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10 YEARS AEO EVENT ORGANIZED BY THE BELGIUM CUSTOMS ADMINISTRATION

Brussels, 14 September 2018

SPEECH

- Ladies and Gentlemen, a very good morning to you all! It is my pleasure and honour to be invited as speaker to this AEO event and I am happy to have the opportunity to talk to you about the developments of EU AEO programme and its challenges and to contribute to a reflection on AEO after 10 years.
- Firstly let me put this in context. This is the 10th anniversary of the AEO programme but it is also the 50th anniversary of the Customs Union. I would now like to show you a short video on this.
- We have much to be happy about when we look back at what has been achieved.

- We have been working together (Commission, customs authorities and trade) for many years. At the end of 2016 the Commission set out its views in strengthening this partnership and giving a new importance to customs work. Our output of this has been much more focused work with the DG's of customs and more inclusive approach to working with trade (eg. Joint meetings).

- The latest reviews of where we are can be found in the recently published biennial report and the report on the state of play of the UCC.

It all started back in 1968



Customs Union in a nutshell



Developments of the EU AEO programme

(50 years Customs Union)

- For 50 years, the Customs Union, implemented by national customs authorities, has been a significant example of successful integration in the EU. The Customs Union covers all trade in goods. Customs are in a unique

position today to be able to facilitate trade and to protect the financial interests of the European Union and its citizens and their safety and security.

In 2015, the value of the entire world trade amounted to EUR 23 trillion. The EU is one of the main players in the world when it comes to trade and supply chain logistics, alongside the United States and China, with a share of 15% in the total world trade. In 2016, the value of the EU trade with other countries amounted to EUR 3.5 trillion (EUR 1.71 trillion for



Developments AEO

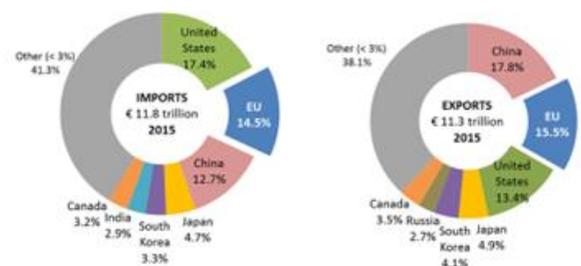
- 50 years Customs Union
- Complexity controls, Modernisation
- Role WCO, 10 years AEO (operational since 1 Jan 2008)
- Benefits
- Synergies



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Statistics - EU customs Union Unique in world



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imports and EUR 1.75 trillion for exports). This is more than the total yearly retail sales in the EU!

In 2016, almost 313 million customs declarations were handled by more than 2 000 EU customs offices, working 24 hours a day and 365 days a year.

(Complexity controls, modernisation)

- Today, in an era where terrorism and other serious crimes operate on a cross-border and trans-national basis, customs authorities are increasingly called upon to carry out non-fiscal tasks aimed at improving internal EU security. The customs are thus facing new challenges: the complexity of controls to ensure the smooth flow of trade while applying necessary controls on the one hand, and also guarantee the protection of the safety and security of the Community's citizens on the other hand. To achieve the correct balance between these demands, customs procedures and control methods must be modernised and co-operation between the different services must be reinforced. Customs need to take

advantage of developments in technologies and business to improve efficiency while encouraging compliance.

(Security)

- The fast, secure and cost-effective operation and performance of the EU external trade is critical for the predictable and competitive operation of EU enterprises and economies.

Security aspects were first introduced into EU customs legislation in the aftermath of the terrorist attacks in September 2001 through the so-called "Customs Code Security amendments" in 2005.

(role WCO, 10 years AEO)

- The World Customs Organisation (WCO) has been involved in developing and administering various international instruments, tools and standards for the harmonization and uniform application of simplified and effective Customs systems and procedures governing the cross-border movement of commodities, people and means of transport.

In 2005 the World Customs Organisation (WCO) adopted the SAFE Framework of Standards (SAFE) that introduced security

measures for supply chains, including the requirement of advanced cargo data, security risk assessment, and an industry partnership programme, the 'Authorised Economic Operator' or AEO. The EU continues to be a major player in the WCO in advancing the AEO concept.

