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AI GOVERNANCE FOR CUSTOMS ADMINISTRATIONS: NAVIGATING REGULATORY COMPLIANCE AND TECHNOLOGICAL CHANGE

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FOCUS OF THIS SESSION

- Introduction: AI Governance and its importance for Customs Administrations
 - Part 1: Global regulatory environment
 - Part 2: Existing tools and instruments
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INTRODUCTION

- Overview of AI's increasing role in Customs
- The significance of governance frameworks for AI
- AI's potential in revolutionizing trade, risk management, and customs operations

INTRODUCTION: AI GOVERNANCE AND ITS IMPORTANCE FOR CUSTOMS ADMINISTRATIONS

- Why AI governance matters today:
 - Ensuring ethical and responsible use of AI in decision-making processes
 - Balancing innovation with regulation
- Benefits of AI for Customs Administrations:
 - Streamlining operations, enhancing trade facilitation, and improving risk management
- Challenges faced:
 - Regulatory uncertainty, data privacy concerns, and global interoperability

PART 1:

GLOBAL REGULATORY ENVIRONMENT

- **Overview:** The EU AI Act is a landmark legislation classifying AI systems based on their risk to safety, security, and fundamental rights. AI systems are categorised as:
 - **Unacceptable Risk:** Prohibited (e.g., social scoring by governments)
 - **High Risk:** Subject to stringent requirements (e.g., critical infrastructure, education)
 - **Limited Risk:** Transparency obligations (e.g., chatbots)
 - **Minimal Risk:** Largely exempt from requirements (e.g., video games)
- **Impact on Customs:** High-risk AI systems in customs (e.g., biometric identification, risk assessments) must meet compliance standards regarding data quality, transparency, and human oversight.
- **Alignment:** Customs administrations need to ensure that AI technologies, particularly in risk management and compliance automation, align with the Act's provisions.

- **AI Executive Order (2020):** Promotes AI leadership by fostering innovation while ensuring safety, civil liberties, and economic growth.
- **National AI Initiative Act (2021):** Establishes a national framework for AI development, research, and standards across federal agencies.
- **Algorithmic Accountability Act (Proposed)**
- **State Law: New York, California**
- **Impact on Customs:** Emphasis on innovation and collaboration between government agencies, including customs, to develop AI frameworks that support efficient and secure trade facilitation.

- **AI Regulation (2021):** China has implemented several AI-related regulations that include guidelines for ethics, privacy, and national security.
- **New Data Security Law (2021):** Governs data handling, particularly cross-border data flows, which can impact global trade and customs operations.
- **Impact on Customs:** China's AI regulations stress control over data and AI technologies. Customs administrations engaging with Chinese technology providers must ensure compliance with data privacy and security standards.

- **Artificial Intelligence and Data Act (AIDA)** (proposed): A part of Canada's Digital Charter, this aims to regulate AI systems to mitigate risks to health, safety, and human rights while fostering innovation.
- **Impact on Customs:** Encourages the development of responsible AI systems that are interoperable and safe for use in customs and trade facilitation.

- **Model AI Governance Framework (2019):** Provides guidance on responsible AI deployment, focusing on transparency, fairness, and accountability.
- **Personal Data Protection Act (PDPA):** Addresses data privacy concerns, which are critical in AI systems handling cross-border trade data.
- **Impact on Customs:** Singapore's framework can serve as a model for other customs administrations looking to adopt AI technologies responsibly while protecting trade data.

- **ISO AI Standards (ISO/IEC 42001)**: international standards for AI governance, safety, and ethics that are applicable across various industries, including customs.
- **UNESCO AI Ethics Recommendation (2021)**: Promotes the ethical use of AI, especially in public governance systems.
- **OECD AI Principles**: Encourages responsible stewardship of trustworthy AI systems.
- **Impact on Customs**: These frameworks provide a foundation for harmonizing AI governance across customs administrations worldwide.

