II	SDR 2.064/kg + 0.264/pc	SDR 1.313/kg + 0.584/pc
Group III	SDR 1.831/kg + 0.234/pc	SDR 1.198/kg + 0.533/pc
Group IV	SDR 1.774/kg + 0.227/pc	SDR 1.089/kg + 0.485/pc

Source: Campbell, J. (2016), *Major Decisions of the 2016 UPU Istanbul Congress and Implications for International Package Delivery Services*, www.wik.org/fileadmin/Konferenzbeitraege/2016/16th_Koenigswinter_Seminar/S2_3_Campbell.pdf.

Postal charges are settled between postal authorities and it is not clear to what extent these charges are passed on to their customers. The terminal dues have been subject to controversy in recent years as they have been viewed by some as providing a subsidy to exporters due to their relatively low levels (GAO, 2017). Overall, it appears that shippers in Asia are able to take advantage of favourable shipping rates. An examination of China Post rates for shipping items to Chicago, for example, reveals that they can be significantly lower than those for shipping the same items from San Francisco to Chicago, providing a significant advantage to Asian shippers (Table 2.4).

Table 2.4. Shipping costs to Chicago

Mode	In USD			
	100 grams	500 grams	1 kg	2 kg
From Beijing				
China Post Airmail	2.66	11.52	22.6	44.75
China Post eBay ePacket	2.33	6.95	12.86	24.68
From San Francisco				
USPS Priority Mail	7.85	12.4	16.65	23.15
FedEX Express saver	25.41	28.94	32.52	38.96

Source: Herman, A. (2017), *Crisis in the Mail: Fixing a Broken International Package System*, <https://s3.amazonaws.com/media.hudson.org/files/publications/20170302HermanCrisisInTheMailFixingaBrokenInternationalPackageSystem.pdf>.

Notes

¹ See www.wcoomd.org/en/media/newsroom/2018/april/tegacs-moves-forward-with-the-guiding-principles-for-pre-loading-advance-cargo-information.aspx and www.cbp.gov/border-security/ports-entry/cargo-security/acas.

² See the section on *International policy and regulatory environment* for information on related WCOI instruments.

³ See https://ec.europa.eu/taxation_customs/business/union-customs-code_en.

⁴ See www.govexec.com/management/2018/10/trump-signs-law-curb-postal-services-unintentional-role-opioid-crisis/152351/.

⁵ See www.royalmail.com/business/services/sending/international-data.

⁶ See www.canadapost.ca/tools/pg/manual/PGcustoms-e.asp#1382680.

⁷ See www.statista.com/statistics/236309/market-share-of-global-express-industry, https://en.wikipedia.org/wiki/DHL_Express, https://en.wikipedia.org/wiki/FedEx_Express, https://en.wikipedia.org/wiki/United_Parcel_Service, https://en.wikipedia.org/wiki/TNT_Express.

⁸ See https://en.wikipedia.org/wiki/DHL_Express.

⁹ See www.capec.co.nz/ and [www.interpol.int/content/download/28422/378878/version/1/file/Express%20Delivery%20Services%20and%20the%20Protection%20of%20Intellectual%20Property%20Rights,%20Mr.%20Koh,%20Conference%20of%20Asia%20Pacific%20Express%20Carriers%20\(CAPEC\).pdf](http://www.interpol.int/content/download/28422/378878/version/1/file/Express%20Delivery%20Services%20and%20the%20Protection%20of%20Intellectual%20Property%20Rights,%20Mr.%20Koh,%20Conference%20of%20Asia%20Pacific%20Express%20Carriers%20(CAPEC).pdf).

¹⁰ See <https://global-express.org/index.php?id=15>.

¹¹ See www.aliexpress.com/.

¹² See www.shippo.co.uk/tips-and-tricks/whats-the-difference-between-alibaba-wholesale-alibaba-aliexpress/.

¹³ See for example the Report from the Commission to the European Parliament and the Council on the functioning of the Memorandum of Understanding on the Sale of Counterfeit Goods via the Internet. Available at: <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=celex:52013DC0209>

¹⁴ See www.wcoomd.org/en/media/newsroom/2018/november/wco-upu-contact-committee-endorses-joint-guidelines,

¹⁵ See www.wto.org/english/tratop_e/tradfa_e/tradfa_introduction_e.htm.

¹⁶ See http://europa.eu/rapid/press-release_IP-17-4404_en.htm.

¹⁷ See www.cbp.gov/trade/trade-enforcement/tftea and www.cbp.gov/newsroom/national-media-release/de-minimis-value-increases-800.

¹⁸ See www.wcoomd.org/en/topics/facilitation/instrument-and-tools/tools/immediate-release-guidelines.aspx.

¹⁹ For more information, see the WCO working group on digital trade.

²⁰ IMF Special Drawing Right.

²¹ See www.wcoomd.org/en/topics/facilitation/activities-and-programmes/ecommerce.aspx.

²² See www.royalmail.com/business/services/sending/international-data.

²³ Royal Mail noted that the United States passed legislation that will mandate that inbound shipments be accompanied by electronic customs data as from the end of 2018.

²⁴ See www.gov.uk/trade-tariff.