The year 2018 marks the 10th Anniversary of the EU AEO Programme. In 2008, the EU had introduced the AEO concept as part of the Customs supply chain security measure in line with the Customs – Business Partnership approach of the SAFE Framework of Standards of the World Customs Organisation.

(Experience)

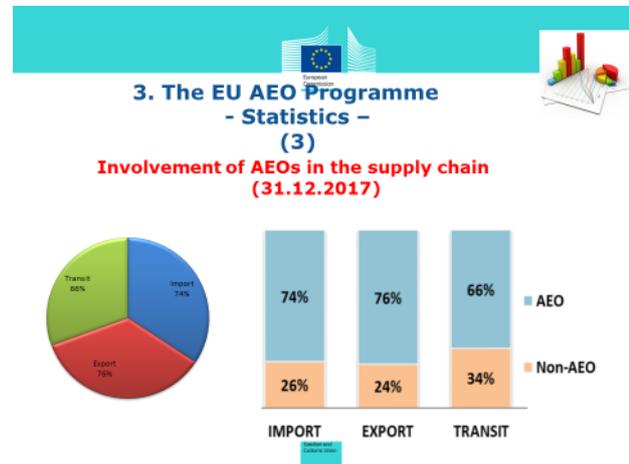
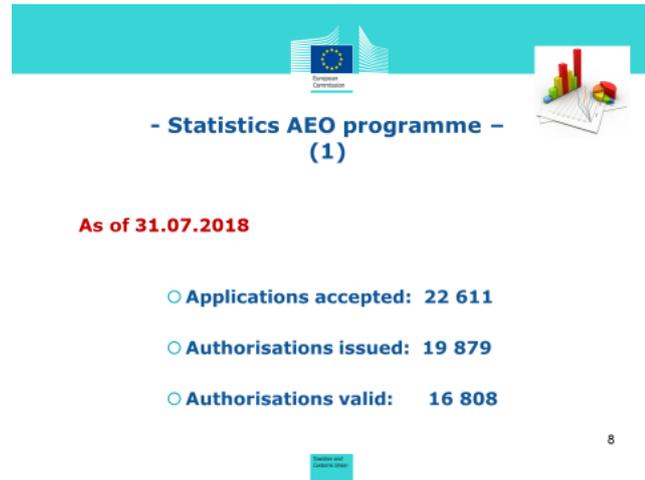
- AEO has also developed as an instrument in relation to simplifications of customs procedures, Thus there are few different types of authorisation for security and simplifications respectively.

- We have now gathered 10 years of implementation experiences. Over those 10 years the AEO has evolved into a solid programme that has become a key instrument for supply chain security and trade facilitation and an integral part of our common approach to both control and facilitation. The AEO programme

is recognised by both international trade and customs authorities.
And indeed has been discussed on a number of occasions with
our Trade Contact Group.

(AEO statistics/ Benefits)

- The EU Authorised Economic Operator (AEO) Programme is fully operational and successfully running since 2008, with at the moment almost 17.000 valid AEOs authorisations accounting for more than 70% of the customs declarations at import/export in the EU. For the EU, the AEO policy is one of the key elements of risk management providing an instrument which identifies legitimate traders separating them from risky consignments and actors at all moments in the supply chain.



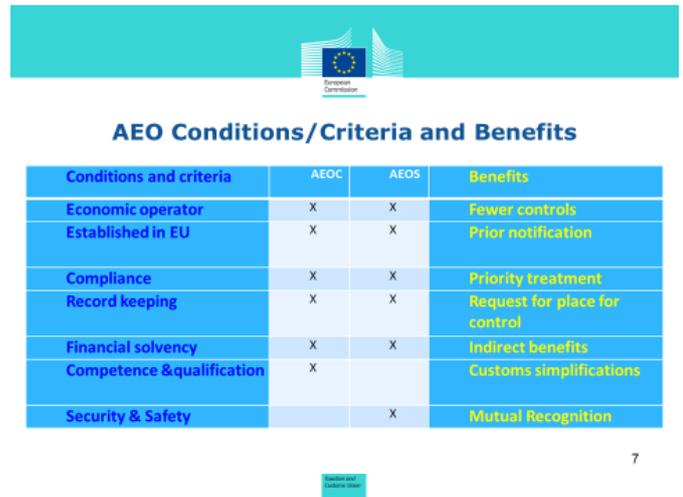
The result is that AEOs are treated as low risk operators in the national risk analysis systems and customs can focus on unknown and unreliable traders.



