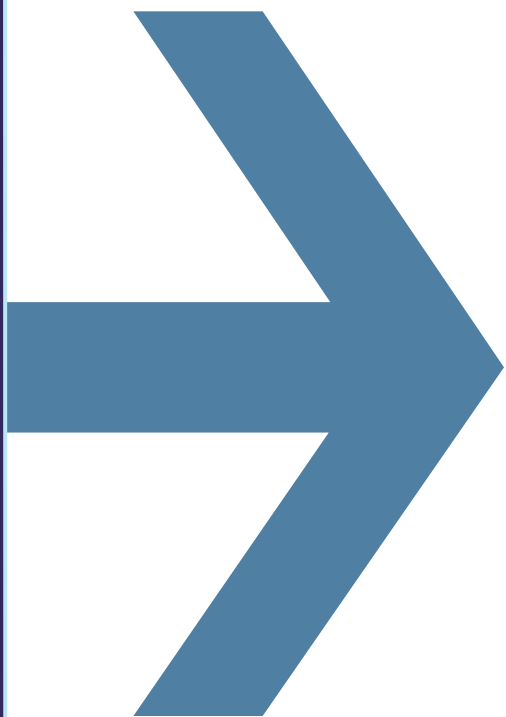


European Responsible Care Forum
6th – 8th April 2011



The European Authorized Economic Operator (AEO)

Pascal Perrochon
UNION DES INDUSTRIES CHIMIQUES (F)
Head International Affairs
CEFIC Customs Policy Issue Leader

CONTEXT

September 11th 2001:

The World Trade Center terrorist attacks

2002:

U.S. Container Security Initiative (C.S.I.)

U.S. Customs-Trade Partnership Against Terrorism

2003:

The EC presented new security measures to the EP and the European Council : concept of harmonized system of risks management

2005:

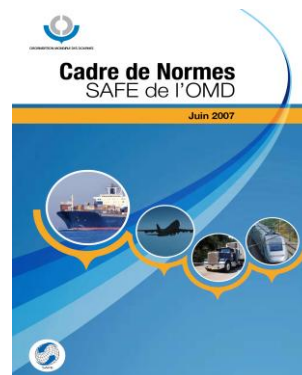
The World Customs Organization (WCO) adopts the SAFE framework of standards for security and trade facilitation



THE WCO INITIATIVES

- **June 2005** : The World Customs Organization adopts the **SAFE** framework of standards for security and trade facilitation
- **June 2006**: **Integration of detailed measures concerning an Authorized Economic Operator concept**
- **The WCO objectives are :**
 - ✓ To make the international supply chain secure
 - ✓ To facilitate the fair trade
- **The key elements of SAFE are :**
 - ✓ Harmonization of the preliminary information of the loading declaration which must be passed on by electronic way for importation, exportation and transit,
 - ✓ Any country which adheres to the SAFE Framework makes a commitment to apply a coherent initiative in risks management,
 - ✓ The Customs administrations will offer advantages to the operators who apply the advised practices and respect the minimal standards in the security of the supply chain

THE WCO INITIATIVES



- **The Authorized Economic Operator in SAFE :**
 - ✓ An AEO will benefit from a faster treatment of the goods by the customs, with a reduction of the number of examined expeditions,
 - ✓ Decrease of the number of risk evaluations
 - ✓ Lower costs and less time for customs clearance
 - ✓ Reduction of the multiple and complex notification requirements

- **PROBLEM :** AEO is not an obligation, only a recommendation

EUROPEAN MEASURES

2005:

Modifications of the Community Customs Code concerning the security published in the Official Journal of the EU of May 4th:

☞ Regulation EC n° 648/2005 of April 13th, 2005

The main modifications of the Community Customs Code are:

- Obligation for the operators to send information on goods to the customs authorities before any importation or any exportation from the EU:
 - ☞ Pre-departure or pre-arrival summary declarations
- Offering a simplification of the exchanges to the reliable operators with the creation of an european **Authorized Economic Operator status (AEO)**
- Basis of what is know referred to as the Import Control System (ICS) and the Export Control System (ECS)



EUROPEAN MEASURES

- The publication of the implementing provisions of the Community Customs Code constitutes the follow-up of the Regulation EC n°648/2005. This text settles the operational details of the customs procedures relative to the security measures,
 - ☞ **Regulation n°1875/2006 of December 26th, 2006**

- Implementation dates:
 - ✓ **2007**: a common frame of risks management is used in support of the Customs authorities control

 - ✓ **January 1st, 2008**: **The AEO status came into effect.**

 - ✓ **July 1st, 2009**: the operators will have to supply in advance information to the Customs authorities concerning the goods imported in the EU or exported from EU territory.

