“Addressing product non-compliance risk in international trade”

Draft Recommendation V
Valentin Nikonov
Co-Coordinator of the GRM

GRM and GRM recommendations are...
Risks, international trade and sustainable development

SDGs
Regulatory Systems supporting the SDGs
Regulatory requirements for products
Regulatory requirements for traded products
Compliance with regulatory requirements essential for achieving the SDGs

Food Safety
Agriculture safety
Food products
Fruits and vegetables
Pesticides
Feed
...

Public health regulations
Medical equipment
Vaccines
Pesticides

Recommendation V: risk of product non-compliance in international trade

Non-compliant shipment?

Dangerous pests?
Dangerous pesticides?
Smuggling?
Spoiled products?
"Safety" risks: regulators
- Pests
- Pesticides
- Smuggling
- ...

"Trade facilitation" risks: businesses
- Delays
- Additional costs to importers
- Disrupting supply chains
- ...

Inspection as a risk mitigation measure
Inspection as a trade facilitation risk

Product non-compliance risk: two main questions

"Effect of uncertainty on objectives"

How dangerous products in the shipment can be when they are non-compliant?

How probable that the incoming shipment contains non-compliant products?
Setting the context: risk of product non-compliance in international trade

Non-compliant shipment?

Integrated approach to managing risks: different risks, same process

Non-compliant shipment?
Risk Management and Integration

Data on incoming shipment leads to Compliance Rules: Customs, which then leads to inspection results: pesticides (Yes/No). Similarly, data on previous shipments leads to level of risk: pests, and data on previous shipments leads to level of risk: smuggling.

Compliance Rules: Ministry of Agriculture and Ministry of Health also play a role in the risk assessment process.

Integrated approach

Responsibility of the Competent Authority

Data on incoming shipment leads to applying compliance rules, which includes Compliance Rules: Ministry of Agriculture, Ministry of Health, and Customs. These rules then lead to levels of risk: pesticides, smuggling, and pests.

Performing inspections by Customs, Ministry of Agriculture, and Ministry of Health conclude the cycle.
Areas for integration

- **Developing compliance rules**
  - Sharing data on previous inspections
  - Taking into account correlations between interceptions
  - Sharing compliance rules development tools and IT infrastructure
- **Processing data on incoming shipments**
  - One source of information
  - Sharing IT infrastructure
- **Implementing compliance rules**
  - Sharing IT infrastructure
  - One system for applying compliance rules for different stakeholders
  - Targeting centers
- **Inspections**
  - Integrated inspections

**Single Risk Management Window**

- **RM systems**
  - Data on previous inspections
  - Product evaluation
  - Experts’ judgment
  - Simulations
- **Compliance rules (Regulator 1)**
- **Compliance rules (Regulator N)**
- **Information on the incoming shipment**
- **Goods declaration**
  - Cargo declaration
- **The Customs profiling system**
  - Probability of non-compliance
    - Level of harm
    - Red light 1
  - Probability of non-compliance
    - Level of harm
    - Red light N
- **Integrated inspection**
  - Documentary checks
  - Visual checks
  - Physical checks (sampling)
Developing Recommendation V

- Draft presented at the Annual Session of the WP.6 in 2019
- Available at the WP.6 website
- Analysis of the international experience
  - US FDA PREDICT
  - USDA Risk-based sampling
  - EU Integrated Approach (food, plant, etc.)
  - Australia CBIS
  - Australia IFIS
  - New Zealand Risk Engine

Improving the draft

- “Stressing the role international trade in the achievement of the SDGs”
- “Highlighting that regulations and regualtory systems supporting the SDGs regulated traded products and have a strong impact on international trade”
- Replacing “trade facilitation risks” with “trade disruption risks”
- Highlighting the “Single risk management window” idea
- Strengthening the principle of “per shipment risk evaluation”
- Adding the review of international best practice as an Annex
- Describing the scheme