Furthermore, AEO benefits are an integral part of the EU legislation governing the AEO status.

These benefits are the following

- **Easier admittance to customs simplifications** (AEOC only) (explained further in speech)
- **Prior notification** (logistic advantage by being able to better plan and optimise transport and logistics more sufficiently)



The table is titled "AEO Conditions/Criteria and Benefits" and is presented in a blue-themed layout. It compares the conditions and criteria for AEOC and AEOB, and lists the corresponding benefits for each. The table is as follows:

Conditions and criteria	AEOC	AEOB	Benefits
Economic operator	X	X	Fewer controls
Established in EU	X	X	Prior notification
Compliance	X	X	Priority treatment
Record keeping	X	X	Request for place for control
Financial solvency	X	X	Indirect benefits
Competence & qualification	X		Customs simplifications
Security & Safety		X	Mutual Recognition

- **Fewer physical and document-based controls**
- **Priority treatment of consignments if selected for control**
- **Choice of the place of controls**
- **Indirect benefits** (such as Recognition as a secure and safe business partner Improved relations with Customs and other government authorities, reduced theft and losses;- fewer delayed shipments, - improved customer service; improved customer loyalty; improved inventory management, improved employee commitment; reduced security and safety incidents; lower inspection costs of suppliers and increased co-operation)

(new in UCC simplification/competences)

- In the EU there is the unique situation with one set of legislation (UCC and its IA and DA) governing the EU AEO Programme, which is directly implemented by 28 EU Member States

The Union Customs Code (UCC), which entered into force in May 2016, further elevated the AEO concept by strengthening the link of the AEO conditions and criteria to the customs simplifications and facilitations.

- AEO status is mandatory for applying for certain customs simplifications
 - Comprehensive guarantee with reduced amount for existing customs debts and charges, (Article 95 (3) UCC),
 - Centralised clearance (where an authorisation is required), (Article 179 (2) UCC),
 - Entry into declarant's records with a waiver of the obligation for the goods to be presented, (Article 182 (3) UCC),
 - Self-assessment, (Article 185 UCC and Article 151 UCC DA).

- Criteria for a particular customs simplification/authorisation are covered by the AEO criteria (for example: in the case of a waiver of the comprehensive guarantee),
 - Customs representative providing services in a Member State other than the one where he or she is established, (Article 18 (3) UCC),
 - Authorisation for simplification related to value of goods for customs purposes, (Article 71 UCC DA),
 - Comprehensive guarantee, (Article 95 (1) UCC),
 - Comprehensive guarantee or a waiver guarantee in respect of customs debts and other charges which may be incurred, (Article 95 (2) UCC),
 - Authorisation to use a temporarily prohibited comprehensive guarantee, (Article 96 (2) UCC),
 - Approval of a place other than the competent customs office (presentation of the goods), (Article 115 UCC DA),
 - Authorisation for a regular shipping service, (Article 120 UCC DA),
 - Authorised issuer (proof of customs status),(Article 128 UCC DA)

- Authorised banana weigher, (Article 155 UCC DA),
 - Authorisation for simplified customs declaration, (Article 145 UCC DA),
 - Authorisation for entry in declarant's records,(Article 150 UCC DA),
 - Authorised consignee (TIR), (Article 187 UCC DA),
 - Authorisation for simplifications related to transit, (Article 191 UCC DA)
- Criteria for a particular simplification/authorisations are considered equivalent to AEO criteria.
- Authorisation for the operation of temporary storage facility, (Article 148 (2) (b) and (4) 3rd subparagraph UCC),
 - Authorisation for special procedures, (Articles 211 (3) (b), 214 (2) and 223 (2) 2nd sub-paragraph UCC.)

