

Logistics and Supply chain

Harmonisation of rules in the EU; Success model for ASEAN ?

MFA and TNSC seminar

- Bangkok 29-30 September 2009 -

Road Transport Network, 2015



Moving to a european internal market; EU experience

- Basic issues to get actual economic benefits from european integration (reducing costs and delays; ensuring fair competition; creating business opportunities):
 - A common modern customs transit regime,
 - Customs documentation: the Single Administrative Document,
 - Facilitating border crossing.
- In general, the management of the customs union is managed through specialised committees (customs code, customs classification, fight against frauds,...) with the EU Member States
- Non legislative actions: exchange of officials, sharing best practises, running pilot projects,...
- Support and continuous pressure by the private sector, together with the political will, have been decisive.

The Community transit regime

Main components:

- A single harmonised transit declaration,
- A single guarantee, based on an open system, valid throughout the movement of goods,
- Inland clearance is encouraged in order to avoid border congestion and to lower costs,
- No physical border inspections in countries of transit,
- Defining procedures that will minimize costs and delays while avoiding frauds,
- Providing simplified procedures for reliable economic operators.

The Community transit regime

- **Transit declaration:** a single sub-set of the SAD valid throughout the full journey.
- **Guarantee:**
 - A single guarantee valid in all countries concerned,
 - Comprehensive for multiple consignments, or
 - Individual per consignment (cash or bank guarantee),
 - Guarantors (open to all who can provide a guarantee: banks, transporters, trade association, insurance companies) Must be approved by Customs; no monopoly (costs) ; multiple guarantors are possible.

The Community transit regime

- **Border controls:**
 - no physical inspections when crossing borders is the rule;
 - Transit advice note has been replaced by e-messages,
- **Control procedures:**
 - Paper-based systems too vulnerable to frauds and errors,
 - Computerisation (**NCTS**) allowed integration with traders systems, direct interface (lower costs), better risk management (customs offices are linked, advance arrival information) and related simplifications, speeds up the release of the guarantee,
 - Interconnectivity/interoperability of national systems were necessary and proved the basis for e-customs at the EU level,
 - **Administrative cooperation** indispensable (+ legal framework).

The Community transit regime

- **Simplifications:**
 - Operators with proven good records (authorised consignor/consignee),
 - Level of guarantees, inspections in consignor/consignee premises,...
 - Loading lists and possible use of transport or commercial documentation,
- **Extension to non-EU european countries when conditions have been met.**

Transit regime : what about ASEAN

- **Differences** : trade patterns (sea traffic vs road & rail) but could change (economic/transport corridors),
- **Common issues**: impact of the regional integration, including with other neighbours (non EU countries / China-GMS); important criteria for competitiveness within the region (hub),
- **Challenges** : running 2 reforms on the same topic (GMS/ASEAN), need to ensure convergence within a wider picture (transport and border-crossing issues).
- **EU support** : APRIS, NCTS software

Customs documentation: S.A.D

- Objectives 1: Data requirements
 - Reduce and harmonize data requirements for all countries within the region,
 - A very limited number of national data allowed,
 - Some data are common to the export, transit and import countries within the region (tariff classification, ..) and can therefore be shared electronically.

Customs documentation : S.A.D

- Objectives 2 : documentation
- One single set of administrative « documents » to be used for all kinds of customs regimes and procedures,
- Prohibit all other administrative documents for intra-EU trade, except those:
 - Expressly created by EC acts or provided by such acts,
 - Required under international conventions compatible with the Treaty,

...../.....

Customs documentation : S.A.D

- Required, within some limits, for the implementation of national provisions not yet harmonised,
 - Required from operators to enable them to qualify at their request for an advantage or a specific facility.
- Codes are widely used in order to avoid translation problems and related difficulties/costs.
- Both aspects (data and documentation) provide the basis for developing e-customs and the SW at national and regional levels

Customs documentation: ASEAN

- On-going development of ACDD (ASEAN Customs Declaration Document),
- Support by APRIS,
- Implementation is of key importance, in particular on additional administrative documents and optional national data.

Facilitating border crossing . 1

- Applicable in particular to road transport and inland waterway, but obviously impact on others in the supply chain,
- **Objective:** to reduce to a minimum the formalities, administrative interventions, inspections and waiting times at border crossing points, because of their negative impact on costs, logistics, economy, employment and regional integration,
- Costs and delays by far not limited to customs issues,
- Necessary identification of what can result in costs, restrictions or even impediments in respect of carriage of goods:
- Extension to non-EU european neighbours.

Facilitating border crossing . 2

- Agreed measures :
 - Only random checks in most cases, and whenever possible at one single place,
 - Recognition of documents and of inspections already carried out by partner countries,
 - Coordination of opening hours + minimum common standards to match actual needs,
 - Adequate infrastructures,

.../...

Facilitating border crossing . 3

- Transport permits and quotas, time and distance restrictions for foreign vehicles,
- Driving licenses, visas,
- Technical restrictions or prohibitions on vehicles, environmental rules,...
- Insurance coverage (vehicle, cargo, driver,...,
- Social rules,
- Temporary admission of means of transport,
- Recently, customs « security » measures: « threats to the security and safety,..., to public health, to the environment or to consumers ».

Facilitating border crossing . 4

- Actual implementation is essential,
- Permanent concertation between the various agencies and the different types of users is most needed on concrete topics,
- IT allows easier and timely provision of relevant data and helps quicker solutions to possible problems.

