



SECURITY AND FACILITATION IN THE INTERNATIONAL TRADE SUPPLY CHAIN - The Community Customs Code -





Changing environment & New challenges for customs in general

- **Increasing globalisation of trade and crime**
- **Increasing threat of terrorist acts**
- **Increasing interconnectivity and interdependency of societies/countries**



Changing environment & New challenges for customs in Europe

- Total length of external land frontier: 6.500 km
- Enlargement of the European Union in May 2004 and January 2007 (→ length of the EU Land Frontier increased by ca 80%)
- 1.600 million tonnes of seaborne cargo



- 8 million tonnes of airborne cargo





EC APPROACH ON SECURITY

- **WHY Community approach?**

- **The Customs union (1968)**
- **The Single Market (1993)**
- **Free circulation of goods, persons, services and capital**
- **One external frontier supervised by 27 customs administrations**





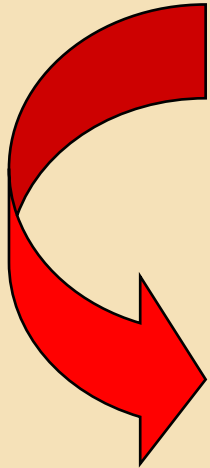
CHANGING ROLE FOR CUSTOMS

- **Traditional approach: primary concern of customs are fiscal matters and revenue collection**
- **New tasks and new challenges due to increasing concerns for safety and security**





EU Customs approach on security



CONTROL STANDARDS

Commonly agreed control standards and risk indicators

Close cooperation with other services and customs administrations of third countries

Objective:

Mutual recognition of security standards and control results

TRADE FACILITATION

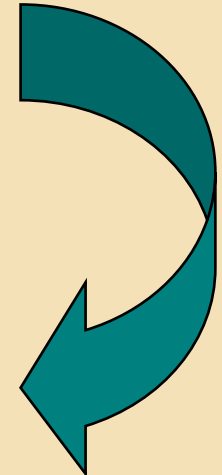
Authorised Economic Operator (AEO) Programme

Simplified customs procedures

Facilitation on security requirements

Objective:

Mutual recognition of AEO status (benefits in the global supply chain)





EU Customs Security Initiatives

Security amendments to the Community Customs Code (Regulation (EC) No 648/2005 of 13 April 2005 and Regulation No 1875/2006)

- require traders to provide customs authorities with information on goods prior to import to or export from the European Union
- provide reliable traders with trade facilitation measures (AEO-concept)
- introduce a mechanism for setting uniform Community risk-selection criteria for controls, supported by computerised systems
- Introduce better and more focused controls, in particular at export



Concept of security

- **Identify consignments that constitute a high risk at the earliest possible point in time**
- **Identify traders that offer a high degree of security guarantees in respect of their role in the supply chain**
 - **Concept pushes security of cargo back in supply chain by involving private sector and by requiring increased security at the point of origin and as the container moves through the supply chain – similar to WCO SAFE concept**



Pre-arrival - Pre-departure Declaration

- **requires traders to provide customs authorities with information on goods prior to import to or export from the European Union**
- **enables customs to carry out risk analysis for security purposes before goods arrive in the customs territory**
- **enables customs to focus on high risk cargo due to availability of risk-information at early stage**

Result:

More efficient controls and thus better use of resources !



Pre-arrival/Pre-departure Information

- **Set of data elements
(like WCO SAFE)**
 - Provide customs with security related information for risk analysis
 - Standardized set of data



Pre-arrival/Pre-departure Information

- **Time limits at arrival (identical to WCO SAFE)**
 - Deep-sea/cont.: 24 hours before loading
 - Short-sea/cont.: 2 hours before arrival
 - Maritime/bulk: 4 hours before arrival

 - Air/long: 4 hours before arrival
 - Air/short: at take-off

 - Rail: 2 hours before arrival

 - Road: 1 hour before arrival



Pre-arrival/Pre-departure Information

- **Time limits at departure (identical to WCO SAFE)**
 - Deep-sea/cont.: 24 hours before loading
 - Short-sea/cont.: 2 hours before leaving
 - Maritime/bulk: 4 hours before leaving

 - Air: 30 minutes before departure

 - Rail: 2 hours before leaving

 - Road: 1 hour before leaving



Authorised Economic Operator

Legislation focuses on 3 majors areas:

- Benefits in the area of facilitation and simplifications for customs procedures
- Criteria that have to be complied with
- Authorisation procedure

Concept like WCO AEO concept



Authorised Economic Operator

AEO is a status that is granted to reliable traders that comply with criteria and offer a high degree of security in respect of their role in the supply chain.