The UCC includes the introduction of the new criterion on "practical standards of competence or professional qualifications directly related to the activity carried out", for the AEOC authorisation. It will assure that the applicant has sufficient practical experience or knowledge in customs matters. TAXUD has published guidelines to clarify that part of the legislation and member states received information to recognize the educational establishments or professional organisations for providing successful training covering customs legislation.



AEO Conditions/Criteria and Benefits

Conditions and criteria	AEOC	AEOC	Benefits
Economic operator	X	X	Fewer controls
Established in EU	X	X	Prior notification
Compliance	X	X	Priority treatment
Record keeping	X	X	Request for place for control
Financial solvency	X	X	Indirect benefits
Competence & qualification	X		Customs simplifications
Security & Safety		X	Mutual Recognition



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(Synergies other authorities)

- Cooperation with other competent authorities and alignment of programmes has been identified and recognised as a key element for the further development of a robust AEO programme to ensure smooth and secure movement of goods and to avoid duplication of administrative efforts and controls. As such it has been incorporated since the



Cooperation with other government authorities

Areas addressed at EU level

- Aviation sector – AEO/RA/KC/AC

Ongoing discussions on:

- Maritime sector – AEO/ISPS
- Product safety
- Agricultural products
- Dual use goods – export control




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beginning at international level in the WCO SAFE Framework of Standards (FoS), but also at EU level in the EU customs legislation. Further emphasis was given to this topic in the context of the SAFE review strengthening Pillar 3 in the SAFE FoS ("Customs to other Government and Inter-Government Agencies").

At EU level in the last years, work has been initiated in a number of areas (e.g. aviation security, maritime, “dual-use trade controls”, etc.) aiming to identify potential security gaps, as well as synergies to other security related programmes overlapping criteria.

The EU has already legally aligned the AEO and the Regulated Agent/Known Consignor of Civil Aviation in 2015

and other synergies are sought in different areas:

- Collaboration to implement the rules to fight against illegal, unreported and unregulated fishing. The use of the customs risk analysis was proposed (with DG MARE)
- On Dual-Use Coordination Group mandated in the beginning of 2017 a Technical Expert Group to draft EU ICP guidelines for dual-use trade controls in the form of a guidance note. The EU ICP Guidelines is supposed to be

finalised by 2018 autumn and will include AEO reference.
(DG TRADE).

- Discussions are on-going on a proposal for a Regulation that provides provisions for a more favourable treatment of the AEOs by Market Surveillance Authorities. Overall, the proposal aims in reinforcing the safety of products placed on the EU market through better-targeted risk based controls.
- Concerning Intellectual Property Rights, we examine how compliance with the IP protection standards could potentially fit in the AEO concept by becoming part of the process for acquiring such status in the future.

(Mutual Recognition)

- One major benefit AEO offers regarding international trade is Mutual Recognition with our major trading partner. Mutual Recognition of trade partnership programmes not only strengthens end-to-end security of supply chains, but also multiplies benefits for traders. AEOs benefit from reduced controls when



International cooperation

The EU experience

- **EU current mutual recognition agreements:**
 - Switzerland – 1 July 2009
 - Norway - 1 July 2009
 - Japan –24 May 2011
 - United States of America – 4 May 2012
 - People's Republic of China – 16 May 2014
- **Under negotiations Canada and HKC**

importing into those countries as they are treated the same way as operators certified by the partner country. The EU has Mutual Recognition Agreements with our major trading partners: the US, China, Japan, Switzerland and Norway. Currently the EU is negotiating mutual recognition with Canada and has made great progress with Hong Kong Customs as regards the technical comparison of the two respective programmes. By linking the AEO programmes through Mutual Recognition, the EU works together with the WCO and our partners towards a globally standardised and sustainable security structure that will further increase security and facilitate global cargo trade.

Challenges of the EU AEO programme

(Implementation)

- The complexity of controls for customs, being faster despite the growing volume obliged a shift from



Challenges

- **Implementation**
- **Awareness and communication**
- **Competenecs**
- **Risk analysis**
- **IT implementations**

transaction-based controls to audit based controls.

