

Customs 2007 Seminar
Wroclaw, 6 April 2005

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Dear Minister, Distinguished Speakers, Ladies and Gentlemen

I have been asked to speak about what the trades' expectations with regards to eCustoms are. I wish to thank the Commission for allowing me to speak on behalf of European Business.

To give a little background about myself, I serve as secretary to EUROPRO which is the federation of European Trade Facilitation Organisations. Through our stakeholders and involvement with a wide range of industry associations at European and Member State level we aim to offer a neutral position bringing together business and government to help advance the trade facilitation agenda and ensure the competitiveness of EU based enterprise.

Our core message is relatively simple. To quote a renowned expert on relativity, Albert Einstein, "Everything should be made as simple as possible, but not simpler"

Even with the great effort put in place by the Commission's Vision for a paperless trade and Customs environment, there remains a long way to go. Trust between legitimate traders and their regulators certainly offers a good starting point to improving the often cumbersome regulatory environment that traders face.

By the very nature of business, traders and their governments share the same objectives, which is to operate in a prosperous and secure business environment. Through partnership between business and government stakeholders, this objective can be met.

Trade facilitation serves as a key instrument in achieving this goal and we are pleased that the main trade facilitation principles – i.e. simplification, harmonisation, standardisation and modernisation – are the driving forces in the Commission's Vision for a paperless trade and Customs environment. We are also pleased that this Vision has been endorsed by the Member State's Ministers in the European Council.

In this context I find myself in a very novel position, facing the Commission and telling them that they have got their Vision right. By its very focus it offers considerable scope for simplification, harmonisation, standardisation and modernisation! If successfully implemented, the proposal will bring Europe into the 21st Century.

With much of the wind taken out of my sails, I have been asked to state what the trade wants.

Economic success for European business depends on firms staying competitive in an increasingly difficult marketplace, where more and more economies - China, the Far

East, India - are pushing up productivity and quality by leaps and bounds, while prices stay obstinately low.

Europe is, despite our recent enlargement, likely to remain a high-cost environment for business. Every contribution to lower costs therefore translates directly into improved competitiveness.

Our Customs Union and single market, despite many years of existence, have not realised their full potential for reducing costs and enhancing competitiveness. E-customs gives us that chance, and we mustn't miss it. It won't come round again for a long time if we mess it up now.

E-customs is not just about Information and Communication Technology, but about an integrated and modern vision of how border controls and regulatory processes impact on business. It's not even just about customs, since customs administrations are now the 'gatekeepers' for so many other parties with interests in the fiscal area, environment and health, consumer protection, trade policy and safety and security – especially after September 11th.

As a practitioner it is easy to list 50+ trade related regimes to which traders are exposed to in the European Union. Regimes include veterinary, phytosanitary, dangerous goods rules, hygiene, food safety, labelling, product testing, marketing conformity checks - and that is just the beginning of a long catalogue. Each procedure has a transaction cost. Most require Customs to release goods into free circulation.

The Vision for a paperless trade and Customs environment offers the opportunity to reduce these transaction costs substantially.

While the trade is very supportive, it has a number of concerns.

The perception is one of an overemphasis on security. Frequently reference is made to the need of finding a balance between trade facilitation and security. This is wrong! Trade facilitation – that is the simplification, harmonisation, standardisation, modernisation of trade and customs procedures – is a mechanism to improve both business competitiveness **and** security. It is not about trade-offs, they are two sides of the same coin. Thinking needs to be focused on how both competitiveness and security can be achieved without compromises.

Such partnership with a well defined and robust risk framework is possible! It already serves as the basis for the gathering of quality intelligence, combating smuggling and protecting EU citizens in our Member States.

The trade is also concerned about inconsistent or half-hearted implementation of the Vision. We want one system. The development of 25 separate systems which are not interoperable and fail to integrate, no matter how modern they are, would be a step backwards for European enterprise.

The Business agenda goes beyond Europe. Even SMEs rely on global markets! While not the topic of this Seminar, we are pleased that DG TRADE has set high ambitions for a WTO trade facilitation agreement. DG TAXUDs Vision of an integrated trade and Customs system, if consistently implemented, certainly will place Europe in a favourable position. We would also hope that where feasible, the Commission would push key markets like the US for reciprocity.

The Commission has set an ambitious goal which the trade whole-heartedly supports. However, for many of us current debate on SAD Harmonisation, AEOs, Messaging Standards, Data Elements, the AIS and AES serve as a litmus test. Failure in any one of these areas seriously dilutes the overall Vision bringing into question the Unions commitment to international trade or in maintaining Europe as an attractive location for business. Failure in any of these areas will certainly reduce benefits for EU based traders and is likely to add to trader's cost. On that same note, failure to take any action at all will be an even greater sin.