Supply chain security

- Starting from a constraint (CSI, security requirements), trying to end-up in benefits for legitimate trade and for the public sector. Fair competition among ports was also at stake.
- Mechanisms also applicable for addressing **other major sensitive challenges** : IPR, compliance with safety rules, environmental rules (*CITES, illegal logging, hazardous goods, wastes,..*), product safety, consumer protection...), where monitoring the supply chain is essential,
- A worldwide concept under **WCO-SAFE**, that introduces **common standards**, offer **opportunities** and, consequently, reshuffles parameters for **competitiveness**.

The concept of security under WCO-SAFE

- Identifying high risk consignments at the earliest possible point in the supply chain, in time for timely controls (and subsequent quicker release of other consignments)
- Involving the private sector in working out the AEO system and identifying economic operators (**including freight forwarders, customs agents, carriers, warehouse keepers,...**) that offer a high degree of "security" guarantees in respect of their role in the supply chain (AEO concept),
- Requiring increased « security » **at the point of origin and as the consignment moves throughout the supply chain,**
- Developing international standards, cooperation mechanisms and modernising customs systems and practices.

Securing the supply chain

- issues addressed in the EU -

- Data requirements,
- Advance cargo information (import, export, transit),
- Common standards for computerised EU risk management system,
- Close and continuous partnership with the business community (AEO, Identifying best practices and benefits)
- International cooperation.

Authorised Economic Operator

AEO is a status granted by Customs administrations to

- a) any economic operator **established in the EU**,
- b) who is involved in activities covered by customs legislation (i.e. all stakeholders in an international supply chain) ,
- c) fulfills appropriate criteria, and
- d) offers a high degree of security in respect of its role in the supply chain.

Depending on their choice and on the criteria met, the status may give access to:

- **Simplifications** provided for under the customs rules (e.g. local clearance, guarantee waiver, deferred payment,..) and
- **Facilitation** with regard to customs controls relating to security and safety (Secure AEO)

Mutual recognition is only for AEO that comply with **security** criteria !

AEO : a win-win situation

1. Benefits for AEO:

- Recognition as safe and secure partner; improved relationship with Customs, impact on competitiveness and **market position**,
- **Customs facilitation:**
 - **Lower risk score** for risk analysis, **less data to be provided** for pre-arrival / pre-departure declarations,
 - **Advance notice** that selected for **inspection**,
 - **Priority treatment for controls.**

2. Benefits for customs:

- Allows to focus on traffic of unknown operators or on "risky" trade patterns,
- Better use of resources, more streamlined and also modernised internal processes, more accurate and timely information.

Global impact on trade

- Some **constraints**, but also **important benefits**:
 - An **incentive** for Customs administrations to modernize their rules and practices, and use computerised risk analysis systems targetting « risky » goods, shipments and operators, (Customs of the 21st century); Included in the EU Customs code.
 - **Mechanisms also applicable to other threats/challenges,**
 - **Legitimate business recognised by Customs as a partner and benefiting from customs modernisation,**
- Will favour (reorientate ?) **trade between responsible and reliable and willing partners in both private and public sectors.** Impact of MRA on the business environment.

Implementation in the EU

- As of 4 September 2009: **3.188 applications + 1.445 issued certificates** in all 27 Member States
- **3.000 applications were expected to be processed in 2009** - mutual recognition and trend to AEO status (security of business partner) should multiply
- **78.9% seek combination security-simplifications**
- **70% of applications from SMEs** - SMEs can meet criteria and have usually simpler structure than big companies, this leads to shorter audits and quicker authorisation
- **Monitoring** done in all MS to assess the system and ensure development of best practices (dialogue with the business community)

The international dimension of the end to end supply chain security

Overall objective is international end-to-end supply chain security through **mutual recognition of AEO and controls**, among sovereign partners and as advocated by WCO SAFE ,

This requires:

- **equivalent AEO concepts** (legislation and its implementation)
- **equivalent security measures** that lead to equivalent levels of controls and security,
- agreement on **minimum control standards**, joint risk rules and exchange of risk related information and control results,
- trust and close **cooperation among customs and other authorities**, including on AEO matters.

International Co-operation

- **AEO implementation and projects in Asia:** Australia, China, Hong Kong China, Japan, Korea, Malaysia, New Zealand, Singapore, Thailand, The Philippines, Vietnam, Taiwan,...
- **Outside Asia:** US-C-TPAT, EU AEO, Canada,...

Mutual recognition projects:

- US-EU by 2009-2010 (+ EC-US Action Plan)
- EU-China (Hong Kong ?) Pilot project on smart and secure trade lanes (SSTL),
- EU-Japan,
- US-China discussions on joint security validation under C-TPAT,
- Japan with US, EU, China, Korea, Australia, Malaysia, New Zealand,..
- EU-Switzerland (concluded) and Norway :(AEO, time-limits for advance cargo information, controls) re.Protocol 10 on simplification of inspections and formalities,
- EU- Canada (exploratory discussions)
- Longer term EU projects in Asia (technical assistance, sharing experience) + link with other important challenges which have direct, indirect or even no links with « traditional » security.

THANK YOU FOR YOUR ATTENTION

For up-to-date information,

visit our website:

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

pierre.faucherand@ec.europa.eu