References

- Campbell, J. (2016), Major Decisions of the 2016 UPU Istanbul Congress and Implications for International Package Delivery Services, Presentation at the 16th Königswinter Postal Seminar, Königswinter, www.wik.org/fileadmin/Konferenzbeitraege/2016/16th_Koenigswinter_Seminar/S2_3_Campbell.pdf.
- Frontier Economics (2015), Express Delivery and Trade Facilitation: Impacts on the Global Economy, Frontier Economics Ltd., London, https://global-express.org/assets/files/Members-Library-2/GEA_FinalReport_040315_STC.pdf.
- GAO (2017), International Mail: Information on Changes and Alternatives to the Terminal Dues System, GAO-18-112, U.S. Government Accountability Office, www.gao.gov/assets/690/687725.pdf.
- GEA (2018), Overview of de minimis value regimes open to express shipments world wide, Global Express Association, available at: https://global-express.org/assets/files/Customs%20Committee/de-minimis/GEA%20overview%20on%20de%20minimis_28%20March%202018.pdf
- Herman, A. (2017), Crisis in the Mail: Fixing a Broken International Package System, Hudson Institute, <https://s3.amazonaws.com/media.hudson.org/files/publications/20170302HermanCrisisInTheMailFixingaBrokenInternationalPackageSystem.pdf>.
- IPC (2017), Global Postal Industry Report: 2017 Key Findings, International Post Corporation, Brussels, www.ipc.be/-/media/documents/public/markets/mi_products/ipc_gpir2017_key_findings.pdf.
- IPC (2010), E-commerce: Supporting a Business Case, International Post Corporation, Brussels, www.ipc.be/-/media/documents/public/markets/reports_research_surveys/digital-business/ipc_board_digital_ecommerce.pdf.
- OECD (2018), Governance Frameworks to Counter Illicit Trade, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264291652-en>.
- Onghena, E. (2008), “The integrator market: Actors and strategies”, in Third International Conference on Research in Air Transportation, Fairfax, www.icrat.org/icrat/seminarContent/2008/The_Integrator_Market.pdf.
- Oxford Economics (2011), The Economic Impact of Express Carriers in Europe, Oxford Economics, www.euroexpress.org/uploads/ELibrary/EEA_RA2011_LR.pdf.
- Productivity Commission (2017), Collection Models for GST on Low Value Imported Goods, Australian Government, www.pc.gov.au/inquiries/completed/collection-models/report/collection-models.pdf.
- UPU (2018a), WCO–UPU Postal Customs Guide, Universal Postal Union, www.upu.int/uploads/tx_sbdownloader/guideWcoUPUCustomsEn.pdf.
- UPU (2018b), S10: Identification of Postal Items – 13-Character Identifier, Universal Postal Union, www.upu.int/uploads/tx_sbdownloader/S10-12.pdf.
- UPU (2015), The global postal network: Key figures, <http://news.upu.int/insight/backgrounders/key-figures>
- UPU (2014), WCO–UPU Postal Customs Guide, Universal Postal Union, www.icao.int/Meetings/AirCargoDevelopmentForum-Togo/Documents/WCO-UPU_PostalCustomsGuide-June2014.pdf.
- UPU (2012), The global postal network: A few key figures from the UPU’s 2010 statistics, <http://dohacongress.upu.int/media/backgrounders/the-global-postal-network-key-figures>

- van der Lijn, N, et al. (2005), Development of Competition in the European Postal Sector, MARKET/2004/03/C, ECORYS-NEI, Rotterdam, <https://ec.europa.eu/docsroom/documents/14111/attachments/1/translations/en/renditions/native>.
- WCO (2018a), SAFE Framework of Standards, World Customs Organization, Brussels, www.wcoomd.org/-/media/wco/public/global/pdf/topics/facilitation/instruments-and-tools/tools/safe-package/safe-framework-of-standards.pdf?la=en,
- WCO (2018b), Information provided informally to the OECD by WCO officials.
- WCO (2018c), Guidelines for the Immediate Release of Consignments by Customs, WCO, www.wcoomd.org/-/media/wco/public/global/pdf/topics/facilitation/instruments-and-tools/tools/immediate-release-guidelines/immediate-release-guidelines.pdf?db=web.
- WCO (2018d), Cross-Border E-Commerce Framework of Standards, World Customs Organization, Brussels, www.wcoomd.org/-/media/wco/public/global/pdf/topics/facilitation/activities-and-programmes/ecommerce/wco-framework-of-standards-on-crossborder-ecommerce_en.pdf?la=en .
- WCO (2017b), WCO Report on Cross-Border E-Commerce, World Customs Organization, Brussels, www.wcoomd.org/-/media/wco/public/global/pdf/topics/facilitation/activities-and-programmes/ecommerce/wco-study-report-on-e-commerce.pdf?la=en.
- WTO (2014), Trade Facilitation Agreement, World Trade Organization, WT/L/940, www.wto.org/english/tratop_e/tradfa_e/tradfa_e.htm.



From:
Misuse of Small Parcels for Trade in Counterfeit Goods
Facts and Trends

Access the complete publication at:
<https://doi.org/10.1787/9789264307858-en>

Please cite this chapter as:

OECD/European Union Intellectual Property Office (2019), “Small shipments and counterfeits: Ever greater challenges”, in *Misuse of Small Parcels for Trade in Counterfeit Goods: Facts and Trends*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/fa304fbf-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at info@copyright.com or the Centre français d'exploitation du droit de copie (CFC) at contact@cfcopies.com.