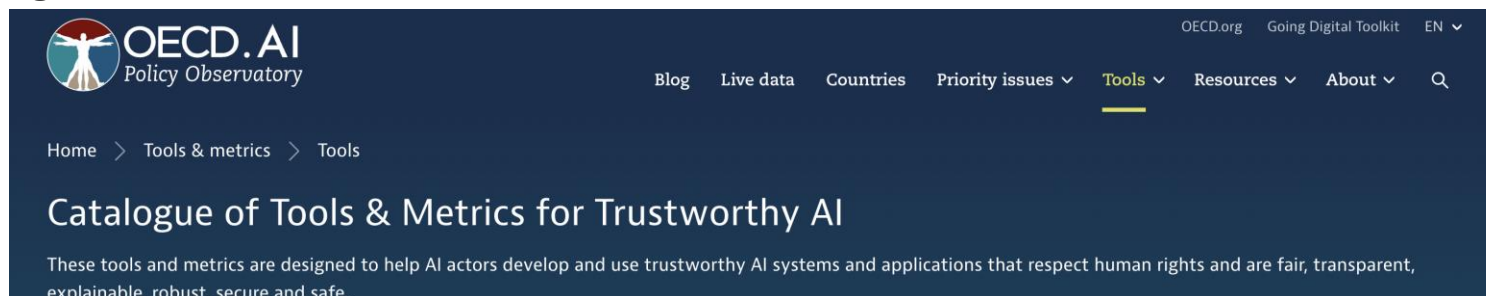
- **Regulatory Trends in AI:**
 - Role of multilateral bodies like the WCO in supporting AI regulation and compliance
 - Cross-border AI governance for seamless Customs operations and global trade compliance

PART 2:

TOOLS AND INSTRUMENTS

TOOLS AND INSTRUMENTS: OECD AI POLICY OBSERVATORY

- **Overview:** The **OECD AI Policy Observatory** is a comprehensive resource that tracks and provides guidance on AI policies, regulations, and governance globally.
- **Key Tools: AI Governance Toolkit:** Offers guidelines for responsible AI governance, focusing on transparency, accountability, and ethical use.
- **AI Policy Datasets:** Provides access to global AI policy data, helping governments (including customs administrations) understand global trends and best practices in AI governance.
- **Country-Specific AI Insights:** Helps governments evaluate the readiness of their AI strategies by comparing against global benchmarks.
- **Relevance to Customs:** Customs administrations can use OECD AI tools to benchmark their AI policies, assess compliance with global regulations, and develop responsible AI governance frameworks.



The screenshot shows the OECD AI Policy Observatory website. The header includes the logo and navigation links: Blog, Live data, Countries, Priority issues, Tools (highlighted), Resources, and About. The breadcrumb trail is Home > Tools & metrics > Tools. The main heading is 'Catalogue of Tools & Metrics for Trustworthy AI'. Below the heading, a sub-heading states: 'These tools and metrics are designed to help AI actors develop and use trustworthy AI systems and applications that respect human rights and are fair, transparent, explainable, robust, secure and safe.'

TOOLS AND INSTRUMENTS: OECD AI PRINCIPLES:

- **Overview:** A set of high-level principles to guide the responsible development and use of AI. These principles cover transparency, fairness, accountability, and human-centric AI.
- **Application in Customs:**
 - **Fairness and Non-Discrimination:** Ensuring AI systems used in customs (e.g., risk targeting, border checks) are free from bias and discrimination.
 - **Accountability:** Customs administrations must remain accountable for decisions made by AI systems, particularly in areas like fraud detection and risk management.
 - **Transparency:** AI systems should be transparent to ensure that stakeholders understand how decisions are made, which is critical in customs operations.