 - ✓ Pre-departure or pre-arrival summary declarations

PRE-ARRIVAL / PRE-DEPARTURE DECLARATIONS

➤ Considering the regulation EC 648/2005:

“The economic operators will have to supply to the customs authorities, anticipated information on the goods entering or going out of the customs territory of the European Community.

These measures will allow a better risk analysis and a faster customs clearance ; **The advantages for the economic operators should be equivalent, even superiors, to the costs or to the possible disadvantages bound to the obligation to supply information”**

➤ The community texts define:

- ✓ **The data** to be supplied in the summary declarations
- ✓ **The periods** to supply the data
- ✓ The exchange of **information on risks**

PRE-ARRIVAL / PRE-DEPARTURE DECLARATIONS

EU security/safety information

- **Pre-arrival Summary declaration :**
 - ✓ sea transport: for the containers cargoes: at least 24 hours before loading in the port of departure ;
 - ✓ Air transport: for Long-haul flights: at least 4 hours before the arrival at the first airport of the EU
 - ✓ Railroad transport: 2 hours before the arrival to the Customs office
 - ✓ Road transport: at least 1 hour before the arrival to the Customs office

- **Pre-departure Summary declaration**

The export customs declaration, including the required data concerning the security, will serve as pre-departure declaration, provided that the required data are strictly the same in all the member states

THE EUROPEAN A.E.O.

- To relieve the constraints of the summary declarations, the European Commission created an AEO status similar in the spirit to the U.S. C-TPAT.
- This status is granted under the shape of a certification, issued by the EU Customs authorities. The advantages are situated to the security plan (AEO certificate for safety / security), to the strictly customs plan (AEO certificate for customs simplifications) or the full.
- Member states can grant the AEO status to every economic operator answering common criteria concerning its security system, its financial solvency or its antecedents in respect of customs rules
 - ☞ Request form + self-assessment questionnaire
- The AEO status granted by a Member State is supposed to be recognized by the others, but, in fact, it will not confer automatically the right to benefit from customs simplifications in those countries



THE EUROPEAN A.E.O.

- Since January 1st, 2008, the EU Customs authorities have to be capable of examining the demands formulated by the operators and of making the required audits
- CEFIC always indicated in its position papers that **the advantages obtained by the operators are very poor towards the constraints:**
 - ✓ Respect for the strict standards in protection against intrusion in buildings or in logistic zones,
 - ✓ Commitment of the operator "to enhance reliability" of its partners
 - ✓ antecedents control of the employees who will occupy sensitive posts
 - ✓ Awareness campaign of the co-workers (with the E-learning tool)
- Even if the regulation does not impose to the operators to be an AEO, **later this status will become compulsory.**

THE EUROPEAN A.E.O.

Statistics today:

- Around **7100** operators in EU asked or are asking for an AEO certificate
- Around **5100** AEO certificates had been delivered