Any duplication, as is the current status quo, constitutes an unnecessary cost. From the trade's point of view, we want the Vision of **one** paperless trade and Customs system, a European Single Window, to be turned into reality.

The Challenge is how to turn this Vision into reality?

An integrated Vision touches on the law, practice and customs technique. The Commission is therefore right to start with a fundamental revision of the Customs Code. But it must understand the importance to business of fully integrated and harmonised practices across Europe if the benefits of reform are to be realised. The EU of fifteen Member States had notoriously unharmonised customs practices, and the addition of ten new members is likely to increase rather than reduce the lack of harmonisation.

At its simplest, the business agenda revolves around one basic idea: complying electronically with a company's regulatory obligations from one single point in Europe (if that is the company's choice), expecting administrations then to arrange controls seamlessly around that basic act of compliance.

Companies that offer significant extra safeguards to customs should be granted AEO status, operable in all Member States and exempting them from a wide range of routine regulatory requirements. Ideally AEOs at the highest level of authorisation should manage their own compliance, streaming duty, control, statistical and other data automatically from their corporate IT systems to the appropriate customs authorities across an integrated and uniform EU customs gateway and network.

Ideally, this process will be expanded to include other trade regimes and systems e.g. for VAT, the Veterinary area (that is DG SANCO's TRACES), any reciprocal arrangements that can be negotiated with third countries or even within the global framework of the WTO.

Control practices and standards should be uniform across the EU, and based on the most efficient and least intrusive practices in the Member States. Where this requires

upgrades in the systems, administrative rules, skills and knowledge of certain administrations, the Commission should take a lead in ensuring that performance is appropriately boosted.

Given the range of stakeholders at European and Member State level, it will require strong leadership.

Project management should thus be of the highest order for what is almost certainly the most complex modernisation project for any administrative sector in the world. The Commission should take the lead, and ensure that it has the resources, internally and externally, to do the job.

Milestones and measures of achievement should be put in place to ensure that the project stays on track. These should be publicly accessible, to ensure that Commission and Member States are properly held to account.

Business must not just be 'consulted' on what is going on - and EUROPRO pays tribute to the Commission's desire to associate business closely with the reform process – but, business must be integrated into the planning and implementation of each step. This includes finding the right way of associating business representatives with the regulatory procedures, including the adoption of implementing rules by the Commission.

The private sector holds considerable expertise and knows its business, including where the risks lie. This expertise needs to be effectively harnessed and utilised at all levels. At the heart of the vision lies the desire to distinguish between legitimate trade and other activity. For the business community to engage with authorities, it has to receive incentives. The economic utility of these incentives has to be worth more than the current status quo.

Certain milestones with economic utility, such as authorised economic operators, single authorisations and guarantees or simplified procedures need to be tangible in order for business to take a decision on adequate investment and the reengineering of internal business processes.

Costs for business should be clearly spelled out - business should be asked to help with this - and a running balance sheet of costs and benefits needs to be kept.

If at all possible, the e-customs project should be moved up the political agenda and given the recognition it deserves as a highly significant contribution to achieving the Lisbon objectives and ensuring that European business can keep its place in the 21st century's global economy.

This Seminar provides the opportunity to define the key milestones and the timetable for this ambitious project. To keep to the timetable Project Management needs to be held accountable for its implementation. Slippage in the delivery will increase the implementation cost for both administration as well as business. Failure to deliver a harmonised system would constitute a missed opportunity and place the EU at a disadvantage.

It is all about doing the right things at the right time and the right place.

This is the right time for the paperless trade and Customs environment. Pressure to deliver this Vision is set by international competition as well as the desire to remain a leading force in international trade.

“Doing the right things” means that it has to be one harmonised system, any deviation or fragmentation between Member States is not acceptable if we wish to stay true to the Vision.

The right place means that we need to think European if we wish to succeed in a global business environment. This dictates a programme of responsibilities for the Commission, the Council, the Member States and European based business.

I have raised a lot of issues in the few minutes I had for this presentation. To summarise briefly what trade wants regarding eCustoms:

1. An appreciation that trust between business and government is essential if we wish to remain competitive
2. We want the Commission’s Vision: a paperless trade and Customs environment
3. All Member State systems need to be fully interoperable, establishing a European Single Window
4. Inclusion of non Customs regimes
5. An ongoing commitment to consultation at all levels
6. Accountable project management at the highest level
7. Ongoing evaluation of costs and benefits as project is rolled out

In my introduction I drew reference to Albert Einstein’s quote: “Everything should be made as simple as possible, but not simpler” I think this is a good premise and I wish to thank you for hearing me out.

Thank You.