The status gives access to:

- **Simplifications provided for under the customs rules**
- **Facilitation with regard to customs controls relating to security and safety**



Authorised Economic Operator

EC combines new security compliance with traditional simplifications for reliable traders (e.g. deferred payment, guarantee waiver)

EC AEO can choose whether or not he wants to benefit from lower risk score and/or from simplifications like guarantee waiver - depending on his choice, he has to comply with appropriate criteria - **mutual recognition only for the secure AEO + no obligation to become AEO to benefit from customs simplifications**



Authorised Economic Operator

- **Three Types of AEO**
 - a) customs simplifications
 - b) benefits related to security and safety
 - c) combination of a) and b)



Authorised Economic Operator

Criteria (like WCO AEO):

- appropriate record of compliance
- satisfactory system of managing commercial and where appropriate, transport records, which allow appropriate Customs controls
- proven financial solvency
- **NEW:** for the secure AEO, appropriate security standards



Authorised Economic Operator

Security criteria :

- **threat assessment**
- **security plan**
- **procedural measures to prevent irregular goods entering the supply chain**
- **employee screening**
- **physical security of buildings/access control**
- **Identification of business partners etc.**



Authorised Economic Operator

Criteria

- **Criteria are the same for all economic operators**
 - **Implementation measures will however differ depending on the sector and the size of the AEO**
- **A small company will implement same measures but in a different way than a company with 300 employees (f.ex. possibly no need for surveillance camera if staff can see what happens and who enters and leaves the building)**



Authorised Economic Operator

Criteria

- **If the applicant is the holder of an internationally recognised security certificate issued on the basis of international conventions or of an International or European organisation for standardisation, **the certificate is taken into account to the extent that the criteria are comparable (e.g. ISPS, ISO)****



Authorised Economic Operator

Authorisation:

- **Procedure laid down in EC legislation**
- **Close consultation among authorities involved and also Customs to Business**
- **Increased self-policing and self-assessment and less direct customs involvement**
- **Regular monitoring by customs authorities**
- **Suspension and revocation in case of non-compliance**



Authorised Economic Operator

- **Status is attributed according to uniform criteria in all Member States and thus recognised in all MS**
 - **Facilitations for security are granted on the basis of the AEO status in all MS**
 - **Simplifications for customs have to be granted in the individual MS but customs checks only criteria that have not yet been examined when granting AEO status**



AEO – Facilitations for security

- **Recognition as safe and secure partner in international trade – status as quality criterion**
- **Lower risk score for risk analysis for safety and security purposes**
- **Less data to be provided for pre-arrival/pre-departure declarations**
- **Notice that selected for inspection**
- **Priority treatment for controls**



AEO – Facilitations for security

- In the event of a terrorist attack AEOs will be the first to recommence giving economic advantages to those traders
- Less customs interventions in the shipment process
- Increased self-policing with less customs involvement, enhanced overall security of goods, with less theft and accordingly lower insurance premiums, safer work environment and better use of resources
- More streamlined internal processes and better C2B relations



AEO – Simplifications for customs

- The AEO that wants to combine his secure status with simplifications for customs procedures (local clearance) can have also these advantages
- Most operators will opt for both, facilitations for security and customs simplifications
- **Only the secure AEO will benefit from mutual recognition with third countries**



AEO – Advantages for customs

- **Customs will be able to focus on traffic of unknown operators**
- **Better use of resources, more streamlined internal processes, more accurate and timely information**
- **Less congestion of traffic at points of entry**
- **Improved relationship between business and customs**



AEO Pilot Action

- **Jan – July 2006**
- **11 EU Member States (economic operators and their customs authorities)**
- **Small, Large, East, West, North, South, Transport modes, New and old MS, Multinationals, SMEs**
- **Objective: test criteria and authorisation procedure and develop recommendations and finalise AEO guidelines**



AEO Pilot Action

Some of the Recommendations:

- **“Monitoring” by customs necessary**
- **Importance of partnership approach**
- **Appoint a client co-ordinator at customs and a contact point in the company**
- **Take into account existing authorisations and security certificates**
- **Customs to co-operate with other authorities**
- **Exchange of customs staff/training/best practices**



AEO Pilot Action

- **Implementation of Risk Management on AEOs**
- **Trade to use security declarations**
- **Trade to enter into contractual arrangements**
- **Customs to take into account how many AEOs are in the supply chain for risk analysis/controls (complete chain more secure than incomplete chain)**
- **Overall objective is mutual recognition of AEOs**



Risk Management framework

A mechanism for setting uniform EC risk selection criteria for controls, supported by IT systems, is introduced

- **allows for the application of harmonised risk criteria by all Member States**
- **enables Customs to exchange risk-related information by electronic means**
- **enables Customs to focus on high risk consignments due to availability of risk-information at early stage**

Result:

More efficient customs controls and thus better use of resources



IMPLEMENTATION

The EC security measures will be implemented through:

- Regulation (EC) No. 648/2005
- Implementing Provisions to CC
- Guidelines to lay down technical details for the AEO
- AEO Database to allow for consultation among 27 Member States



IMPLEMENTATION TIME TABLE

7 days after publication imp. regulation

- Risk management aspects and Phase I of the export control system

1 January 2008

- AEO

1 July 2009

- Pre-arrival and pre-departure data requirements and timelines



EC security legislation

- **Overall objective is international end-to-end supply chain security through**
 - **mutual recognition of equivalent security standards and controls**
 - **mutual recognition of equivalent authorised economic operator concepts**



International Context

Security measures have to be seen in their international context:

- **WCO SAFE Framework of Standards**
- **WCO Guidelines on AEO and mutual recognition**
- **Security measures of major trading partners**

Main objective: reciprocity and mutual recognition of equivalent security measures und thus smart and secure lanes und globally valid rules that facilitate trade



THANK YOU FOR YOUR ATTENTION

For up-to-date information about the

Customs Security Programme, the Security Amendments of the Customs Code and International Co-operation

visit our website:

http://ec.europa.eu/taxation_customs/customs/policy_issues/customs_security/index_en.htm

