



## ***Supply Chain Security: Update of the Community Customs Code***

An important security-related update of the Community Customs Code has recently become law. This affects everyone who is involved in the international supply chain and it is therefore important that traders and third countries customs authorities are informed.

As from January 2008 an Authorised Economic Operator (AEO) concept is introduced. This means that reliable traders that meet specified criteria can obtain facilitations from security measures and also ask for simplifications as provided for under customs rules.

As from July 2009 it will become mandatory for traders to provide customs authorities with advance information on goods brought into, or out of the customs territory of the European Community. Failure to do so will mean goods cannot be loaded on ships bound for the EU.

In international fora questions related to the update are discussed with our major trading partners and international organisations such as the World Customs Organisation in the context of the SAFE Framework of Standards.

### ***The rationale behind the update***

The terrorist attacks in New York, Madrid and London have changed the world in which we live. The fight against terrorism with the protection of citizens has become for governments more than an important issue; it has become a strategic issue. We are facing a serious, new challenge: How best to design and implement effective measures that will successfully defend our trading and transport system from terrorism – while preserving the efficiency of today's system and the benefits which consumers and businesses derive from it?

The European Council of 25 March 2004 called for the protection of all forms of transport systems, in order to ensure effective border control and facilitate the adoption and implementation of the strategy for customs co-operation.

Together with economic operators, Customs have a role to play in securing the supply chain while facilitating legitimate trade. A terrorist attack related to the international supply chain would not only threaten lives but could also bring international transport to a halt, with potentially disastrous consequences for the world economy. In the context of the EU Customs Security Programme, the EU Parliament and Council adopted in 2005 the so called "security amendment" to the Community Customs Code (see [IP/05/209](#)) providing the legal framework for the measures adopted in today's regulation.



## **The cornerstones**

The European Commission has adopted a regulation<sup>1</sup> aiming at increased security for shipments entering or leaving the EU and providing greater facilitation for compliant operators. It introduces a framework for better risk analysis of goods crossing EU borders. From 1 January 2008, reliable traders (Authorised Economic Operators) respecting determined criteria will benefit from trade facilitation measures and from 1 July 2009 the electronic exchange of advance information between traders and customs authorities on all goods entering or leaving the EU will be introduced. The regulation also requires customs authorities to exchange information electronically on exports in order to speed up export procedures.

The follow-up to [EC Regulation 648/2005](#) is the publication of the implementing provisions which set out the operational details in the customs processes for the above mentioned measures. The regulation (see also Press Release [IP/06/1821](#)) entered into force on 26 December 2006 and applies within the following timeframe:

1. Since early 2007 a common risk management framework has been used to support improved risk based controls by customs authorities. The risk management system will be fully computerised by 2009.
2. On 1 January 2008 the provisions for the Authorised Economic Operator programme (AEO) will enter into force. The AEO programme will strike a balance between increasing security requirements and facilitation for compliant traders.
3. On 1 July 2009 it will become mandatory for traders to provide customs authorities with advance information on goods brought into, or out of the customs territory of the European Community.

Additionally a non-security related measure is introduced with the entering into force of the implementing regulation: Customs authorities are enabled to exchange information electronically on exports between the customs offices involved in the procedure, allowing Community exporters to receive the proof of export immediately after the exit of the goods (Export Control System). It is expected that all Member States will be ready by 1 July 2007 at the latest.

The measures introduced aim at increasing the level of protection offered by customs controls for goods entering or leaving the European Community.

These measures should produce faster and better targeted customs controls that facilitate legitimate trade but tighten minimum security and safety requirements. They involve putting in place a new risk management framework; granting the status of authorised economic operator to reliable traders; introducing the requirement for pre-arrival and pre-departure information to be given to the customs authorities on all goods brought into or out of the customs territory of the Community; and facilitating information exchange between customs administrations.

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<sup>1</sup> This regulation ensures the implementation of the amendments to the Community Customs Code introduced by the Parliament and the Council in 2005 ([IP/05/209](#)).



## ***A new risk management framework***

Customs expertise in controlling goods, backed up by the use of modern IT systems and an efficient risk assessment, is vital to detect illegal goods crossing EU borders such as drugs, explosives or nuclear and chemical weapons.

The new regulation introduces a mechanism for setting uniform Community risk-selection criteria for controls, supported by computerised systems.

## ***Authorised Economic Operator***

Reliable and compliant traders will benefit from simplifications in the customs procedures and/or from facilitation with regard to customs controls relating to safety and security under the Authorised Economic Operator (AEO) Certification scheme.

The AEO concept should ensure a safer and more secure end-to-end supply chain. Being recognised as an AEO will constitute an added value for the operator, as it demonstrates compliance with solid security criteria and controls. This will provide a competitive advantage to participating companies.

## ***Information on goods before they leave or enter EU territory***

Traders will have to supply customs authorities with advance information on goods brought into, or out of, the European Community (entry and exit summary declarations).

This will enable customs authorities to carry out better risk analysis, e.g. before goods arrive in the customs territory, and to focus on high risk cargo thanks to the availability of risk-information at an early stage.

It will also allow quicker processing and release upon arrival, resulting in a benefit for traders.

## ***Export control system***

Customs authorities will be required to exchange information electronically on exports between the customs offices involved in the procedure. This constitutes the first step in the full computerisation of EU customs; the so-called electronic customs project (see [IP/05/1501](#))

Once all Member States are connected to the Export Control System (expected by July 2007 at the latest) Community exporters will receive the proof of export immediately after the exit of goods, enabling all related processes (VAT refunds, etc.) to be speeded up.



## ***Where to find more information***

You find more detailed information on the website of the European Commission's Directorate-General for Taxation and the Customs Union:

[http://ec.europa.eu/taxation\\_customs/customs/policy\\_issues/customs\\_security/index\\_en.htm](http://ec.europa.eu/taxation_customs/customs/policy_issues/customs_security/index_en.htm)

## ***Main documents***

1. [EC Regulation 648/2005](#) (EU Official Journal L 117).
2. Implementing Provisions to EC Regulation 648/2005 (EU Official Journal L 360: [http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/l\\_360/l\\_36020061219en00640125.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/l_360/l_36020061219en00640125.pdf))
3. Details of the Authorised Economic Operators concept are found in the Implementing Provisions above. (Article 14 a for general provisions; 14 c – d for how and where to apply; 14 g – k for the conditions and criteria for granting the AEO Certificate. More information on AEO is available from the [AEO Pilot Report](#), [AEO guidelines](#), and [AEO COMPACT Model](#).
4. Details of the data which need to be included in the advanced information on goods brought into, or out of the customs territory of the European Community are to be found in the Implementing Provisions, annex III.
5. Details of the common risk management framework are to be found in the Implementing Provisions, Article 4f – j.
6. Co-operation between EC and United States. Details with 10 recommendations in: [Customs Cooperation on transatlantic supply chain security](#)
7. Co-operation on supply chain security with China (see press release [IP/06/1206](#))
8. The EC Security Initiative is compliant with the WCO SAFE Framework of Standards. More information on co-operation in international fora is available from the website of the European Commission's Directorate General for Tax and the Customs Union: [http://ec.europa.eu/taxation\\_customs/customs/policy\\_issues/customs\\_security/index\\_en.htm](http://ec.europa.eu/taxation_customs/customs/policy_issues/customs_security/index_en.htm)
9. A list of frequently asked questions (FAQ) is available from a dedicated page of the same website [http://ec.europa.eu/taxation\\_customs/common/fag/index\\_en.htm](http://ec.europa.eu/taxation_customs/common/fag/index_en.htm)