

Developments in Global Customs Regimes

What is changing?

The focus of world Customs Authorities is changing from collecting duties and indirect taxes to securing global supply chains.

What has caused this change?

Since 9/11, the threat of global terrorism has become a primary concern of world governments. The potential use of legitimate supply chains to smuggle terrorists and weapons of mass destruction across international borders is viewed as a major threat.

How does this affect Customs activities?

Governments see Customs personnel as being ideally placed to prevent/detect the illegitimate use of international supply chains. As a result, the official goal of the World Customs Organisation (WCO)* is now to **secure** and **facilitate** global trade.

How are Customs Authorities responding?

The US Customs and Border Patrol (CBP) has responded with a series of measures, including the Customs – Trade Partnership Against Terrorism (C-TPAT), which focuses on the security of shipments into the US.

The WCO, on the other hand, has developed the concept of the Authorised Economic Operator (AEO), which is an economic operator that is viewed as reliable by Customs Authorities. EU Customs Authorities have implemented this concept, with effect from 01-Jan-08.

What other changes are EU Customs making?

EU Customs are also implementing a number of other significant changes:

- Pre-arrival/-departure declarations must be submitted to Customs in advance of all consignments into and out of the EU
- An EU-wide Risk Management Framework is applied to all such consignments
- An EU-wide Economic Operators Registration & Identification (EORI) system identifies all parties in the supply chain

How does this affect Businesses operating in the EU?

EU Customs perform a security risk assessment on each consignment into and out of the EU and select high-risk consignments for Customs control. Consignments selected for Customs control can be expected to suffer significant delays.

Where does the AEO concept figure in this new regime?

An AEO is assigned a low risk score in the EU Customs Risk Management Framework. This significantly reduces the probability of an AEO's consignment being selected for Customs control. This effectively creates a **two-tier** Customs regime.

* The WCO represents Customs organisations from 171 countries

What benefits does an AEO enjoy?

The two-tier Customs regime provides what amounts to a **Fast Lane** for AEOs.

In the event that an AEO consignment is randomly selected for Customs control, the AEO

- Has the possibility of prior notification of control
- Receives priority treatment over non-AEO consignments and
- Can choose the location for the control inspection

Other benefits include

- Reduced data requirements for pre-arrival/-departure declarations
- Easier access to Customs simplification procedures
- Waivers from Customs bond guarantees
- Concessions from non-EU Customs Authorities as Mutual Recognition treaties are agreed with the US, Japan, China, Switzerland, Norway and other significant trading partners

Over time, AEO is expected to become the **Quality Mark** for secure international supply chains and trusted businesses. Businesses that do not achieve AEO status will be seen as less attractive business partners.

What are the differences between C-TPAT and AEO?

- C-TPAT is purely concerned with security considerations, while an AEO must satisfy requirements in a number of categories:
 - A satisfactory record of compliance with Customs regulations
 - An acceptable financial and logistical system
 - Financial solvency
 - Safety and Security of operations and supply chains
- C-TPAT is concerned only with imports into the US and not with exports. AEO is concerned with all movements of goods into and out of the EU.

What is involved in becoming an AEO?

The first step is a self-assessment of the business against the above four categories of requirements. The next step is to submit an application to Customs, with the completed self-assessment and supporting documentation. Customs then complete a detailed evaluation of the application and award an AEO Certificate, if all requirements are satisfied.

How many AEOs are there in Ireland?

A total of 23 AEO Certificates have been awarded by Irish Customs to-date. The list of AEOs includes Apple, Bausch & Lomb, Diageo, HP, IBM, Kerry Ingredients, Medtronic, Organon, Pepsi, Irish Express Cargo, Kuehne-Nagel and other Carriers.

Why go for AEO Certification now?

The uptake on AEO Certification reflects a pattern that is similar to that experienced with C-TPAT in the US – low numbers initially. However, there was a sharp increase in applications for C-TPAT in subsequent years. As the new Customs regime begins to impact on international supply chains it is expected that there will be a dramatic

increase in the number of companies applying for AEO Certification. Companies that adopt a “wait and see” approach will be forced to join a long queue of applicants awaiting evaluation by Customs.

What timeframe is involved in achieving AEO status?

A company can expect to spend up to six months completing the self-assessment process and compiling the documentation that is required for the AEO application. A further four to six months should be scheduled for the Customs evaluation of the application. As the number of applicants increases significantly, this timescale could stretch.

What factors affect the success of an AEO Application?

As with any major project, Senior Management commitment is a key factor in achieving success; as is a highly-motivated inter-disciplinary project team. An honest self-assessment of the applicant’s readiness and a clear commitment to filling any existing gaps are essential prerequisites.

Companies that have not succeeded have found it difficult to maintain the required momentum to get the project completed in a relatively short timeframe. This can lead to companies submitting incomplete or inadequate applications to Customs. Due to the critical importance of AEO status to the Customs risk management approach and the real prospect of mutual recognition between the EU and its major trading partners, EU Customs must conduct detailed evaluation audits and cannot award AEO Certificates unless the required standards are met.

How can we help?

Based on our extensive experience in Supply Chain consulting and our hands-on involvement with successful AEO projects, we can provide a range of valuable services:

- An initial assessment of readiness for an AEO Project and a determination of scope, project plan, resources, etc.
- Project Management to maintain the momentum of the project and steer it to a successful conclusion
- Co-ordinating actions required to fill identified gaps in a timely manner
- Hands-on assistance in compiling the self-assessment documentation and preparing the AEO application
- Co-ordinating the Customs evaluation audit
- Determining roles, responsibilities and processes for maintaining AEO status after receiving the AEO Certificate

Where can you find more information on AEO certification?

Following are links to some useful websites:

<http://www.revenue.ie/en/customs/leaflets/aeo-information.html> provides general information from Irish Customs and copies of the AEO Self-Assessment Questionnaire and Application Form

http://ec.europa.eu/taxation_customs/resources/documents/customs/policy_issues/customs_security/AEO_guidelines_en.pdf provides a copy of the AEO Guidelines issued by the European Commission

<http://www.revenue.ie/en/customs/businesses/economic/aeo-faq.html> provides answers to some frequently asked questions about AEO

http://ec.europa.eu/taxation_customs/dds/cgi-bin/aeolist?Lang=EN&Name=&Country=IE&Types=AEOC%2CAEOS%2CAEOF&Offset=1 provides a list of Irish AEOs

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