BUSINESSEUROPE

SPEAKING NOTES

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ANNUAL MEETING OF FRENCH CUSTOMS AUTHORITIES

World Customs Organisation (Rue du Marché, 30 / B-1210 Brussels)
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- Dear Mme Crocquevieille, Ladies and Gentlemen, thank you for inviting me to your Annual Meeting today. It is a great pleasure to discuss with you our priorities in the area of customs.
- We all know the challenge: the evolution of the international trading landscape through the electronic marketplace, and the increasing need for companies of all sizes to remain competitive by trading and delivering orders in less time, at a lower cost and across borders has placed unprecedented pressure on customs processes.
- Bottlenecks at the border, which raise costs and create delays for those wishing to trade internationally, stem from uncoordinated regulatory measures and inefficient customs clearance and security procedures.
- Smooth and effective customs procedures are therefore a top priority for BUSINESSEURPOE, and we work towards this goal at different levels: multilateral, bilateral, and within the EU.

- At the multilateral level we strongly support the negotiations for a trade facilitations agreement in the framework of the Doha round. Although WTO negotiations move ahead painfully slowly, we still hope that an agreement can be reached at the next Ministerial Conference in Bali. An ambitious agreement would provide a significant boost to international trade and should:
    - minimise or eliminate fees and charges;
    - allow legal recourse or mediation services in customs disputes;
    - encourage the establishment of a single administrative window for customs;
    - guarantee the publication of trade regulations; and
    - provide accelerated and simplified procedures for release and customs clearance of goods.

- At the bilateral level, we always ask for the inclusion of a strong customs cooperation and trade facilitation chapter in the negotiations. Let me give you as an illustrative example what we expect from the negotiations with the US

    - In the US the number of documents and information that has to be provided is excessive and EU exporters are sometimes facing special fees. This is the case for instance of the Cotton Fee that is imposed on all the cotton products imported into the US.
    - In the EU, while many customs regulations are harmonized at EU level, their implementation continues to be enforced by member state authorities.

Consequently, barriers arise from a lack of harmonization of IT infrastructure (e.g. separate filing requirements based on separate computer systems by EU Member State) and lack of harmonized implementation by national regulatory bodies.

- In the US, there is a lack of regulatory coordination between customs C-TPAT regulations and other programs/initiatives. As a result, despite complying with C-TPAT certification, import self-assessment (ISA) requirements and advanced electronic filing, businesses can face delays because of the lack of alignment/integration with import/export requirements by US regulatory agencies (i.e., EPA, FDA, USDA).

- With this in mind, the EU and the US should work to streamline transatlantic customs policy at an ambitious level. This can be achieved by raising and coordinating a commercially useful de minimis threshold for customs duties, enhancing electronic pre-arrival clearance to allow goods to be released immediately upon arrival; providing a framework of a single window i.e. one government at the border for the submission of regulatory documents; and setting clear standards or guarantees for release time, in order to reduce unnecessary delays and increase the predictability of supply.
- The mutual recognition of the EU Authorized Economic Operator [AEO] programme and the US Customs-Trade Partnership against Terrorism [C-TPAT] is a positive example of regulatory cooperation. Nevertheless, the two systems still have significantly different focus and priorities, reducing the tangible benefits to licensed companies. For example, the US system only reviews imports, not exports – which differs from the EU side and still requires duplicative processing by companies. In general, both sides should give more simplifications for trustworthy companies.
- Further streamlining of initiatives to bolster transportation security without hindering the movement of goods through the supply chain can be achieved through the use of the Air Cargo Advanced Screening initiative (ACAS) as a transatlantic and eventually global standard. In addition, the agreement should leverage the experience of the 'EU-China green lanes program', as well as the US discussions on Trusted Partner, to develop a harmonized approach to fact track processing for businesses that meet the appropriate criteria.
- In order to achieve harmonization on secure trade, the US should be encouraged to base C-TPAT implementation on WCO standards. This would also facilitate coordinated EU-US outreach to third countries to promote global harmonization of security standards. The EU and the US should focus outreach on key trading partners with similar schemes, i.e. Japan, Latin America.

- Let me now turn to the EU and its current customs reform. From the outset BUSINESSEUROPE has supported the envisaged modernization of the EU customs regime which should facilitate trade and global competitiveness of European businesses simultaneously ensuring safe and secure trade in the EU.
- We all know that adaptation of customs legislation to fit and govern the electronic environment for customs and trade in a uniform manner in all EU member countries is a costly and extremely challenging endeavour. This underlines the importance of

proper cost/benefit analysis before introduction of any new requirements which increase administrative burden and costs for European companies.