The AEO programme is successful thanks to the partnership between customs and AEO companies and the maintaining of high level standard.

Through our role, as customs and AEO, to monitor the ongoing fulfilment of AEO criteria in the company we achieve the common goal to ensure a robust implementation of the AEO provisions.

To ensure a continued harmonisation of the AEO programme throughout the Member states and to ensure high standards, DG TAXUD is working with Member states on reviewing the process of monitoring.

(Awareness and communication)

- In respect of the AEO programme and its practical use, there is a need of more efforts, by raising awareness and better communication between all partners involved. To communicate the outside world the success of the EU AEO programme and demonstrate the compliance of AEO with an excellent level of standard we should work together. Communication will also ensure the reliability and credibility of the EU AEO Programme,

including improving public perception. TAXUD together with Member states is also working on a strategy for better communication.

(Competences)

- In order to improve the skills and competences of customs officers, AEO auditors and knowledge of the economic operators the EU worked together with the WCO on the development of the AEO validator guide and the AEO validator training modules. The validator guide provides guidance to assist in carrying out AEO audits and promotes a common set of competencies of custom officers (on the basis of the EU competences framework) to conduct audits. The modules provide material to train AEO auditors

(Risk analysis)

- Customs risk analysis is a key EU based approach. As AEO you ensure that you remain reliable partners and continue to fulfil robust criteria with a specific focus on the safety and security elements. Therefore, AEOs should be treated as low risk operators in the national risk analysis systems and customs can focus on unknown and unreliable traders. A reliable AEO

programme asks for a close link to risk analysis and risk management.

(IT implementation/ICS2/AEO trader portal)

- A modern Customs environment and a modern AEO programme require reliable IT systems. The UCC, introduced the concept of electronic data-processing techniques for all exchanges of information declarations, applications and decisions, between customs authorities and between economic operators and customs authorities and the storage of such information.

The actual reform of the existing Import Control System (ICS) is a core delivery to the Union Customs Code (UCC) and to the EU customs risk management strategy implementation. Main priorities of this strategy are to ensure high quality data, effective sharing of risk-relevant information and efficient controls and to focus on interagency cooperation ,partnership with trade and international cooperation.

We received a positive "Go" decision in July from the Member States to start implementing the ICS2 programme. The ICS2 programme also received very strong support from the Industry associations (joint industry letter of support from June 2018 to

start implementing this important reform). The next step will be the delivering of the common repository and shared trader interface, with the focus on the first release i.e. getting the pre-loading data on postal and express consignments.

We are also working on the EU eAEO Direct Trader portal, (as module of the Generic Trader portal) which provides for direct and paperless access and will go live in October 2019. Traders will have the possibility to submit their AEO applications and receive the AEO decisions electronically via an EU harmonised trader interface. Traders and Customs will have the possibility to exchange requests, information, notification and communication in relation with the application process, decision process and management of the AEO authorisation as set out in the legislation.

(Other challenges)

- Last but not least there are many other (new) challenges ahead. New trends and technologies - digitalisation, connectedness, the internet of things, data analytics, artificial intelligence and block chain technology – present both opportunities and threats. New business models such as e-commerce and supply chain optimisation are emerging and must be facilitated.

To conclude

Successful implementation of the AEO programme in the EU is vital to ensure security and to recognise the investment made by reliable operators and to ensure that significant benefits are accrued. Trade is about jobs, creating new opportunities for businesses.

Facilitation of trade plays therefore an important role

and the EU Authorised Economic Operator Programme is a strong tool to provide facilitation for legitimate traders.

The AEO programmes are catalysts for security and economic growth and competitiveness. The challenges now are to ensure that we can build on a solid base to ensure that all stakeholders benefit and that the best control and simplification structures can be used effectively.

This is part of modern customs!

!!! THANK YOU FOR YOUR ATTENTION !!!
AND HERE'S TO THE NEXT 10 YEARS!
AND A STIMULATING DISCUSSION
DURING THE DAY!