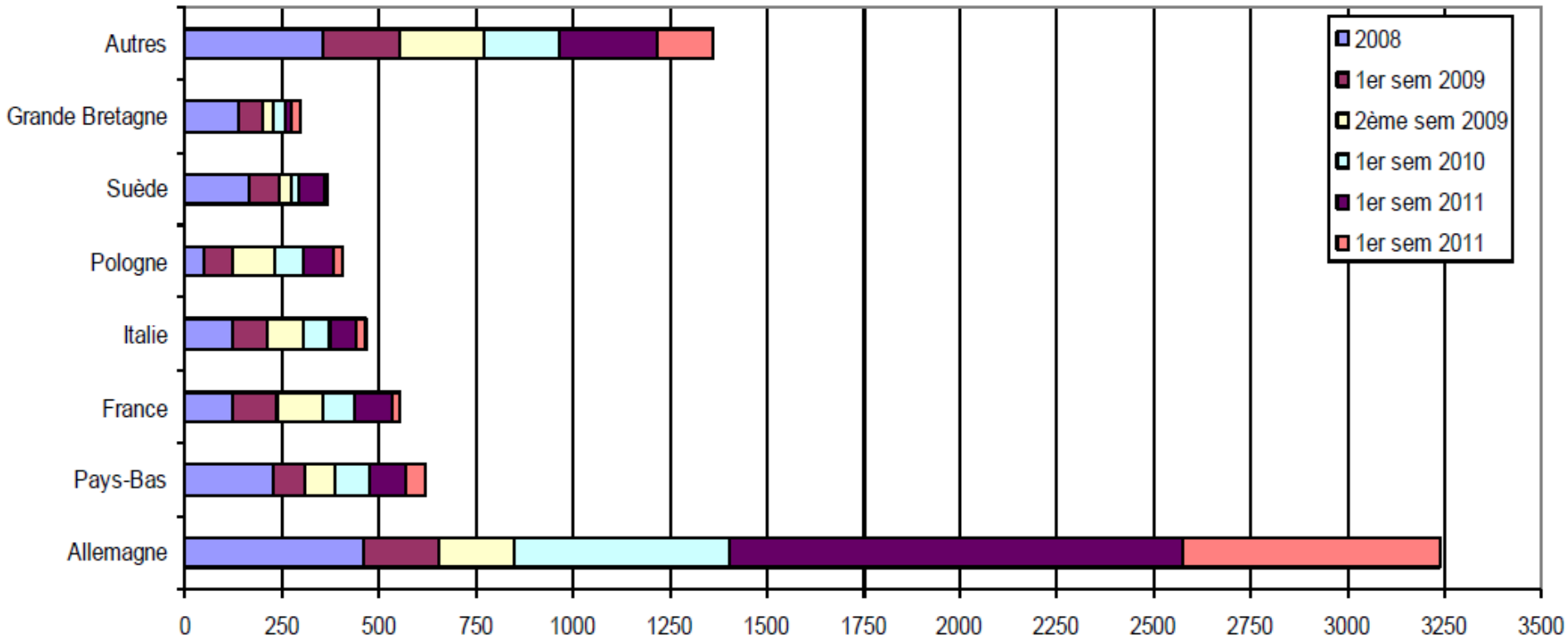
This is insufficient considering the number of operators concerned in the EU

Reasons : the implementation entails a real cost for the companies in exchange for advantages that the Customs authorities have difficulties to demonstrate



THE EUROPEAN A.E.O.