- The current economic situation makes financing of the necessary changes in the customs administration and IT systems difficult not only for European businesses but for the member states as well.
- The new Union Customs Code, when implemented, should not only make customs procedures easier, but also save costs for customs and business. Modern and trade supportive European customs procedures, including efficient IT systems, are a key element in maintaining the European Union's attractiveness as a location for trade and investment into the future.
- The objective must be to have customs rules and regulations that are as simple as possible to avoid differences in their implementation. Explanatory notes and guidelines should only secure their uniform implementation in all member states.
- In that respect there is also the strong need for the uniform development of eCustoms: a lack of uniformity in data exchange systems throughout the EU will have serious implications for traders as multiple systems are multiplying cost and wasting development investment.

- BUSINESSEUROPE has closely followed and engaged in the discussions on the Union Customs Code (UCC), both in terms of procedure and substance. Overall we observes improvements, but also a tendency towards a lack of harmonization and more restrictive requirements. I would like to single out four issues that are of particular importance for us: simplifications for Authorised Economic Operators, non-preferential rules of origin, customs valuation (first sale rule), multiple filing.

- ***AEO simplifications (Authorised Economic Operator)***

  Compared with their efforts to obtain the status, the current level of AEO simplifications does not provide sufficient advantages to European companies. The following examples would provide some real facilitation, making the status more attractive:

  - Exemption from a pre-departure declaration and an entry summary declaration;
  - Local customs clearance without notification and release of the goods at the moment of entry in the declarant's records.

- ***Non-preferential rules of origin***

  For European companies, a workable solution on non-preferential origin is of key importance. The currently existing "last substantial transformation" rule has proven to be workable. So we want to keep it, as particularly for SMEs it is easy to apply.

  But we know that there are voices who want to change it, arguing that otherwise there would be problems in EU trade defence cases. Our question: is it recommendable to change a whole system that work for a few cases? Our answer is no!

Incorporation of list rules, based on value-added, would create an added bureaucratic expense for European businesses. This would make European products more expensive. It could also trigger the raising of new trade barriers for exports to third countries.

Example:
A cardiac stimulator is assembled by a company in Germany. It is configured by a coupler from the U.S., a battery from the U.S. and a body from Germany. Current rule (last substantial transformation): given the fact that the manufacturing is carried out in the company in Germany the origin is German. Under the new rules the new basis is the value criteria. If you now consider the cost of the parts: the coupler 250 Euros, the battery 30 Euros and the body 30 Euros – you arrive at a U.S. origin for the whole product.

This is a very simply example of a product made up of three parts. There are products with a magnitude of parts – it would be necessary to establish or calculate the origin for each part in order to comply with the new rules! For this reason we are strongly in favour of keeping the rule of last substantial transformation.

- ***First Sale Rule (customs valuation)***

We are very much concerned if the possibility of using 'earlier sales for export' as a basis for valuing goods that are sold through complex supply chains is eliminated. Using only the so-called 'last sale' will result in significantly higher import duties which in turn will lead to increased prices for a broad range of goods imported into the EU. Both European traders and customers are paying the price, European competitiveness is affected. In the current, very difficult economic situation this is unacceptable.

- ***Multiple filing***

In principle BUSINESSEUROPE welcomes measures for an effective risk analysis of customs procedures. However, it should be pointed out that in the past already various measures had been taken which had and continue to have immense costs and workload for the business community.

"Multiple filing" with the inclusion of economic operators will increase the complexity and lead to potential rises of incalculable misinterpretations. Hence it does not make sense, contributing only to the complexity of the processes with a number of negative implications.

First of all, the different records would have to be collected by means of a common reference number. Having several parties in charge of supplementing the relevant records leads to a number of practical problems:

  - Data supply from different sources (carrier / importer) must happen under one reference number. It is questionable that the above condition can be

implemented in practice, and it would require the setting up of additional labour-intensive coordination.

- The inclusion of various parties inevitably leads to overlapping of competence, resulting in questions of liability in cases of delays or violations.
- All partners would have to be able to use the diverging custom systems in the different EU countries. A third party (consultant) would have to be engaged as “an interface”. Such red tape adds costs for companies without any benefits.
- Establishment of “interfaces” increases the risks of errors. Hence one will have to calculate with numerous mistakes due to the characteristics of the system.

Secondly, an improvement of data quality does in principle not depend on who transmits the data to the custom authorities. Moreover, in many cases the requested data is not available to the economic operator (importer) at the time of notification.

Globally “dual filing” is used only in the US for containers imported through sea cargo. It is not used in other countries, due to the difficulties described above. Companies based in the US report that the system does not function smoothly, but leads rather often to considerable problems. Its introduction triggered huge expenses for companies. It is doubtful whether an improvement of the data quality was achieved.

For the above explained reasons, BUSINESSEUROPE rejects "multiple filing". The data for the prior entry summary declarations should be provided exclusively through the carrier within the scope of a uniform record (i.e. "single filing").

- I thank you for your attention and look now forward to our discussion.

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