TOOLS AND INSTRUMENTS: WORLD TRADE ORGANIZATION (WTO) AI-RELATED TOOLS



White Paper
on the use of
Artificial Intelligence
in Trade Facilitation

February 2023

- **Trade Facilitation Agreement (TFA) Tools:**
- **Overview:** The WTO's TFA outlines measures to expedite the movement, release, and clearance of goods across borders. Many TFA tools now incorporate AI and digital systems for efficiency.
- **AI Tools for Customs:**
 - **Automated Risk Management:** AI algorithms to prioritize high-risk shipments and expedite low-risk goods.
 - **Blockchain for Trade:** Blockchain technologies are being used to enhance transparency and traceability in trade, which can be integrated with AI systems for customs compliance.
 - **AI-Driven Data Sharing Platforms:** Tools that allow for seamless data exchange between customs administrations and other trade stakeholders, ensuring compliance with global trade regulations.

- **Digitalization in Maritime Trade:**
 - **Overview:** The IMO is adopting AI-based digital tools to improve maritime trade logistics, vessel tracking, and cargo management.
 - **AI Tools for Customs:**
 - **Vessel Tracking AI:** Uses AI to predict vessel movements and identify anomalies, aiding customs in monitoring high-risk cargo.
 - **AI for Port Management:** Improves port operations through automation, reducing delays in customs clearance and ensuring compliance with trade regulations.
 - **Relevance:** AI-driven maritime tools help customs administrations manage trade more efficiently, especially at seaports with high volumes of cargo.

WEF: Digitalization is disrupting global trade – here's how AI can help customs and businesses to respond Jun 6, 2024.

- **Customs Automation**
- **Sustainability and Compliance**
- **Fraud Detection**
- **Boosting Efficiency**
- **AI-Based Customs Systems**
- **The Promise of AI for Customs Tax Revenue**

TOOLS AND INSTRUMENTS: UN GLOBAL SURVEY ON DIGITAL AND SUSTAINABLE TRADE FACILITATION



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- The **UN Global Survey on Digital and Sustainable Trade Facilitation** is a joint initiative by the United Nations Regional Commissions (including UNCTAD) to help countries benchmark their progress in reducing trade costs and enhancing trade efficiency through digital and paperless trade measures.
- Key points include:
- The survey reviews implementation of over 60 trade facilitation measures across more than 160 economies.
- It covers areas such as digital trade, e-commerce, and sustainable trade, alongside the World Trade Organization (WTO) Trade Facilitation Agreement (TFA).
- The survey aims to track reforms that help reduce the time and cost associated with trading across borders.
- Data and insights from the survey support countries in improving their customs procedures, streamlining trade processes, and integrating paperless trade solutions.

https://www.untfsurvey.org/?_gl=1*_lai21x*_ga*MzcxMjAzNDQ4LjE3Mjc2NzcyNzU.*_ga_SB1ZX36Y86*MTcyNzY3NzI3NS4xLjAuMTcyNzY3NzI4MS41NC4wLjA

TOOLS AND INSTRUMENTS: TAKEAWAY FROM EXISTING TOOLS AND INSTRUMENTS:



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- **Interoperability and Global Cooperation:**
 - Many of these tools, including those from WCO, OECD, WTO, and IMO, are designed to promote interoperability and ensure customs administrations can work seamlessly across borders.
 - AI and digital tools developed by IGOs provide the foundation for building robust, transparent, and efficient customs operations that comply with global standards.

- **Developing AI Governance Frameworks:**
 - Importance of creating internal governance models for AI in line with global standards (e.g., EU AI Act, OECD)
- **Recommendations for Implementing AI:**
 - Build customs officers' AI knowledge through training and collaboration with technology providers
 - Leverage partnerships with organizations like WCO, OECD, and WTO to drive responsible AI adoption

CONCLUSION

- **Conclusion**
- **Key Takeaways:**
 - AI has transformative potential for customs operations, but governance is crucial to ensuring its ethical use
 - BACUDA's role in facilitating AI-driven innovation for WCO members
 - Leveraging global tools, such as those from **OECD AI**, to enhance compliance and governance frameworks
- **Call to Action:**
 - Encourage global cooperation and further exploration of AI tools to achieve efficient, transparent, and ethical customs operations

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