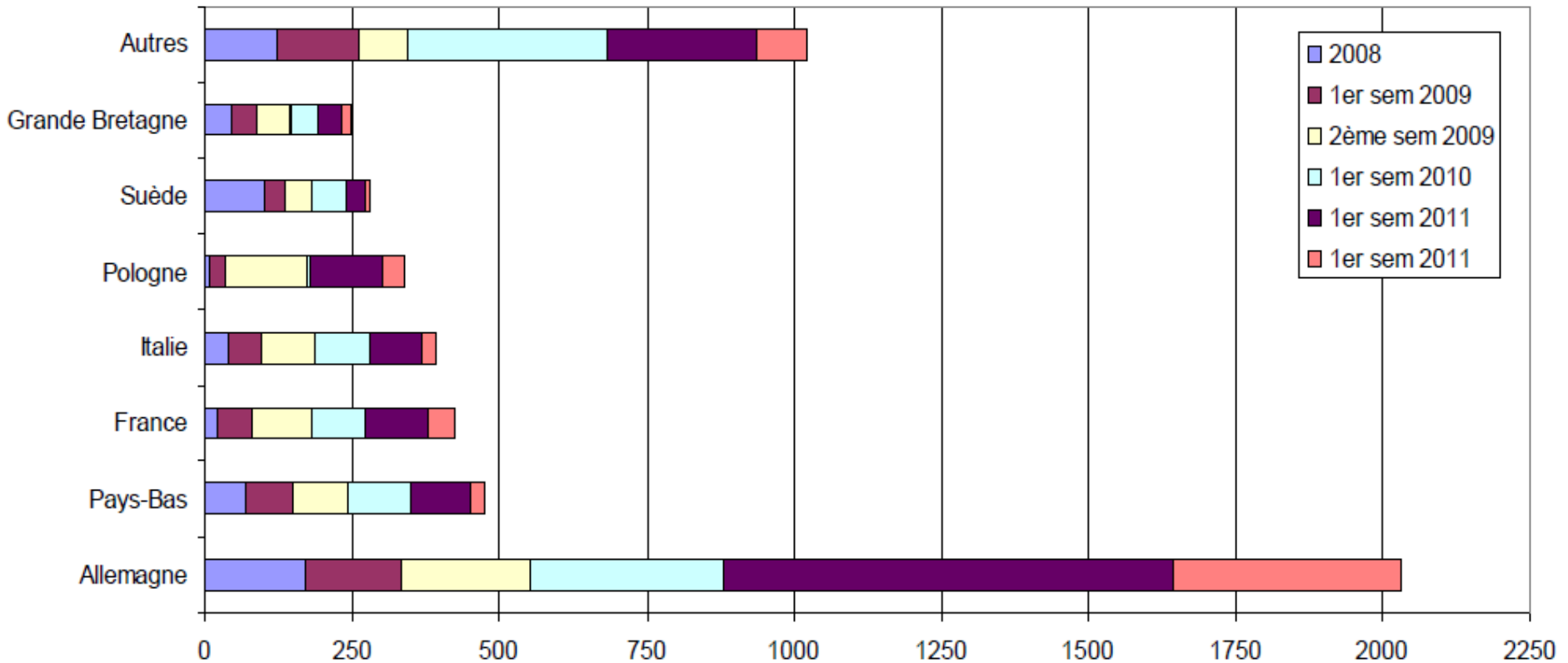
AEO requests by Member States



Source : the French customs administration

THE EUROPEAN A.E.O.

AEO certificates delivered by Member States



Source : the French customs administration

CEFIC LOBBYING ACTIONS

- CEFIC is a member of the **EC Trade Contact Group for electronic customs**
- Since 2007, CEFIC issued **AEO position papers**, insisting on:
 - ✓ The advantages which are not attractive enough, especially for SMEs
 - ✓ The guarantee of an **equal treatment** of the economic operators in all member states to be an AEO,
 - ✓ The necessity of a **mutual recognition** with others statuses in the World, especially the U.S. C-TPAT
- CEFIC strategy of **lobbying**:
 - ✓ as an AEO, to obtain real simplifications : less control, abolition of penalties for the small malpractices, simplified access to the economic customs systems, less expensive insurance
 - ✓ To take into account all the corresponding regulations related to safety/security to which the chemical industry has to comply with during the AEO audit (to avoid the double checking) : Seveso risks, dual-use goods, chemical precursors,...
 - ✓ The promotion of an AEO status for a group

A.E.O. and RESPONSIBLE CARE

- Links between the **AEO status** and the **European Responsible Care Security Code** :
 - ✓ Management practices to protect people, property, products, processes, information and information systems,
 - ✓ Implication of the supply chain : production, storage, distribution and transportation
 - ✓ Risk-based approach to identify, assess and address vulnerabilities,

- Responsible Care is the **world's leading voluntary industry initiative** - it is run in countries whose combined chemical industries account for nearly 90% of global chemicals production.
 - ✓ This an opportunity to promote the mutual recognition between the European AEO status and other concepts in the World
 - Acquired with **Norway** and **Switzerland**
 - Recognition signed with **Japan** in June 2010 and effective coming into force at the beginning of 2011
 - Discussions always with the **USA** and **China**



LAST DEVELOPMENTS

- Today we have no guarantee of a mutual recognition between the European status and the U.S. C-TPAT, even if the U.S. Customs and Border Protection and the EC have adopted a joint roadmap
- And the “security phobia” in the United States is going on with a new step:
The 100 % scanning law, which will impose in 2012 the scanning of all containers of goods exported to the United States, and not only containers with a risk (CSI).
The impact of such a measure would be catastrophic for our foreign trade and would condemn automatically the AEO status.
- Since July 2010, a new **self-assessment questionnaire** adapted to the audit
- New AEO database

CONCLUSION

- *The Customs policy* is of increasing strategic importance to chemical business competitiveness:
 - ✓ The new electronic control systems are now replacing the paper environment everywhere in the World
 - ✓ More clarity is required on the impact of new non-tariff measures: security/safety, counterfeiting, health and environment
- All the EU companies have to modify their computer system of Customs management, integrating the new systems of their customs Administrations: Atlas in Germany, Delta in France, PLDA in Belgium, etc...
- But, the security measures create new costs and supplementary delays
- To be an AEO will be an obligation in the future
- AEO and Responsible Care are totally complementary



Thank you for your attention.

Pascal Perrochon

Head International Trade, Transport & Logistics

Union des Industries Chimiques

Immeuble Le Diamant A - 92909 Paris La Défense – France

Ph : 33.1.46.53.11.38 – Email : pperrochon@uic.fr

